



AGENDA NO: I

MEETING DATE: October 8, 2019

**AGENDA CORRESPONDENCE AND
THE STAFF PRESENTATION RECEIVED
BY THE CITY COUNCIL FOR PUBLIC
REVIEW PRIOR TO THE MEETING**

Dana Swanson

From: Lynda Merrill [REDACTED]
Sent: Monday, October 07, 2019 6:17 PM
To: Council
Subject: Affordable Housing Policy

AFFORDABLE HOUSING POLICY DISCUSSION

Dear Mayor Headding and Councilmembers,

Affordable housing should be just that. But, in the example I am about to relate, it was a farce. I live a half of a block from Alder and Sequoia streets where a 'project' was approved recently by the Planning Commission.

Our Community Development Director, Mr. Graham, justified allowing a 3 story, building in our 2 story community, because he said the State Mandate encourages (or demands?) more units on property. These apartments to be built are NOT affordable, there was no provision regarding price to be charged or anything of the sort. So, we in the neighborhood will have an ugly 3 story building 'sticking out like a sore thumb' in this 2 story community!

The negative impacts will be many, with seniors (women living alone) forced to deal with the consequences. There will be a nightmare of parking problems in this already highly impacted area. We have People's Low Cost Housing across the street from the project and everyone there has 2 cars or more, and they don't seem to ever use the garages (provided) The street parking spills out up and down every street. Sequoia, Alder, and Birch. This new building does not have adequate parking so everything will just get worse.

The quality of our lives will be negatively affected by this new building, see testimony by myself and my senior neighbors at the Planning Commission, where we were ignored, by the way.

I have been a huge supporter of the Council for many years, but quite honestly, this experience has soured my attitude towards our government. I believe the increase in units and the height to accommodate it (which violated the North Main Street Specific Plan) was only to please the developer. Make his project better for him and provide a bigger return on his money! Our CDD allowed all of this to happen and actually promoted the project at the Planning Commission meeting!! This is an example of a Developer being helped by the Community Development Director to abuse the rules (bend them) to accommodate development, The rules were violated. All in the name of affordability! Mandated by the State of California.

When you discuss 'affordable' housing make very sure you are taking into consideration the surrounding neighborhood, because if you don't you will be subjecting perfectly nice citizens, some who have lived here for 30 years and are old, to be forced to leave. If you create slums, and shove people into unlivable conditions you will be responsible for an unhealthy situation. I don't know where you all live, but I would ask you to say to yourselves, would I want to live next door to this 'affordable' housing? Would I want to live in it myself? I bought my home here, because it was affordable, but it will not be a good neighborhood to live in if you allow cramped, undesirable housing surrounding it. Don't be fooled when you hear 'affordable' housing.

Regards, Lynda Merrill
391 Sequoia Street, Condo #13

MB

Dana Swanson

From: B Doerr [REDACTED]
Sent: Tuesday, October 08, 2019 12:33 PM
To: Dana Swanson
Cc: John Headding; Jeffrey Heller; Marlys McPherson; Dawn Addis; Robert Davis
Subject: 10-8-2019, 3:30 pm, Housing Element Study Session

Dana, Please provide a copy of the following memo to the Mayor & Council for tonight's Housing Element Study Session.

Thank you. Barbara

DATE: 10-8-2019

TO: Mayor & City Council:

FROM: Barbara Doerr, Morro Bay Resident

Following this memo is an article giving examples of how housing availability and housing costs are negatively affected in New Orleans from short term vacation rentals.

I am recommending that before the City completes the Housing Element, the City do a study of the Morro Bay housing stock (rental & ownership) to determine the facts, the real impacts to housing affordability and housing availability due to vacation rentals (VR's). The City Council has removed at least 250 housing units from the full-time housing market in Morro Bay for use as short term vacation rentals. To truly do a valid Housing Element update, it is important for the City to understand our housing market and know how City Council actions truly impact the cost and availability of full-time housing and affordable housing. Is the City providing incentives for the loss of full-time housing (VR's and TOT)? How are these actions limiting the City's ability to meet its portion of the State required Regional Housing Needs Allocation (RHNA)?

Today the VR option is a strong incentive to homeowners and investors to use homes in Morro Bay for non-residential commercial uses for higher profits rather than full-time rentals for families and the local workforce. It's easy to just say that many homes in Morro Bay are owned by part-time residents. We owned a second home in Morro Bay, but when we did not have time to use it for part-time fun (we had not yet retired), we rented it out on a permanent basis to very nice tenants. It seems that today some property owners are not only seeking a reasonable return on their investment, but changing their home to a commercial use, a vacation rental, for greater profit. Many Morro Bay residents and investors are using Morro Bay homes for greater profit, as is done in New Orleans (see article) because the vacation home renters "will pay many times more per night than the resident laborers who provide services." Does the City contribute to losses in affordable housing by allowing 250 housing units for use as short term vacation rentals (VR)?

