

City of Piedmont
COUNCIL AGENDA REPORT

DATE: April 19, 2021

TO: Mayor and Council

FROM: Sara Lillevand, City Administrator

SUBJECT: Receipt of the 2020 Annual Progress Report to the California Housing and Community Development Department Regarding the Implementation of the 2015-2023 Housing Element of the Piedmont General Plan

RECOMMENDATION

Receive the attached 2020 annual progress report for the implementation of the Piedmont General Plan 2015-2023 Housing Element programs and policies.

SUMMARY

Section 65400 of the California Government Code describes the legal requirements for cities to prepare an annual progress report on the effectiveness of the City's housing policies and programs. The annual progress report can be an assessment tool to assist the City in planning for the next Housing Element Update. Piedmont's current Housing Element is for the term 2015-2023. This report covers the 2020 Piedmont Housing Element annual progress report.

On April 19, 2021, City staff will present the findings of the annual progress report for 2020 to the City Council and take public comment. In summary, the City of Piedmont issued final approval of building permits for six new accessory dwelling units (ADUs) in 2020. In addition to the six that received final approval, the City of Piedmont issued building permits for 21 new ADUs and three new single-family houses, bringing the total number of building permits, issued since 2015, up to 73 permits. The state-mandated allocation of new units by the end of 2022 is 60 housing units.

The following staff report provides background and analysis on the annual progress report and how it informs the next Housing Element update, scheduled to formally begin later this year.

BACKGROUND

Goals for new housing production are set by the State of California and then allocated to jurisdictions in the San Francisco Bay Area region by the Association of Bay Area Governments (ABAG). The planning period for the Bay Area, or the time frame between the due date for one housing element and the due date for the next housing element, is January 31, 2015 – January 31, 2023.

On July 18, 2013, the ABAG Executive Board adopted the current RHNA. The RHNA assigned to the City of Piedmont was the construction of 60 new housing units for the period of 2015 through 2022, or approximately 7 new units per year. The 60 assigned new housing units were distributed into the following four categories: 24 very low income units; 14 low income units; 15 moderate income

units; and 7 above moderate housing units. The City of Piedmont continues to implement the policies and programs in the 2015-2023 Housing Element, adopted in 2014, as the policy document guiding the City toward meeting this allocation. Information about housing element law is available on the HCD website at <https://www.hcd.ca.gov/community-development/housing-element/index.shtml>

The City of Piedmont and the cities of Albany, Emeryville, Dublin and Newark, along with the unincorporated portion of Alameda County, constitute the Alameda Urban County for purposes of many housing programs, including receiving funding from the U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) Program. Through Alameda County Housing and Community Development, the City participates in the EveryOne Home program to provide services and housing to homeless individuals and families. The City also pools its resources with other Alameda County jurisdictions to administer fair housing programs and analyze impediments to fair housing.

A primary tool for new affordable housing in the Housing Element was the City's award-winning program to grant exceptions to requirements for accessory dwelling units (ADUs) in exchange for limits on rents collected for ADUs for a period of 10 years. During the 2016 legislative session, the State of California enacted **AB 2299 (Bloom)** and **SB 1069 (Wieckowski)**, which resulted in Piedmont being prohibited from requiring parking for ADUs. In the past, exceptions to City parking requirements (normally required for new ADUs) had been granted in Piedmont to developers of ADUs that deed restricted the rents to affordable levels. With the passage of AB 2299 and SB 1069, the City's ability to provide housing units that are rent-restricted to low or very-low income tenants was greatly impaired. Most of the ADUs receiving planning entitlements since the beginning of 2017 are allowed to be rented at market rates. The City still obtains a few restricted rents for size exceptions.

