

IRMA Glidden

From: Alan Teague <alan@alameda.morphdog.com>
Sent: Monday, July 1, 2019 10:35 PM
To: Marilyn Ezzy Ashcraft; John Knox White; Jim Oddie; Malia Vella; Tony Daysog
Cc: City Clerk
Subject: Comments regarding Introduction of Ordinance Establishing an Annual General Adjustment in Rent...

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Dear Mayor Ashcraft, Vice Mayor Knox White and Councilmembers Oddie, Vella, and Dayson,

There are three areas that need clarification or alteration in this ordinance:

- How will the base rent be determined for units where the Tenant is currently in arrears?

> If a landlord has accepted less than the full amount of the rent, the Rent Stabilization Ordinance prevents recovering of the unit due to non-payment of rent. I have at times allowed a Tenant to pay back owed rent over a period of months when circumstances made it appropriate. Will this punish landlords who are currently in such a situation by setting the base rent to only the money collected from the tenant? Will this punish tenants who are currently paying back such a situation by setting the rent to this higher amount?

- Are landlords able to temporarily reduce a Tenant's rent due to Tenant hardship without reducing the Maximum Allowable Rent for the unit?

> I have at times reduced a Tenant's rent when they have encountered a temporary hardship. How will this be allowed under this new ordinance?

Section 6, Petition Process paragraph I:

Any individual downward adjustment of Rent due to decreases in Housing Services, etc should be temporary and the rent returned to the previous level once corrected. This is also covered by existing California law which allows a tenant to reduce what they are paying when experiencing decreased services.

Regards,
Alan Teague
Alameda Resident

LARA WEISIGER

From: Catherine Pauling <cjpauling@gmail.com>
Sent: Monday, July 01, 2019 7:20 AM
To: Marilyn Ezzy Ashcraft; John Knox White; Malia Vella; Jim Oddie; City Clerk
Subject: SDRC Rent Analysis for July 2nd City Council Meeting
Attachments: SDC Rent Analysis for 7-2-19 CC Meeting-Final.pdf

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Dear Mayor and Council,

The Senior and Disabled Renters Committee is submitting the attached statistical report to expand the information provided by staff regarding city rents and renters income. We believe it strongly supports a rent cap below 100% of CPI as three neighboring cities have chosen to do. We also believe it explains how 65% of CPI is calculated and appropriate as a rent cap that provides a fair return for landlords and housing security for Alameda renters. We look forward to hearing your response,

Sincerely
Catherine Pauling
Senior and Disabled Renters Committee

RENTAL HOUSING AFFORDABILITY IN ALAMEDA

An Analysis of Census Data (from 2012/2017)

Presented by: Seniors & Disabled Renters Committee
Comment on: 7/2/19 City Council Agenda, Item 6-C, File #2019-7007

SUMMARY

Rising home and rental prices are ripping apart the economic and social infrastructure that sustains over half of Alameda's households. **A rent cap set at 65% of the CPI (Consumer Price Index) would stabilize these households.** Without strict rent control, it would be decades, if ever, before new construction eases upward pressures on rents. Until such rent control is enacted, rising rents will continue to displace large fractions of renters on the Main Island, where the bulk of Alameda's renters live, and rising rents will also displace the higher income renters on Bay Farm Island as well.

Our analysis shows that:

- ***A rent cap set at 65% of CPI may reduce displacement by keeping rents growing at rates closer to those of wages and Social Security benefits;***
- Main Island tenants living in multi-family housing, especially those among the 5,700 households with incomes less than \$50,000, suffer the highest risk of displacement;
- A detailed rent registry will be needed to monitor and regulate a rent cap.

Rent Cap at 65% of CPI Would Slow Displacement

The historical data in Table 1 (below) suggest that a rent cap set at 65% of CPI may slow, but not eliminate, displacement of wage earners or of those dependent on Social Security.

For the period of 2012 to 2017, a rent cap at 65% of CPI would have reduced the gap between wage growth and rent increases to 2% from nearly 30% under existing rent law.

The rent cap for the CPI without shelter also has the potential to prevent displacement as both wages (8%) and Social Security (7%) grew faster than the rent increases this cap would have allowed (6%). This rent cap would allow seniors who rely on Social Security income to have a more manageable rent payment. The money saved from reduced rent payments would ease the financial stress that leads to displacement.

The median rent referenced here is taken from Census data for sitting tenants, not market rate rents, and tends, if anything, to understate the rent increases in recent years.

TABLE 1

<i>Household Budget Gaps For Various Rent Caps</i>	Increase over 5 Years (2012 to 2017)	Budget Gap: Wage Growth (8%)	Budget Gap: SS COLA (7%)
<i>Income</i>			
Wage Growth (BLS, Oakland-Hayward-Berkeley)	8%		
Social Security (SS) COLA	7%		
<i>Expense - Rent</i>			
Median Monthly Rent (Alameda)	37%	29%	30%
5% Annual Threshold	28%	20%	21%
<i>CPI Cap</i>			
CPI Cap (All Items, <i>with</i> Shelter)	15%	7%	8%
65% of CPI Cap (All Items, <i>with</i> Shelter)	10%	2%	3%
CPI Cap (All Items, <i>less</i> Shelter)	6%	Surplus 2%	Surplus 1%

Wages: BLS, Oakland-Hayward-Berkeley

SS COLA: Social Security Administration, Cost-of-Living Adjustments

Rent: 2012 & 2017 American Community Survey 1-Year Estimate

CPI: BLS, San Francisco-Oakland-Hayward Area

Advantages of Using CPI Less Shelter Standard

Inclusion of shelter in the CPI makes it less reliable for determining NOI (net operating income) for rental property. When housing prices soar, as they have recently, shelter can account for more than 50% of the CPI. Soaring costs are often attributable to an imbalance in supply and demand, not to the increased costs of maintaining and operating rental property. Thus when rental caps are based on 100% of the CPI with soaring shelter prices, the cap increases more than the expense of maintaining and operating a home. In contrast, when housing prices are falling, the cap based on 100% of the CPI with shelter may cause the cap to fall faster than the expense of maintaining and operating a home.