The Transient Occupancy Tax (TOT) imposed by the City is also a strong incentive for staff and City Council to support the removal of homes, condos, and more affordable apartments and modular housing from the full-time housing market in Morro Bay. The City wants more profits in the form of TOT revenues, and therefore, it

may be more willing to allow the loss of affordable housing in Morro Bay. Please include reference to these disincentives in the Morro Bay Housing Element.

The City Council is considering increasing the TOT by 3% on vacation rentals to help fund the activities of the TBID's tourism outreach activities. Instead, the City could use the 3% (approx. \$300,000/Yr.) for affordable housing programs. New Orleans used a charge per VR rental night. Cities often state that they support affordable housing goals, but they have no money to fund affordable housing. Here is your opportunity to have at least \$300,000 or more per year to invest in badly needed affordable housing or affordable housing programs. Can the City please study the potential use of the TOT (3% or more) from VR's for affordable housing?

Thank you for considering my suggestions for more affordable housing in Morro Bay and reaching the States RHNA.

Thank you,
Barbara

"Short-term Rentals, Long-term Effects

"The Corrosion of Housing Access and Affordability in New Orleans"

by Jane Place Neighborhood Sustainability Initiative

PO BOX 53011, New Orleans, LA 70153 www.jpnsi.org

Executive Summary: Key Findings

"Short-Term Rentals, Long-Term Impacts: **The Corrosion of Housing Access and Affordability in New Orleans exposes** the ways in which short-term rentals (STRs) exacerbate New Orleans' housing crisis and provides recommendations to elected officials, leaders in the cultural sector, and individual residents to mitigate the negative impacts of STRs.

In 2017, the New Orleans City Council began regulating STRs by requiring platforms like Airbnb to share operator data - and, for Airbnb exclusively, to contribute to affordable housing funds - and by requiring STR operators to obtain one of three City licenses. Jane Place Neighborhood Sustainability Initiative (JPNSI), a ten-year old housing rights organization committed to the development of democratic and economically-just communities in New Orleans, assessed the implementation of the City's STR regulatory measures a year after their adoption through data collected from the City's publicly available permit database, reports on monthly usage from STR platforms, and scrapes of Airbnb listings available online through Inside Airbnb. **JPNSI finds that the City's approach to STR regulation accelerates gentrification and the displacement of residents by permitting the limitless removal of homes from the housing market for conversion into STRs and ignoring the inflation of overall housing costs** to which STRs contribute. Presented below are some of our findings:

- The Dominance of Whole-Home Rentals

Eighty-two percent of Airbnb listings are for whole-homes, single units of housing as opposed to accommodations within an operator's residence, with the average of such listings being available 174 nights per year. **Most Airbnb listings are exclusively used as vacation housing for tourists, as the units are off-market for over half of the year and, therefore, unavailable to residents.**

- Single Operators with Multiple Listings

Large-scale STR operators, many of whom are based outside of New Orleans Large-scale STR operators, many of whom are based outside of New Orleans, are essentially running scattered-site hotels. Just over 18% of STR operators control

nearly half of all permitted STRs in the city. Administrative flaws allow STR operators to register permits under different names and/or the names of employees, making it difficult for the City or independent researchers to track their footprint within the market.

- The Oversaturation of STRs in Residential Neighborhoods

City Council has placed no limits on the number of rooms or homes per block that can be converted into full- or part-time STRs, leading to extreme concentrations of STRs in certain blocks, particularly in neighborhoods that are close to amenities that tourists want but residents need, such as access to public transportation, public parks and greenspace, and the restaurants and bars of the French Quarter that provide thousands of jobs for residents. Over the past two years, the geographic concentration of STRs has shifted away from neighborhoods more commonly associated with tourism (such as the French

Quarter and the Marigny), towards the CBD and many working-class Black neighborhoods that are close to downtown, particularly the Seventh Ward, Treme, and Central City.

STRs are capitalizing on and contributing to the displacement of Black communities, making it more difficult for families to remain in or return to their neighborhoods as more and more housing units are dedicated away from housing and towards tourist use, causing overall housing prices for both renters and homeowners in the neighborhood to rise.

- The Inflation of Overall Housing Costs

The proliferation of whole-home rentals in residential and commercially zoned neighborhoods is making it more difficult for families to return to or remain in their neighborhoods as more housing units are dedicated away from residents and towards tourist use, causing overall housing prices to rise. Rent has increased in the nine neighborhoods with the highest concentration of STRs, including rent increases of 30% for a two bedroom unit in the Seventh Ward, a 27.95% increase in a two-bedroom in Mid City, and a 71.93% increase for a three-bedroom unit in Bywater.