During the 2017 legislative session, the State of California enacted into law fifteen (15) new housing and development laws that became known as the 2017 Housing Package. The 2017 Housing Package changed the requirements for annual progress reports, as well as many other local planning and housing requirements. Key laws that impacted the City of Piedmont's housing and zoning programs were **SB 35 (Wiener)** and **AB 879 (Grayson)**. SB 35 and AB 879, added new data requirements for the Housing Element annual progress reports. SB 35 established a streamline process for development applications for projects with affordable housing components and also established time limits and legal remedies if a City does not prepare an annual progress report. The state also enacted **SB 2 (Atkins)** making funding for planning activities available through the SB 2 Planning Grant Program. A useful guide to the 2017 Housing Package is available at the League of California Cities' website at <https://www.cacities.org/Top/News/News-Articles/2017/December/League-Releases-Guide-to-New-Housing-Legislation>

During the 2018 legislative session, the State of California enacted **AB 686 (Santiago)**. There are three primary changes to state law in AB 686. The first is that AB 686 requires cities to show active participation in the development process by "affirmatively furthering fair housing." In the past, cities were expected to remove obstacles to the development of fair housing and to facilitate its development. AB 686 requires the Housing Element to provide programs for cities to actively participate in the development of fair housing. Secondly, AB 686 requires the Housing Element programs to include an assessment of fair housing within the jurisdiction. Lastly, a Housing Element must include an inventory of land available for development and must identify sites that can be developed for housing sufficient to provide for the RHNA for all income levels. According to HCD staff, AB 686 makes sweeping changes to the criteria for the land inventory, including policies that limit a city from using sites in its current inventory in a future inventory of available land.

During the 2019 legislative session, the State of California enacted far-reaching changes to ADU law. **AB 68 (Ting)** and **AB 881 (Bloom)** require cities to review accessory dwelling units (ADUs) and junior accessory dwelling units (JADUs) by a ministerial process with objective standards rather than discretionary standards, increased the allowable size of ADUs, increased the allowable number of ADUs and JADUs, made certain ADUs exempt from limits to floor area and lot coverage, prohibited cities from requiring owner occupancy of properties with ADUs, and prohibited cities from requiring replacement parking spaces for garage conversions. In January 2020, the City Council amended Piedmont's regulations of ADUs and JADUs to be consistent with state law.

The State of California also enacted **SB 330 (Skinner)** which increased the limits on cities to impose discretionary design standards on some applications, reduced the number of allowed public hearings, reduced timelines for approval after environmental review, and other changes. A useful guide to the 2019 laws is available on the League of California Cities' website at <https://www.cacities.org/Resources-Documents/Policy-Advocacy-Section/Legislative-Resources/Legislative-Reports/2019-Legislative-Report>

On April 12, 2021, the Planning Commission held a public meeting about the Piedmont Housing Element 2020 annual progress report. Commissioners considered the staff presentation and opened the meeting for public comment. No members of the Community addressed the Commission, and no action was scheduled to be taken on the item. The meeting video is available at https://piedmont.ca.gov/services_departments/kcom-tv/live_content_and_video_archive

ANNUAL PROGRESS REPORT

Pursuant to Government Code section 65400, the annual progress report for 2020 must be in the form prescribed by HCD and include:

1. The status of the plan and progress in its implementation.
2. The progress in meeting its share of regional housing needs determined pursuant to Section 65584 and local efforts to remove governmental constraints to the maintenance, improvement, and development of housing pursuant to paragraph (3) of subdivision (c) of Section 65583, and including a section identifying actions taken by the City towards completion of the programs and status of the City's compliance with the deadlines in its housing element.
3. The number of housing development applications received in the prior year.
4. The number of units included in all development applications in the prior year.
5. The number of units approved and disapproved in the prior year.
6. The degree to which its approved general plan complies with the guidelines developed and adopted pursuant to Section 65040.2 and the date of the last revision to the general plan.
7. A listing of sites rezoned to accommodate that portion of the city's or county's share of the regional housing need for each income level that could not be accommodated on sites identified in the inventory required by paragraph (1) of subdivision (c) of Sections 65583 and 65584.09. The listing of sites shall also include any additional sites that may have been required to be identified by Section 65863.
8. The number of net new units of housing, including both rental housing and for-sale housing, that have been issued a completed entitlement, a building permit, or a certificate of occupancy, thus far in the housing element cycle, and the income category, by area median income category, that each unit of housing satisfies. That production report shall, for each income category described in this subparagraph, distinguish between the number of rental housing units and the number of for-sale units that satisfy each income category. The production report

shall include, for each entitlement, building permit, or certificate of occupancy, a unique site identifier which must include the assessor’s parcel number, but may include street address, or other identifiers.