Over the decades 65% of CPI has proven to be an acceptable “time average” of the cost of non-shelter items in the CPI. In a study prepared for Berkeley, economists concluded that rent cap “indexing at 65% of the rate of increase in the CPI would allow current owners with typical leveraging ratios to realize a future rate of growth in current equity approximately equal to the CPI.” [Baar, Kenneth K., 1995. “Issues and Options for Rent Increase Standards Under Berkeley’s Rent Stabilization Ordinance,” pg. 43, October 26.]

Berkeley has set its rent cap at 65% of the CPI for over a decade. During the run up in housing prices from 2012 to 2017 shelter accounted for as much as 56% of the CPI in some years, potentially justifying an index as low as 44% of CPI for a rent cap.

Numerous court cases going back decades also confirm that a rent cap based on the CPI, excluding the cost of shelter, provides a fair return for property owners.

Tenants Living on the Main Island at Highest Risk for Displacement

Nearly 7,000 households on the Main Island and about 400 households on Bay Farm Island are cost-burdened, and pay over 30% of household income on rent. The Main Island houses 90% of all renters and has virtually all of the multi-family housing in the city. Bay Farm Island rentals are nearly all single family, and, tenants there have much higher incomes (a median of \$102,538 vs. \$67,530 on the Main Island) but are still vulnerable to displacement. Many tenants are cost burdened at a high rate, notably 90% of tenant households earning less than \$50,000.

The census data appears to show that many low income households were displaced from the city between 2012 and 2017. During this 5-year period median household income of renters increased by 28% on the Main Island and by 37% on Bay Farm Island, according to Census data.

Level cost burdens on the Main Island indicate that higher income tenants displaced lower income ones. As median housing prices increased, household incomes also increased as higher income renters replaced lower income renters. Although median rents on Bay Farm Island increased during this period, the percentage of households paying more than 20% of their income in rent actually declined from 82% to 59%. Again, displacement of lower paid workers is a more probable reason for this decline than raises for individuals far exceeding national averages.

Rent Registry

A detailed rent registry is essential for monitoring and regulating implementation of the rent cap, informing the public of how the cap is working and for empowering tenants and landlords to balance their respective interests. This registry should be updated on an ongoing basis for every rental home and be available online for viewing and download by the public.

Consultant Reports

The consultant reports, especially those from Management Partners, are unreliable for a number of reasons. For example, they greatly overstate tenant household median income when they lump homeowner and tenant data together into one category, and they also tend to lump different categories of housing together, such single family and small multi-unit housing.

DATA SOURCES

Census data is available from the American Community Survey, either as a 1-year survey or 5-year survey. The ACS 1-year survey is available for places (cities) but not for zip codes. Only the ACS 5-year survey is available by zip code, and it is described as being the most accurate source of data, although it may lag on rapid changes, in rents for example.

2017 is the most recent year available, and 2012 data has been used for comparison. Some numbers are rounded, or smaller categories are combined to make the data consistent or more readable.

REFERENCES

1. 2012 & 2017 American Community Survey 1-Year Estimate (U.S. Census)
2. 2008-2012 & 2013-2017 American Community Survey 5-Year Estimate (U.S. Census)
3. Bureau of Labor Standards, San Francisco-Oakland-Hayward Area Consumer Price Index
4. Bureau of Labor Standards, Oakland-Hayward-Berkeley Hourly Earnings
5. [Wage Growth Tracker](#), Federal Reserve Bank of Atlanta, June 2019, updated monthly, accessed June 27th, 2019.
6. [Social Security Administration](#), Cost of Living Adjustments, accessed June 27th, 2019.
7. *Issues and Options for Rent Increase Standards Under Berkeley's Rent Stabilization Ordinance*, Kenneth K. Baar, October 26, 1995.

APPENDIX

This analysis is framed as a series of questions:

- ❖ *How do incomes of owners and renters compare?*
- ❖ *What housing does Alameda have and where?*
- ❖ *How much of their household income do tenants spend on rent in Alameda?*

Useful concepts:

- Any reference to income refers to “household” income, not personal income. According to the Census Bureau: “A household consists of all the people who occupy a housing unit.”
- The term “cost burdened” refers to rent equal to more than 30% of household income.

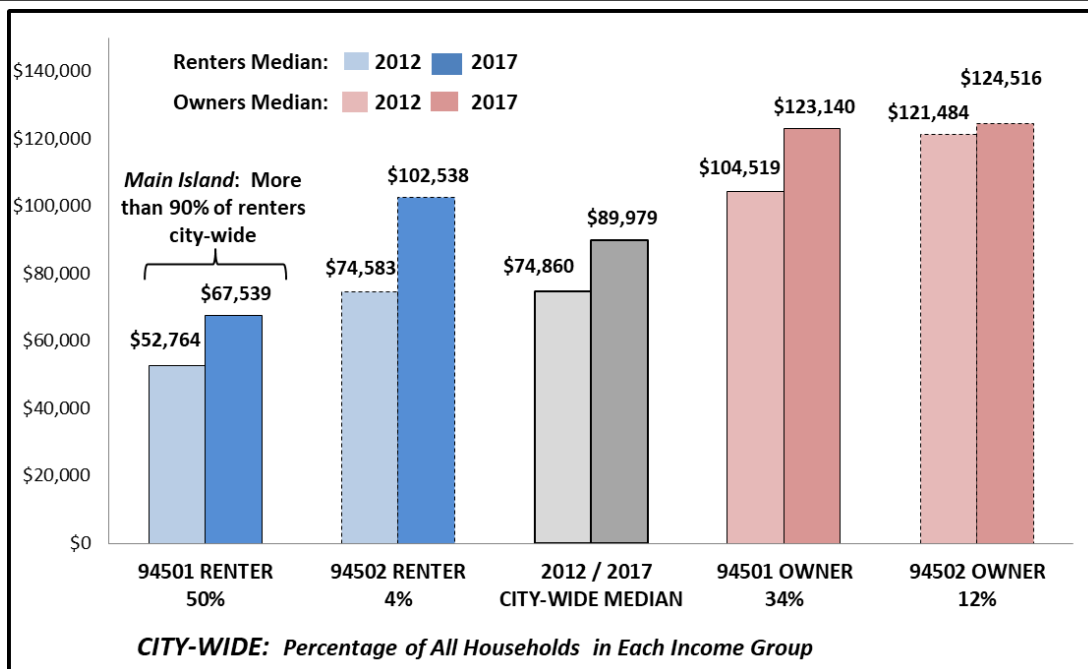
❖ *How do incomes of owners and renters compare?*

