

**Rental Housing Owners Association
of Southern Alameda County
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August 25, 2016

**Chairperson Edward Hernandez
Members of the Planning Commission
City of San Leandro
835 E. 14th Street
San Leandro, CA 94577**

Re: Thursday, August 25, 2016 Hearing on Zoning Code and Zoning Map Changes

Dear Chairperson Hernandez and Members of the Planning Commission:

Please accept our apologies for not attending and testifying in person at today's Planning Commission Hearing on the Zoning Code and Zoning Map changes. However, on behalf of the Rental Housing Association and our membership who own and operate rental housing in San Leandro, we would like to remind the Commission that we have a severe shortage of all types of housing in San Leandro and throughout the nine Bay Area Counties.

As per the approved Housing Element, selected pages of which are attached to this letter, San Leandro's ABAG Regional Housing needs allocation is 2,287 units. (Pages 3-49 to 3-52 attached).

How are we going to achieve this growth in a land locked community? We cannot grow "out" – we can only grow "up" through increased density.


Further, we have relatively few sites larger than 20,000 sq. ft. These sites must be put to the highest and best use. Please see the attached Housing Element, Pages 4-11 to 4-14 for details.

As per the chart on Page 4-12, there are only 22 sites in San Leandro greater than 20,000 sq. ft. that can reasonably accommodate densities of 30+ units per acre. These 22 sites provide approximately 70% (1,604 of the 2,287) total developable units in our City.

We would strongly recommend that all 22 sites referred to on page 4-12 including all DA-2 and P sites greater than 20,000 sq. ft. be zoned for the maximum feasible densities.

Thank you for your time and attention to this important matter. The RHASAC looks forward to our continuing partnership with the City to create the badly needed housing in our community.

Respectfully yours,



**Thomas R. Silva, CPM
RHASAC President**

In the event preservation of any of the at-risk units is infeasible, the City should work proactively to protect tenants and minimize displacement. Federal law requires 12 months notice to tenants by any owner who wishes to opt out of affordability restrictions at the end of the mandatory term. Federal law also requires five to nine months notice to tenants by owners who pre-pay their housing assistance loans, thereby relinquishing the affordability requirement. Some cities, such as San Francisco and Portland, have required owners who pre-pay to provide relocation assistance to displaced tenants.

Conclusions

Between 2006 and 2014, there was a net loss of 112 units of below market rate rental housing due to expiring subsidies. This was offset by the conversion of 840 market rate units to affordable units at Lakeside Apartments, as well as the addition of affordable units at several other rehabilitated apartment complexes (Surf, Mission Bell, and Las Palmas), and the addition of 117 new units at Casa Verde and Estabrook Place. There are only four units at risk of conversion in the next 10 years. The City will continue to work with the owners of these units to support their long-term affordability. Low-interest rehabilitation loans (with an affordability extension requirement) have proven to be an effective tool to preserve some of these units. This strategy will continue, and may be complemented by the allocation of funds from the City's annual housing budget for other long-term affordability incentive programs.

housing projections

ABAG Projections

Population and housing projections for San Leandro and other Bay Area cities are developed by the Association of Bay Area Governments. In 2013, ABAG published "Projections 2013" containing forecasts through 2040. These projections indicate an anticipated increase of over 1,200 households in San Leandro between 2010 and 2015, for a total of 31,970 households. Based on current market conditions and California Department of Finance estimates for January 1, 2014, this projection will not be reached. Although diminished vacancy rates may result in a larger number of households, there was very little construction in 2010-2015, and the actual number of households in 2015 will probably be closer to 31,000.

ABAG's projections show San Leandro gaining another 1,300 households between 2015 and 2020. Assuming a 5 percent vacancy rate, and a constant vacancy rate between 2015 and 2020, this translates to 1,365 new housing units. If realized, this would far exceed the city's growth rate in the 1990s and 2000s and would be comparable to the growth rate of the 1970s and 80s. Beyond 2020, ABAG projections show San Leandro adding another 1,240 households by 2025. Most of this gain would be associated with development in designated "Priority Development Areas," including the San Leandro BART station, the East 14th Street corridor, and potentially Bay Fair BART Station in the future. The projected growth rate

for the 10 year period between 2015 and 2025 is 7.9 percent in San Leandro, compared to 9.2 percent in the County as a whole.