- The Prioritization of Tourists over Residents

The City's STR policy offers property owners a high economic incentive to remove housing from the residential market in order to offer it to tourists who, attracted to the year-round festivals and other event calendar, will pay many times more per night than the resident laborers who provide services. The policy included measures that the City claimed would offset the impact of STRs by exacting \$1.00 per rental night from Airbnb alone for affordable housing development. Airbnb reported that between January 1 and September 30, 2017 only \$230,000 in funding for affordable housing was generated through legal STRs - enough for one unit of housing to be produced."

Heather Goodwin

From: Dana Swanson
Sent: Monday, October 7, 2019 10:40 AM
To: Heather Goodwin
Subject: Fwd: AFFORDABLE HOUSING POLICY DISCUSSION

Sent from my iPhone

Begin forwarded message:

From: Meredith Bates [REDACTED]
Date: October 7, 2019 at 8:18:46 AM PDT
To: Marlys McPherson <mmcpherson@morrobayca.gov>, John Heading <jheading@morrobayca.gov>, Jeff Heller <jeffheller3@gmail.com>, Red David <Rdavis@morrobayca.gov>, Dawn Addis <daddis@morrobayca.gov>, Scott Collins <scollins@morrobayca.gov>, sgraham@morrobayca.gov, Dana Swanson <dswanson@morrobayca.gov>
Subject: AFFORDABLE HOUSING POLICY DISCUSSION

Dear Council,

Thanks you for bringing this important matter forward. I fear for those trying to buy or rent in our beautiful town being priced out of the market. We live with certain state mandates, however, we have much room for local solutions to help solve this crisis, beyond building more housing.

I'm concerned that the staff report does not prioritize and actively promote some of the solutions promoted by Gavin Newsom, specifically, capping rent increases and making it more difficult to evict tenants who have done nothing wrong. I was recently working with a young mother who told me that her landlord was raising her rent from \$950/month to \$1800. She is a single mom, working at a pizza joint and is afraid of getting evicted because she cannot pay the increase nor find affordable housing elsewhere.

I'd like our city to become a pro-housing community.

Sincerely,

Meredith Bates

--

Meredith Bates, Volunteer, Senior Outreach, Los Osos Cares

This Page Intentionally Left Blank

Affordable Housing Policy Discussion

OCTOBER 8, 2019



1

Topics

- Regional Housing Needs Allocation (RHNA)
- Housing Element Update
- SB 2 Grant funding opportunities



2

What is RHNA?

- RHNA is mandated by State Housing Law as part of the Housing Element update process
- RHNA is an assessment addressing housing needs for projected population growth, taking into consideration Jobs-housing balance locally, while ensuring availability of housing at all income levels.
- **SLOCOG Develops 2019 RHNA Plan:** HCD works with SLOCOG and the eight jurisdictions in the County to determine the # and allocation of housing units by jurisdiction.
- **Update Housing Element:** We are heading into the 6th Cycle of the Housing Element update. Runs: December 31, 2020 to December 31, 2028.



3

The RHNA for San Luis Obispo county:

- Total = 10,810 units
- Morro Bay = 391 units
- Very Low = 97
- Low = 60
- Moderate = 70
- Above Moderate = 164

Figure 1: Regional Housing Need Allocation (2019)

Jurisdiction	Total Allocation	Very Low 24.6%	Low 15.5%	Moderate 18.0%	Above Moderate 41.9%
Arroyo Grande	692	170	107	124	291
Atascadero	843	207	131	151	354
Grover Beach	369	91	57	66	155
Morro Bay	391	97	60	70	164
Paso Robles	1,446	356	224	259	607
Pismo Beach	459	113	71	82	193
San Luis Obispo	3,354	825	520	603	1,406
Unincorporated	3,256	801	505	585	1,365
Regional Total	10,810	2,660	1,675	1,940	4,535

2019 RHNA: Jan. 1, 2019 - Dec. 31, 2028 (10 years)

Note 1: The table above includes minor percentage calculation adjustments (to the top percentage to achieve whole units). Income group totals accurately match HCD's determination.

Note 2: Income limit categories for San Luis Obispo County in 2019 are determined by HCD and found at:

<http://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits.shtml>



4

Income Level Definitions?

- Extremely Low = 30% of county median income
- Very Low = 50% of county median income
- Low Income = 80% of county median income
- Moderate = 120% of county median income



5

Status on Current or 5th Cycle RHNA

Morro Bay allocation for 5th Cycle RHNA (Adopted June 24, 2014)

- Extremely Low = 19
- Very Low = 20
- Low = 24
- Moderate = 27
- Above Moderate = 65
- Total = 155



6

5th Cycle RHNA: How Are We Doing?