Household income varies greatly between tenants and homeowners, according to census figures.

- For homeowners in both zip codes, median household income ranges from \$123,140 to \$124,516.
- City-wide, for all households combined (owner and renter), median income is \$89,979.
- **For Main Island tenants, median household income is \$67,530, nearly half that of homeowners city-wide. This group represents 93% of all Alameda renters.**
- For Bay Farm tenants, median household income is \$102,538. It's likely that the predominantly single family rentals would select for higher income tenants.
- City-wide, for all tenant households combined, median income is \$70,285.

The average tenant household on the Main Island is earning closer to \$67,500 than the city-wide median of \$89,900. This matters because consultants and city staff have in the past cited the \$89K figure as representative of tenants' income, when this is clearly not accurate. (The staff report cites accurate census data, however.)

TABLE 2: BY ZIP CODE: COMPARISON OF MEDIAN HOUSEHOLD INCOME IN 2012 and 2017



S2503 2008-2012 American Community Survey 5-Year Estimates

S2503 2013-2017 American Community Survey 5-Year Estimates

BY ZIP CODE: COMPARISON OF RENTERS MEDIAN HOUSEHOLD INCOME IN 2012 and 2017

TABLE 3A: MAIN ISLAND: 93% of Alameda Renters (15,120 Households)

The number of low income tenant households is falling & the number of high income households is rising.

- Extremely low income households (<\$25K) show less decline in numbers than might be expected, possibly due to rent subsidies.
- Low income households (\$25K to \$50K) show a significant decline by comparison, very likely because they don't qualify for rent subsidies and are being displaced by high rents.
- Very high income households (\$150K) have nearly doubled in proportion.

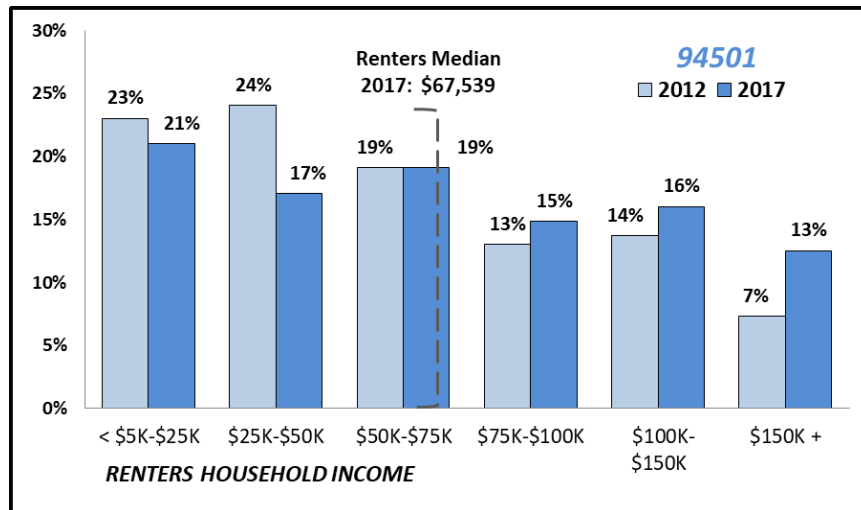
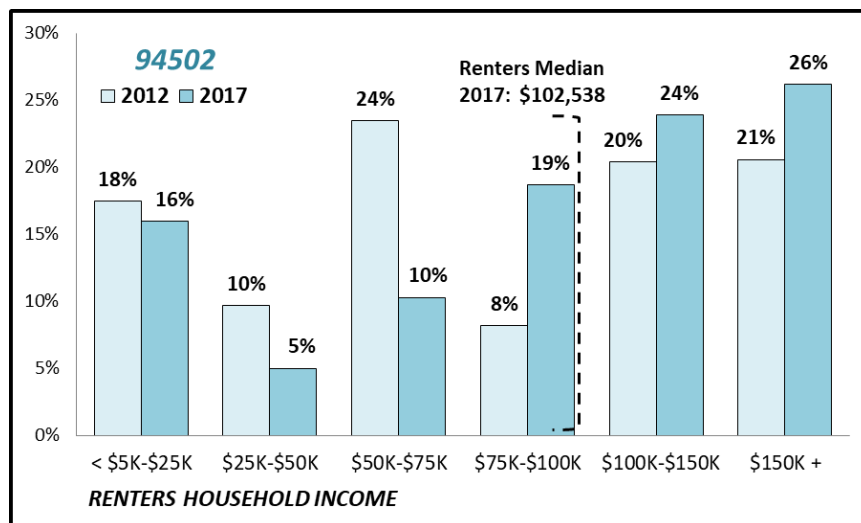


TABLE 3B: BAY FARM: 7% of Alameda Renters (1,080 Households)

Bay Farm shows a similar displacement of low to moderate income tenants (\$50K to \$75K).