ABAG's forecasts indicate that San Leandro's population could reach 95,300 by 2025, with household size falling slightly to 2.74. The projected decline in household size is partially due to the type of housing that would be built in the city between now and 2025. Whereas the city saw mostly single family construction between 1990 and 2010, a majority of the units to be added between 2015 and 2025 are expected to be multi-family. These units would typically support a larger number of one and two person households.

ABAG does not prepare population forecasts by age cohort at the city level. However, at the regional level, forecasts indicate a decline in the percentage of children and young adults over the next 30 years and a significant increase in the senior (over 65) population. Regionally, the percentage of residents under 19 is expected to decrease from 26.8 percent in 2005 to 25.6 percent in 2015 and 22.5 percent in 2035. The percentage of residents over 65 is expected to increase from 11 percent in 2005 to 14.8 percent in 2015 and 24.9 percent in 2035. While the percentage of children is expected to decrease, the actual number will still be greater in 2035 than it is today. Housing needs will increase in all categories by 2035, but the most significant trend will be the increase in senior housing needs after 2015.

The City is currently updating its General Plan to respond to higher growth forecasts and changing community expectations and priorities. Significant growth is expected around the Downtown BART station, along East 14th Street, and in the Bayfair area. As noted in Chapter 4, new housing opportunities are also being considered near the Marina, and potentially on some of the City's less productive industrial lands. The higher projections developed by ABAG reflect the mandates of Senate Bill 375, which calls for a stronger regional emphasis on urban infill around transit stations as a way to reduce vehicle travel and related greenhouse gas emissions.

Regional Housing Needs Allocation

The state Government Code requires each community in the region to provide for its "fair share" of the region's housing needs. Fair share allocations are determined by ABAG based on population and employment projections and other factors. The "fair share" allocation for San Leandro for the period January 1, 2014 to October 31, 2022 is 2,287 units.¹⁷ This is 5.2 percent of Alameda County's total assignment of 44,036 units and 1.2 percent of the regional total of 187,990 units. For comparison's sake, San Leandro presently has about 5.5 percent of the County's population and 1.2 percent of the region's population. The RHNA effectively maintains these proportions in the future.

The allocation for San Leandro has substantially increased relative to the last two RHNA cycles. It was 1,630 units in the 2007-2014 cycle and 870 units in the 1999-2006 cycle. The increase is largely due to

¹⁷ The "planning period" is January 31, 2015 to January 31, 2023, which is slightly different from the "RHNA" period. The City must show how it will meet its RHNA during January 31, 2015 to January 31, 2023, but can receive "credit" for units produced in 2014.

changing state and regional philosophies about how the Bay Area will grow in the future. Earlier forecasts assumed continued rapid growth on the fringes of the region, while more recent forecasts emphasize growth near the core, especially along rapid transit lines. The largest growth increments are expected in San Francisco, Oakland, and San Jose.

ABAG has stratified San Leandro’s 2,287 unit assignment as follows:

- *Above Moderate* Income (households earning more than 120 % of Area Median Income) 1,161 units
- *Moderate* Income (households earning between 80 and 120% of Area Median Income) 352 units
- *Low*-Income (households earning between 50 and 80% of Area Median Income) 270 units
- *Very Low* Income (households earning less than 50% of Area Median Income) 504 units

Although each of the above categories saw an increase relative to the 2007-2014 RHNA, the greatest increase both numerically and by percentage is in the “above moderate” category. The above moderate RHNA is 53 percent higher in 2015-2023 than it was in 2007-2014.

In San Leandro, *above moderate income* units are typically market-rate, for-sale units such as those recently built at Cherry Glen. *Moderate-income* units include single family homes produced under the City’s inclusionary housing ordinance. In addition, most of the city’s market-rental rate apartments and some of its market-rate condominiums meet the affordability guidelines for moderate-income households.