Income Level	RHNA Allocation by Income Level	2014-2019							Total Units to Date (all years)	Total Remaining RHNA by Income Level
		2014	2015	2016	2017	2018	2019			
Very Low	Deed Restricted	3							3	36
	Non-Deed Restricted									
Low	Deed Restricted	17							17	7
	Non-Deed Restricted									
Moderate	Deed Restricted					2			2	25
	Non-Deed Restricted									
Above Moderate		9	21	18	26	38			112	
Total RHNA		155								
Total Units 44		29	21	18	26	40			134	68



7

5th Cycle RHNA Issues

Total Units produced through 2018 = 134

- Over Production of Market Rate units = 47
- Under Production of Affordable units = 68

How to facilitate affordable housing:

- Inclusionary housing – build units or pay In Lieu fee (Chp. 17.50)
- Provide incentives for affordable housing (increase lot cov., reduce parking, increase height). Chapter 17.50
- Partner/work with **for-profit** or non-profit affordable housing developers. Example: Morro Del Mar, at Main & Driftwood - 21 units of senior affordable
- Leverage/use City affordable funds to incentivize units (\$300,000)



8

Housing Element

- One of the seven State-mandated elements of the General Plan
- Required to be certified by HCD
- Move from a 5-year Cycle to an 8-year cycle
- July 2019: Staff released an RFP for the Housing Element update
- August 2019: RFP closes and City receives 2 responses
 - City contracts with PlaceWorks (Amy Sinsheimer)
 - \$65,000 budgeted
 - AB 102 provides funding for Housing Element update \$65,000 to cities under population of 20,000



9

Housing Element Update to include:

- Update of Density Bonus Provisions
- Update of Housing In-Lieu Fee calculation methodology
- Evaluation of and improvement of City's Accessory Dwelling Unit Provisions
- Consideration of programs/policies allowing tiny homes as primary dwelling units and/or accessory dwelling units
- Market Study of Mobile/Manufactured homes related to affordability and inclusion in reporting to HCD on City's RHNA targets



10

Opportunities for Housing Development

Policies implemented or in draft GP/LCP/Zoning code:

- Draft GP/LCP includes mixed use overlays in commercial zones
- Draft Zoning Code removes the garage requirement for single family residences, making it easier for smaller lots to accommodate ADU's
- City has implemented Cityworks, a new project tracking system
- City updated Density Bonus Ordinance to allow for density bonus in excess of 35%



11

Constraints to Housing Development

- City is mostly built out
- Measure F: Requires citizen vote to annex land for anything purpose other than for public use
- Small lot sizes, for residential and commercial zoned property
 - Requires lot consolidation
 - Small lots don't allow for good utilization of density bonus



12

SB 2 Funding

- **Passage.** SB 2 was adopted as part of the State's 2017 Housing Package
- **Intent.** To provide a permanent source of funding to increase affordable housing stock
- **Who is Eligible?** Jurisdictions with a certified Housing Element, a 2017 or 2018 Annual Progress Report submitted to HCD
- **Amount:** \$160,000 for City's with population under \$60,000
- **Expenditure Deadline:** June 30, 2022.



13

Priority Areas Under SB 2

- Specific plans for form based codes coupled with CEQA streamlining
- Zoning updates, particularly by-right zoning for housing
- Objective design and development standards
- Accessory dwelling unit regulations or other innovative building strategies (tiny home policies)
- Expedited permit processing
- Innovative housing finance, fees or infrastructure strategies



14

Potential Activities/Programs

1. Allow housing by right. Implemented through zoning.
2. Revise Density Bonus for projects exceeding 35% to identify appropriate zones, parameters for the number of affordable units.
3. Increase residential densities in multifamily zones or in commercial zones. Change how we calculate density and base it on number of rooms as an example.
4. Update ADU Ordinance. Could add incentives to the ordinance (relaxed development standards, fee reductions, reduced processing times).



15

Potential Activities/Programs cont.

5. ADU Prototype Building Plans: reduces cost of ADU plan development to cover just grading and drainage.
6. Tiny Home Ordinance (primary or accessory): Housing Element update is looking at this. Could use SB 2 funding for the implementing ordinance
7. Affordable by Design. Policies to encourage smaller homes/units, that are more efficient and less expensive.



16

HASLO Affordable Housing Project

- Location: 405 Atascadero Rd.
- Number of units = 35 (17 one bdrm., 9-two bdrm., and 9-three bedroom.
- Application expected within two weeks.



17

Questions?



18