S2503 2008-2012 American Community Survey 5-Year Estimates

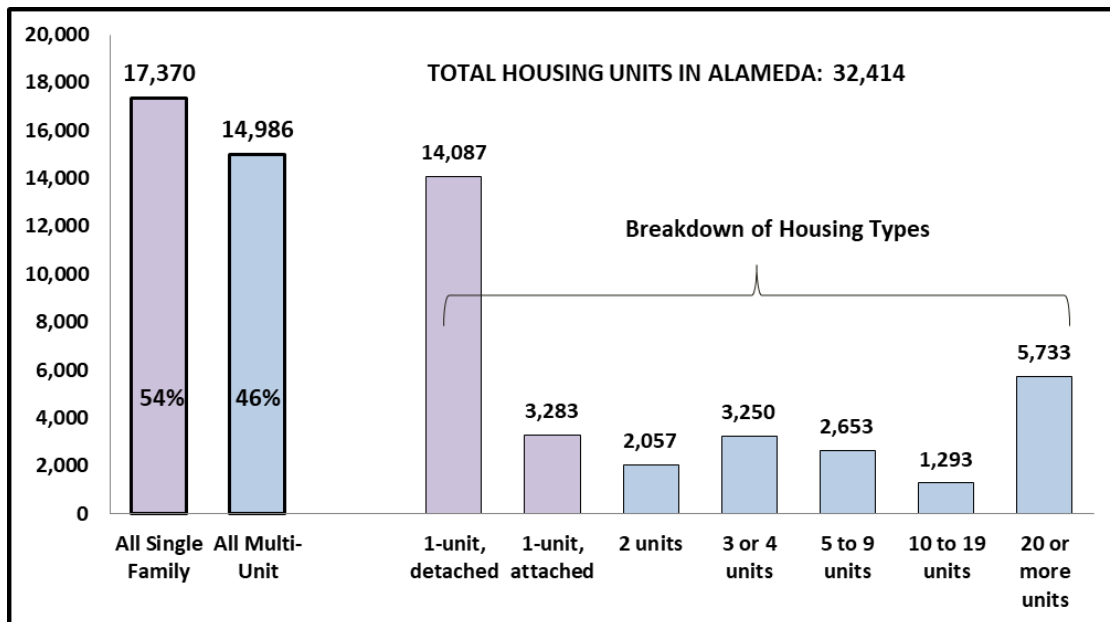
S2503 2013-2017 American Community Survey 5-Year Estimates

❖ *What housing does Alameda have and where?*

FOR ALL HOUSING (TENANT AND OWNER OCCUPIED)

- Alameda has approximately 32,400 housing units in all, both occupied and vacant.
- The city has more single family units (17,370) than multi-family units (14,986) (54% to 46%).

TABLE 4: CITY-WIDE: Detailed Breakdown of All Housing by Units (occupied and vacant) in 2017



DP04 SELECTED HOUSING CHARACTERISTICS 2013-2017 American Community Survey 5-Year Estimates

BY ZIP CODE: Breakdown of All Housing Units

TABLE 5A: MAIN ISLAND: (27,068 units)

- **83% OF ALL UNITS CITY-WIDE**
- Single-family = 45% in zip code (12,187 units)
- Multi-family = 55% (14,823 units)

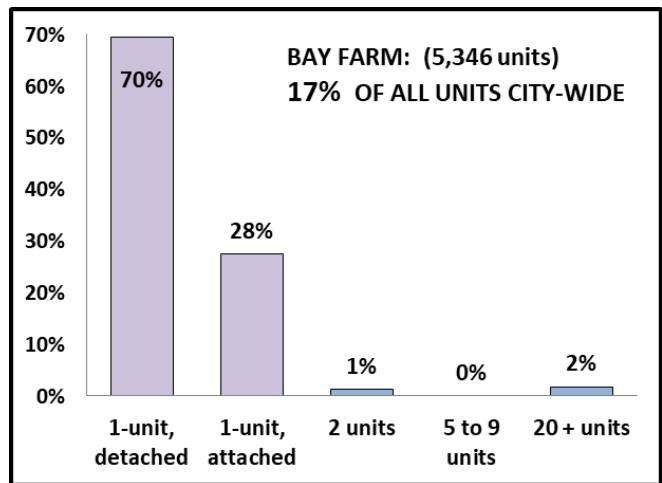
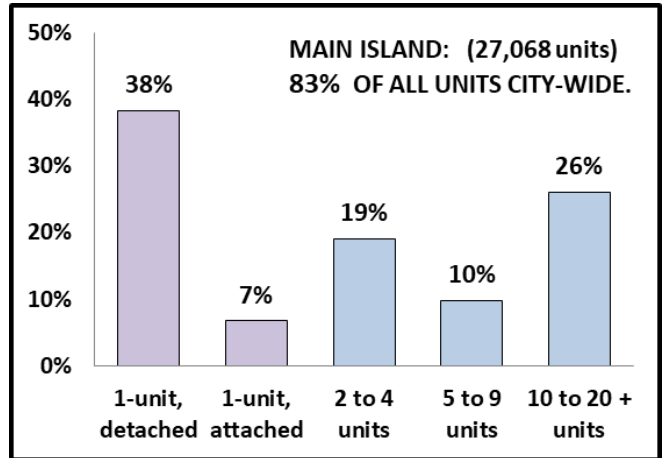
Nearly all multi-family housing in Alameda is located on the Main Island.

TABLE 5B: BAY FARM: (5,346 units)

- **17% OF ALL UNITS CITY-WIDE**
- Single-family = 98% in zip code (5,183 units)
- Multi-family = 3% (163 units)

Nearly all Bay Farm housing is single-family.