Low-income and *very low income* units often require some form of subsidy and are rented (or sold) at a lower rate than what the market would bear. In 2014, some of the city’s market-rate rental apartments met the affordability guidelines for larger *low-income* households; however, these units were generally too small to accommodate these households comfortably.¹⁸ Non-subsidized housing opportunities for smaller low income households include shared housing, in-law units, mobile homes, and studio apartments.

For *very low income* households, almost all of the units in the city would be considered unaffordable. These households include a large percentage of seniors, persons with disabilities, single parents, and others who cannot compete in the private housing market. Increasingly, very low income households also include working poor families and immigrant households in low wage service jobs. This income group experiences the greatest “affordability gap” in the Bay Area and is the focus of many of the City’s affordable housing programs.

¹⁸ For example, a sample of two-bedroom San Leandro apartments on the Craigslist website in August 2014 found market rents averaging \$1,795 a month. Some of the units would meet affordability guidelines for low income four-person households—but the unit might be too small to comfortably accommodate the household..

Conclusions

San Leandro's growth rate is projected to accelerate in the next decade as transit-oriented development becomes a reality. Housing types that have been under-produced in the city for the past 20 years—including rental apartments and condominiums—will make up a growing share of new construction. The increased density will create more opportunities for affordability, as well as a large number of market-rate units that may be affordable to low- and moderate-income renters. The need for very low income units will remain significant. However, the need for market rate units is also significant, as this segment of the market has been underperforming for more than a decade. The City will continue to use federal CDBG and HOME funds along with its Affordable Housing Trust Fund where opportunities arise. However, with the loss of the Redevelopment Agency, additional strategies and funding will be needed to close the affordability gap.

The fourth group of sites are those in Mulford Gardens with the potential for a second detached home. Zoning regulations in this area permit two independent detached homes on a parcel if it is 12,000 square feet or larger. Approximately half of the lots in Mulford Gardens already contain two homes and about 130 lots could potentially have a second home added. Since 2000, about one to two homes per year have been added in this manner. A continuation of this trend is expected, with perhaps 10 more “rear yard” homes added during the planning period. While these would be market rate dwellings, some may be rentals that are affordable to moderate income households.

The fifth group of sites are those in the San Leandro BART Station Transit Oriented Development (TOD) area that are still in active use. The TOD Plan envisions a 25-year timetable for buildout; thus, some of the sites are unlikely to be available before the Housing Element horizon year of 2023. These sites include the 7-acre San Leandro Shopping Center at Washington and East 14th Street, a block of existing retail stores on the north side of Davis at Hays, and a warehouse area along Alvarado Street west of the BART Station. According to the TOD Plan, these sites have the potential for 820 units of high-density housing. While development activity may take place before 2023, active uses on these properties makes their short-term redevelopment less likely.

Finally, the inventory has not quantified the potential for secondary dwelling units. The 2012 revisions to second unit standards make second units more viable, and are expected to lead to an increase in applications. Based on market rents, second units generally satisfy “moderate” income needs, although smaller units may meet a portion of “low” income demand. An average of five new second units a year would add 40 units to the housing stock during the planning period, although no estimate has been made for RHNA purposes.

conclusions

Characteristics and Adequacy of Sites

Table 4-2 provides a summary of San Leandro’s housing opportunity sites. The table indicates the City has more than sufficient capacity to meet its Regional Housing Needs Allocation. Counting the 278 committed units, over 2,300 units of capacity have been identified, which exceeds the RHNA. All of the sites have water, sewer, storm drainage, and gas/electric utilities available. Most are vacant and are zoned to allow residential uses. Many are already for sale. Beyond the 2,347 units listed in Table 4-2, the City also has identified the potential for another 354 units at the Shoreline and many more units within the Bay Fair TOD.