DP04 SELECTED HOUSING CHARACTERISTICS
2013-2017 ACS 5-Year Estimates



5C: CITY-WIDE & BY ZIP CODE (*Occupied Housing*)

MAIN ISLAND:

- Renters = 60% of households (15,119 units)
- Owners = 40% households (10,352 units)

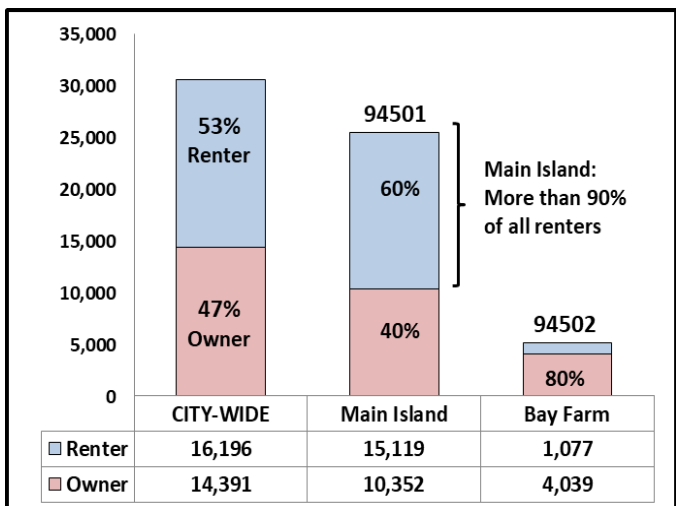
BAY FARM:

- Renters = 20% of households (1,077 units)
- Owners = 80% households (4,039 units)

CITY-WIDE:

- **Renters = Majority of households (53%)**
- **Most renters (> 90%) live on Main Island**

PERCENTAGE OF OWNER VS. RENTER OCCUPIED UNITS



CITY-WIDE: Breakdown of Rental Units

TABLE 6A: Total Occupied Rental Units: 16,200~

CITY-WIDE RENTAL UNITS: (in rounded numbers)

- Single-family = 25%
- Smaller multi-family = 40%
- Larger multi-family = 35%

25% of rentals are single-family housing and exempt from binding rent restrictions.

Subsidized housing is also exempt. The 2015 BAE report estimates 2,060~ subsidized housing units in all.

BY ZIP CODE: Breakdown of Rental Units

6B: MAIN ISLAND: (15,120 occupied rental units)

(in rounded numbers)

- Single-family = 20%
- Smaller multi-family = 40%
- Larger multi-family = 40%

Rental housing is distributed across a wide range, from single-family to 50+ units.

6C: BAY FARM: (1,080 occupied rental units)

(in rounded numbers)

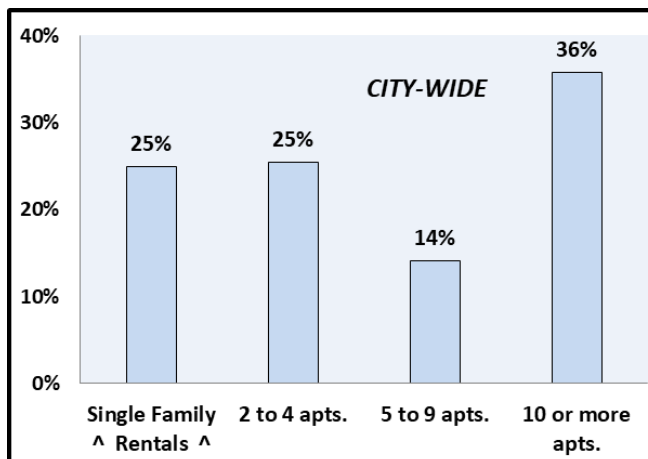
- Single-family = 85%
- Two units (duplexes) = 5%
- Large multi-family = 10%

Nearly all rentals are single-family and exempt from binding rent restrictions.

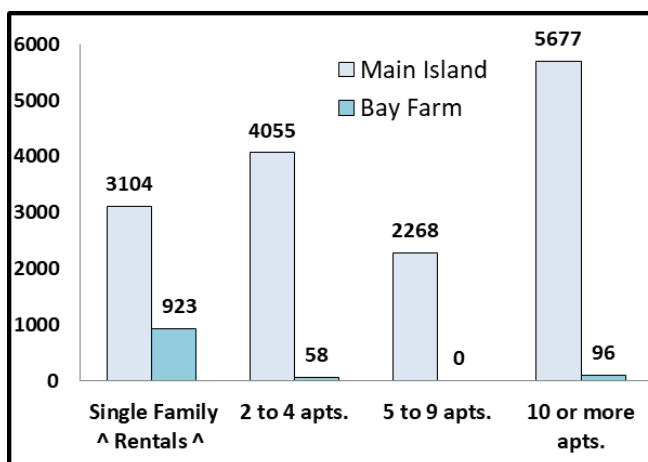
Single-family rentals are likely to have higher rents than multi-family units, and higher income tenants.

S2504 HOUSING CHARACTERISTICS FOR OCCUPIED HOUSING UNITS 2013-2017 ACS 5-Year Estimates

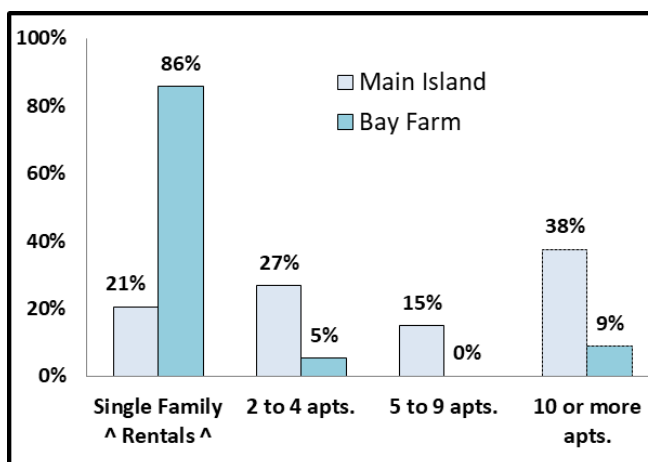
CITY WIDE: BREAKDOWN OF OCCUPIED RENTAL UNITS



BY ZIP CODE: NUMBER OF OCCUPIED RENTAL UNITS



BY ZIP CODE: DISTRIBUTION OF OCCUPIED RENTAL UNITS



❖ *How much of their household income do tenants spend on rent?*

It's difficult to determine the average rent for *existing* tenants, including long-term tenants – one of the primary reasons that an ongoing and current rent registry is needed. Estimates of average rents tend to be based on market rate rents for larger (20+) unit buildings, which may not reflect existing rents generally.

In addition, census data includes subsidized units, and tends to lag on rapid increases in rent (which the BAE report notes) so the census estimates tend to run too low.

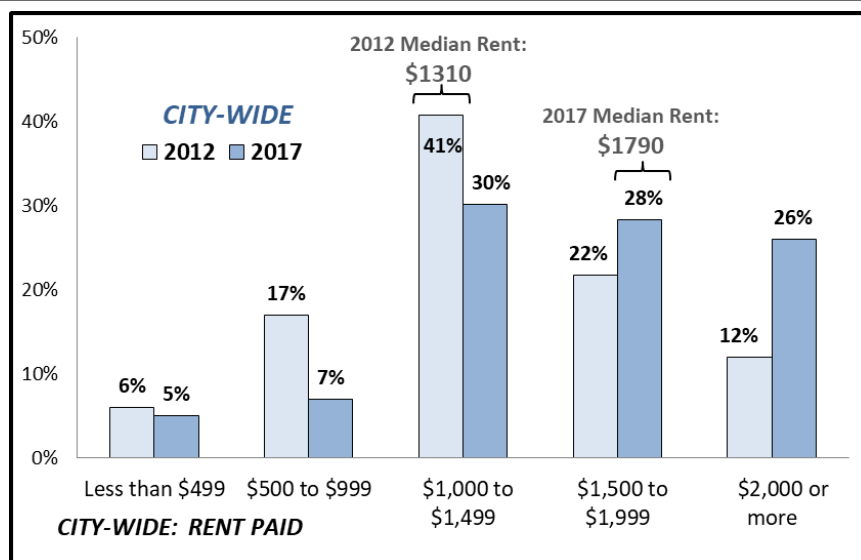
With that caveat: The ACS 1-Year Estimate for 2017 is the most current report, and shows a median rent of \$1790 city-wide. By this metric, median rent increased by nearly 40% from 2012 to 2017 for existing tenants, and all reports indicate this figure has increased further since 2017. (Tenant incomes increased concurrently, but much of that was due to displacement by higher income tenants, not higher earnings.)

It's obvious that the percentage of (formerly) mid-range rents (\$1,000 to \$1,499) has fallen significantly from 2012 to 2017, and the percentage of rents at the high-end (>\$2000) has more than doubled.

For the median tenant household earning roughly \$70,200 (city-wide), affordable rent is \$1755, so the median rent of \$1790 – for existing tenants – is unaffordable for more than 50% of all tenants city-wide.

Market rate rents – estimated anywhere from \$2200 to \$2800 for a 1 to 2 bedroom apartment – are completely out of reach for the median household. (Estimates based on a review of current Zillow listings.)

TABLE 7: CITY-WIDE: COMPARISON OF MEDIAN RENTS IN 2012 AND 2017



S2503 2008-2012 / 2013-2017 American Community Survey 5-Year Estimates (City of Alameda)

S2503 2012 & 2017 American Community Survey 1-Year Estimates (City of Alameda)

BY ZIP CODE: COMPARISON OF COST BURDEN IN 2012 AND 2017

TABLE 8A: MAIN ISLAND: 93% of Alameda Renters (15,120 Households)

On the Main Island, the percentage of cost burdened households changed very little between 2012 to 2017, even though rents increased significantly, market rate rents in particular.

- It's apparent that rent to income ratio remains the same because higher income tenants moved in.
- It's also apparent that the percentage of cost-burdened households remains very high, at 46%.

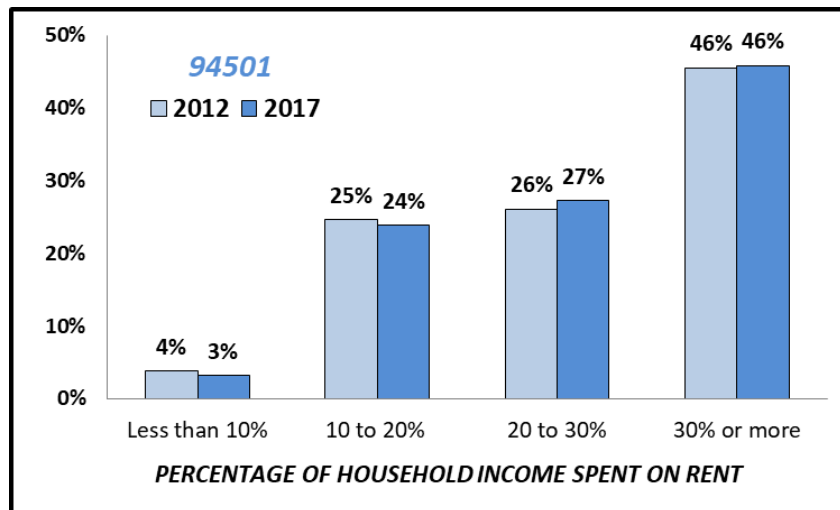
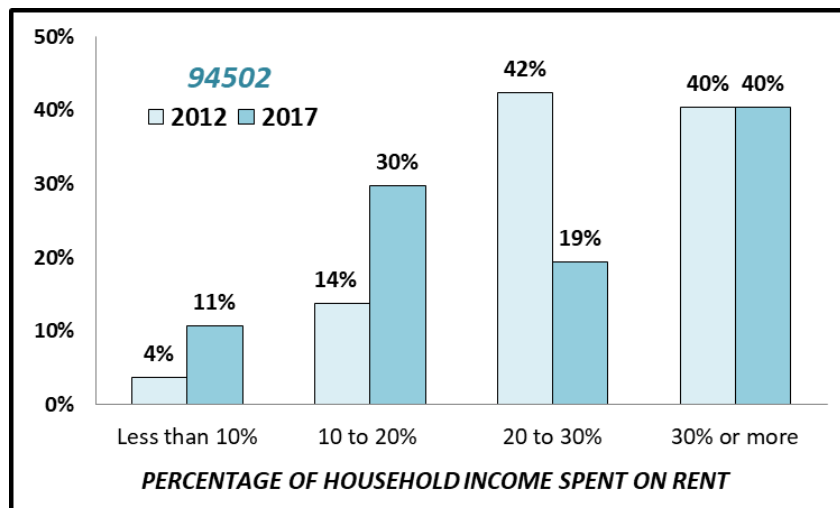