Chart 4-1 indicates the percentage of the city’s housing capacity in the high-density (30+ units per acre), medium-high density (15-30 units per acre), and low density (2-15 units per acre) ranges. The chart foreshadows a shift in San Leandro’s new construction market from single family homes to apartments and condominiums. In fact, this shift is already underway. During 1999-2006, 77 percent of the new housing units built were single family homes or townhomes. During 2007-2014, 60 percent of the city’s

new housing units were in multi-family buildings. As of 2014, two of the three committed projects expected to come on line in 2015-2016 are multi-family.

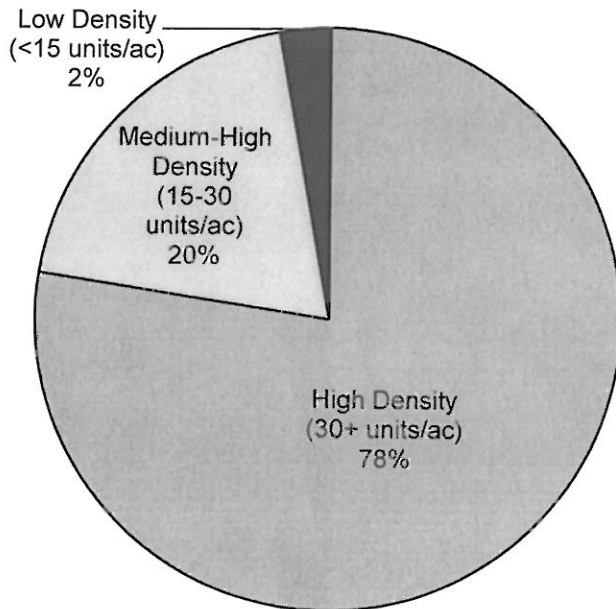
Unless San Leandro annexes land in the hills or rezones industrial land for residential uses, the future new construction market will consist almost entirely of multiple family units and townhomes. Hillside annexation and industrial land conversion would both be inconsistent with the City's General Plan. The City's position on these two issues is not likely to change between now and 2023.

Table 4-2: Characteristics of Housing Opportunity Sites

Type of Site	Number of Sites	Acres	Estimated # of Housing Units
HIGH DENSITY SITES (30 units per acre or higher)			
Vacant, with housing <i>required</i> in new development	5	7.63	443
Vacant, with housing <i>permitted</i> in new development	6	14.40	472
Underutilized, with housing <i>required</i> in new development	4	6.50	371
Underutilized, with housing <i>permitted</i> in new development	7	7.68	318
Total	22	36.21	1,604
MEDIUM DENSITY SITES (15-30 units per acre)			
Vacant, with housing <i>required</i> in new development	8	3.68	75
Vacant, with housing <i>permitted</i> in new development	5	1.41	33
Underutilized, with housing <i>required</i> in new development	6	3.61	58
Underutilized, with housing <i>permitted</i> in new development	29	12.83	241
Total	48	21.53	407
LOW DENSITY SITES (2-15 units per acre)			
Vacant, with housing <i>required</i> in new development	18	11.37	35
Underutilized, with housing <i>required</i> in new development	3	3.36	23
Total	21	14.73	58
GRAND TOTAL	91	72.47	2,069
GRAND TOTAL WITH COMMITTED PROJECTS ADDED	94		2,347

Source: Barry Miller Consulting, 2014

Chart 4-1: Composition of Housing Capacity by Density



Source: Barry Miller Consulting, 2014

Location of Sites

Chart 4-2 indicates the geographic distribution of housing opportunity sites. The table includes the 278 units in committed projects and the 2,069 units on vacant and underutilized sites where housing could be built in the future. It excludes the Shoreline Development area, and the area at Bay Fair beyond the BART parking lot.