TABLE 8B: BAY FARM: 7% of Alameda Renters (1,080 Households)

For Bay Farm, the number of cost burdened households remains constant, though households paying a lower percentage in rent have actually increased in proportion.



B25070 GROSS RENT AS A PERCENTAGE OF HOUSEHOLD INCOME IN THE PAST 12 MONTHS
 2008-2012 American Community Survey 5-Year Estimates
 2013-2017 American Community Survey 5-Year Estimates

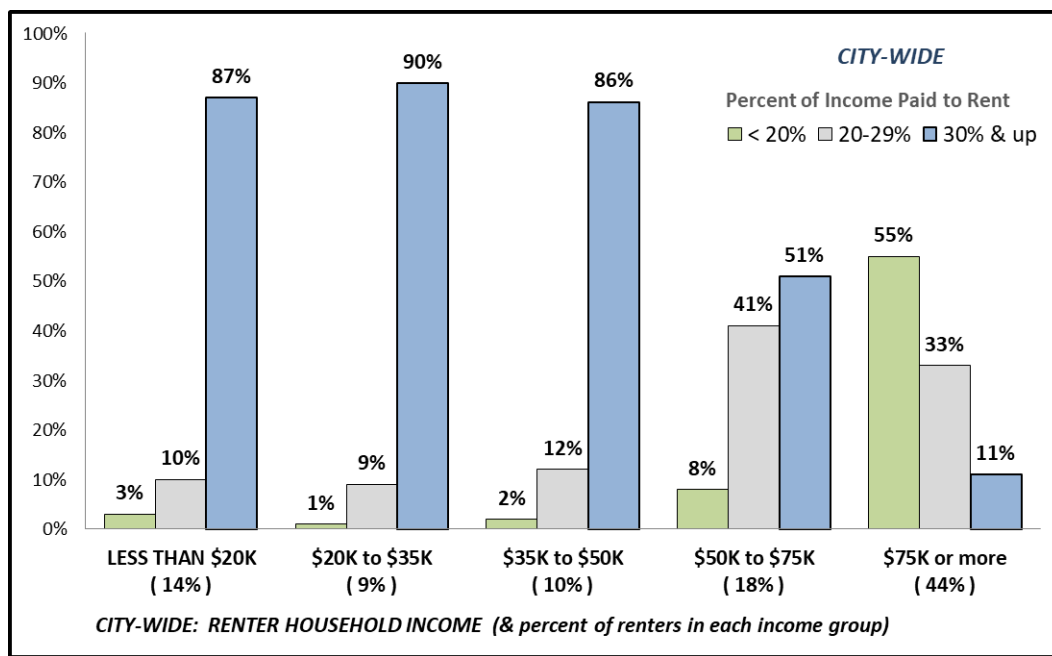
TABLE 9: CITY-WIDE: COMPARISON OF COST BURDEN IMPACT BY INCOME GROUPS IN 2017

When rent costs are analyzed by income groups, the real impact of high rents becomes obvious.

- **Virtually all tenant households earning less than \$50,000 pay more than 30% of income in rent.**
- **Of households earning between \$50,000 and \$75,000, half are paying more than 30% in rent.**

These figures date from 2017, and by now, higher income households may be having difficulty in meeting the rent. Housing affordability is an on-going crisis, that grows steadily worse.

As would be expected, as rents continue to rise, low income tenants are the hardest hit.



S2503 FINANCIAL CHARACTERISTICS

2013-2017 American Community Survey 5-Year Estimates (City of Alameda)

TABLE 10: CITY-WIDE: IMPACT OF RISING RENTS ON LOWER INCOME RESIDENTS

To illustrate the burden on low income households, consider the impact of compounding 5% rent increases (automatically allowed under the current rent law).

The chart below shows maximum affordable rent by income (at 30% of household income).

For tenants city-wide:

Tenant median household income = \$70,200 approx. (half of tenant households are at/below \$70,200)

Maximum affordable rent at \$70.2K = \$1755.

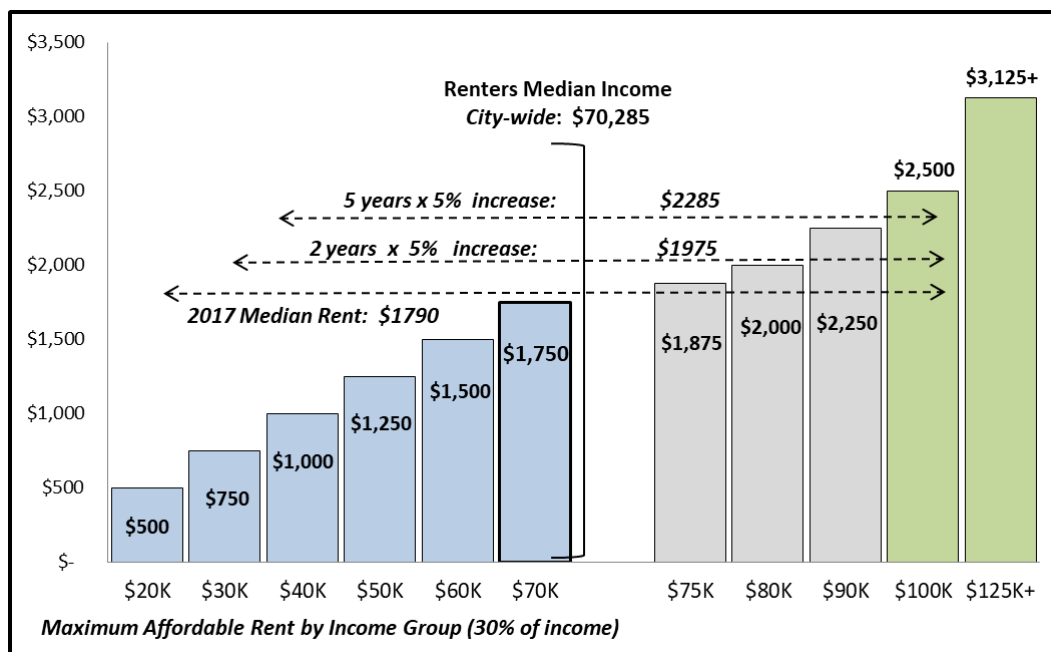
Median rent city-wide = \$1790, in 2017. This is already in excess of affordable rent for the average household.

When the median rent increases by 5%:

5% Increase:	1st Year	2nd Yr.	3rd Yr.	4th Yr.	5th Yr.
\$1,790	\$1,880	\$1,975	\$2,070	\$2,175	\$2,285

- Within 2 years: At \$1975, median rent is becoming unaffordable for households earning \$80,000.
- Within 5 years: At \$2,285, median rent is becoming unaffordable for households earning \$90,000.

With an annual 5% increase, median rent rapidly becomes unaffordable for the great majority of tenants.



S2503 2013-2017 American Community Survey 5-Year Estimates (City of Alameda)

S2503 2017 American Community Survey 1-Year Estimates (City of Alameda)

IRMA Glidden

From: William Smith <smithwja@gmail.com>
Sent: Tuesday, July 2, 2019 11:02 AM
To: City Clerk
Cc: LARA WEISIGER; Malia Vella; Jim Oddie; Tony Daysog; John Knox White; Marilyn Ezzy Ashcraft
Subject: Comments of William J. Smith on Proposed Rent Ordinance

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**A Stable Renter Community
Benefits
All Alamedans**

Remarks of William Smith
To the Alameda City Council
July 2, 2019

Madam Mayor, Members of the City Council, and Staff,

I'm speaking tonight as an Alameda resident and the owner of two properties on the Alameda shoreline near the bridge to Bay Farm Island. I support a rent control measure with a rent cap based on 65% of the Consumer Price Index, or CPI.

Such a cap has promise for stabilizing Alameda's renter community and boosting their expectations of raising families and retiring in Alameda. A stable community of renters filled with hope is more likely to vote for the revenue measures today needed to protect their homes and my properties from climate change tomorrow. After the year 2030 the properties neighboring mine, and two decades later my own properties, are predicted to flood after a 100 year storm.

According to a report submitted by ARC's Catherine Pauling, the proposed rent cap of 100% of CPI would have resulted in rents increasing 7 to 8% faster than wages and social security between 2012 and 2017. Continued indefinitely, that large of a wage gap would eventually cause renters to lose all hope of remaining in Alameda.

Instead of 100%, support a rent cap based on 65% of CPI. With this lower cap, the wage gap from 2012 to 2017 would have been only 2 to 3%. This lower cap would give renters reason to expect that they could personally benefit from taxing themselves today to protect property throughout Alameda from storms and rising seas tomorrow.

William J. Smith
Alameda, CA 94501
(510)522-0390

IRMA Glidden

From: Laura Woodard <heyauraw@gmail.com>
Sent: Tuesday, July 2, 2019 4:38 PM
To: Marilyn Ezzy Ashcraft; John Knox White; Tony Daysog; Jim Oddie; Malia Vella
Cc: City Clerk
Subject: Please consider a lower cap and no banking.
Attachments: L Woodard on rent control to City Council .docx; ATT00001.htm

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The following is also attached as a Word document.

Dear City Council Members,

As a rent-burdened Alamedan, I thank the Council for bringing sanity to our city with rent control and just cause eviction. This is a proud moment.

However, my celebration is tempered by the reality that, even with rent control, there will be no end in sight to the crisis of housing costs in Alameda. Many of our lives as renters have been permanently altered by the years we've spent with insufficient protections.

Alameda Renters Coalition submitted a statement requesting revisions to the staff's proposed rent control ordinance. These include 1) decreasing the proposed rent cap from CPI to 65% of CPI, which more fairly addresses a landlord's cost increases year to year; 2) elimination of banking, which would allow a landlord to save up rent increases and apply them collectively in a later year; and 3) the appointment of an administrative law judge as hearing officer, for maximum fairness and efficacy.

Yesterday I cleaned out my checking account with a rent payment on Venmo. In the past I was saving a little money each month; now, with my income about the same as it was five years ago, I'm just breaking even, with any would-be savings going right into my landlord's account. Though the property has doubled in value since my landlord purchased it, he has spent little on upgrades. There is no justification for the increases I've received in five years.

My burden is light compared to renters with lower incomes or facing legacy disadvantages or discrimination based on race, immigration status, age, ability, and other factors.

Please consider ARC's reasonable improvements to the proposal in order to truly protect the already rent-burdened tenants of Alameda.

Thank you very much.

Laura Woodard