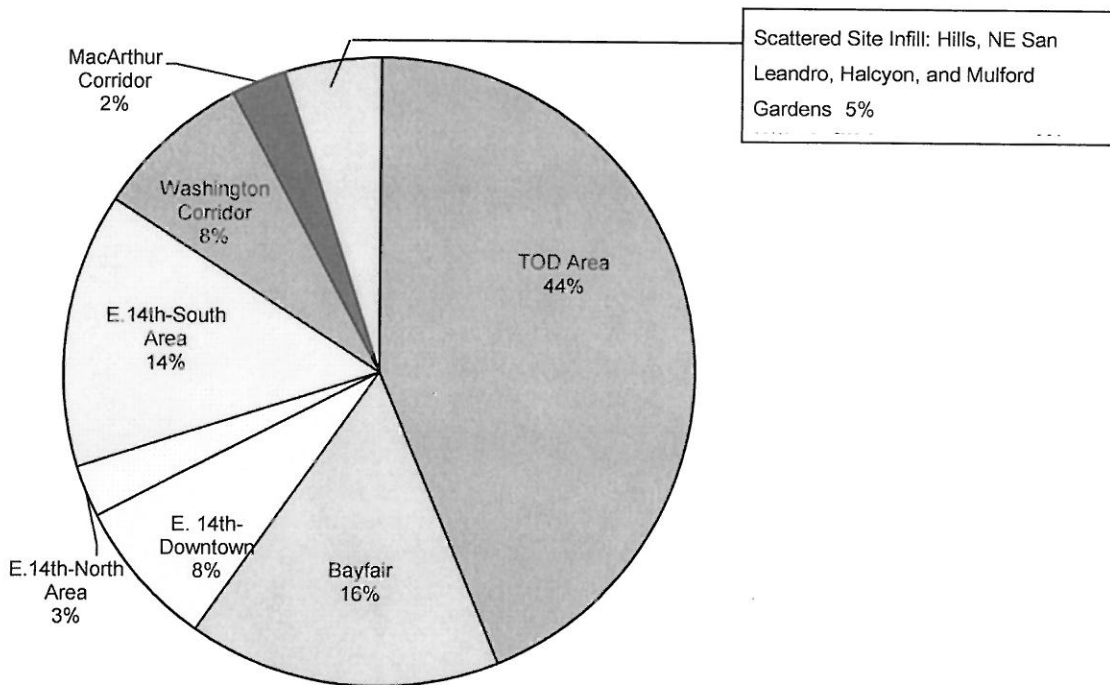
About 44 percent of the City's 2015-2023 housing capacity is in the San Leandro BART Station TOD area. Many of the parcels in this area, including the area on Alvarado Street just south of San Leandro Creek, have been zoned to require housing at a minimum density of 60 units per acre.

The East 14th Street corridor represents the next largest concentration of capacity, with about 25 percent of the City's total. Most of the capacity lies along the southern segment of the corridor, between Sybil and 150th Avenue. A substantial portion is also located within the Central Business District (CBD) and a smaller portion is located along the north segment between San Leandro Creek and Oakland. Much of the capacity on the corridor is associated with small used car lots (zoned for mixed use), with a few vacant lots and marginal or vacant commercial buildings.

The Bayfair BART station is the third largest area of housing potential, with about 16 percent of the city’s total.⁴ Other areas of housing potential include parcels along Washington Avenue (between San Leandro Boulevard and Williams Street) and MacArthur Boulevard. The remainder of the city’s housing potential (less than six percent of the total) consists of scattered vacant lots in Mulford Gardens, the San Leandro Hills, the Halcyon-Floresta area, and the pre-war neighborhoods of northeastern San Leandro.

San Leandro is embracing the principles established by Senate Bill 375, as well as the various state initiatives to curb greenhouse gas emissions (AB 32, etc.). Of the 2,347 potential units in the housing inventory, 1,689 (71 percent) are within one-half mile of a BART station. These units should be less auto-dependent than existing development in the city, and should be designed for easy pedestrian access to the Downtown and Bayfair BART stations. Sustainable construction methods are being encouraged, reducing energy consumption and related household expenses.

Chart 4-2: Geographic Distribution of Housing Opportunity Sites



Source:
Barry Miller Consulting, 2014

⁴ includes the BART parking lot only