9. The number of applications submitted, the location and the total number of developments approved, the total number of building permits issued, and the total number of units by area median income category constructed, pursuant to Section 65913.4 (the streamlined project review process required for certain development projects under SB 35).

The City issued building permits for 11 new housing units in 2019. In 2020, the City issued building permits for the following 24 new housing units, 21 of which were accessory dwelling units (ADUs):

2020 Piedmont Building Permits

No.	Affordability	Address/Housing Type
1	L	778 Kingston Avenue ADU
2	AM	89 Maxwelton Road SFR
3	VL	12 Sharon Avenue ADU
4	M	150 Scenic Avenue ADU
5	M	539 Blair Avenue ADU
6	L	55 Crocker Avenue ADU
7	L	90 Wildwood Avenue ADU
8	L	90 Wildwood Avenue JADU
9	AM	78 Fairview Avenue ADU
10	VL	88 Sandringham Road JADU
11	VL	1530 Oakland Avenue JADU
12	L	1346 Grand Avenue ADU
13	L	1661 Grand Avenue ADU
14	VL	118 Wildwood Avenue JADU
15	L	139 Lake Avenue ADU
16	M	89 Maxwelton Road ADU
17	VL	21 Blair Avenue ADU
18	AM	1635 Grand Avenue SFR
19	M	1635 Grand Avenue ADU
20	M	140 Ronada Avenue ADU
21	AM	67 Glen Alpine Road SFR
22	M	67 Glen Alpine Road ADU
23	L	246 Sheridan Avenue ADU
24	AM	358 Scenic Avenue ADU

Three of the building permits were issued for small ADUs and two were for JADUs that were designed to share spaces with the primary residences. Due to their small size, these units are listed as affordable to very-low-income households (VL). City staff will ask HCD to characterize these units as affordable to households earning less than 50% of the area median income for Alameda County (income of approximately \$52,200 a year in 2020 for a household of two people), although they are not deed restricted to an affordable rent level.

Seven accessory dwelling units, including JADUs, in Piedmont would likely have rents affordable to residents earning low-income wages (L). In addition, one ADU (1346 Grand Avenue) is deed-restricted to rents affordable to low-income residents, for a total of eight units in this category of affordability. Households earning low-income wages earn between 50% to less than 80% of the area median income for Alameda County. City staff will ask HCD to characterize these units as low

income. In 2020, this income was approximately \$83,550 a year for a two-person household.

Six new ADUs that were issued building permits in 2020 will be moderate-income housing (M) due to their sizes (over 800 s.f.) and number of bedrooms. Moderate incomes are 80% to 120% of the area median income for Alameda County. City staff will ask HCD to characterize these units as moderate income. In 2020, this income was a maximum of approximately \$114,450 a year for a household of two people (and more for larger households). The remaining ADUs and houses are estimated to rent at rates affordable to above-moderate income (AM) households.

In addition to the building permits issued, the City issued final approval for building permits for six new housing units in 2020, compared to the 18 building permits which received final approval in 2019. All of the new housing units completed in 2020 were ADUs.

Lastly, in 2020, the City approved planning entitlements for 25 new housing units, compared to 19 planning entitlements in 2019. All of the planning entitlements for new housing units in 2020 were ADU permits. The City denied one design review permit for a new single-family residence (SFR) at 1115 Warfield Avenue in 2020.

Rental Survey

City staff has prepared a survey of local rents based on similar floor area and amenities to substantiate the expected rents for the moderate, low, and very low ADUs in the 2020 annual progress report. HCD accepted the City's surveys for the 2018 and 2019 annual reports, filed last year and in 2019. The rental survey is included as Attachment A.

Conclusion

The 2020 annual progress report shows that the City of Piedmont is close to meeting and surpassing the annual rate of construction of new housing units anticipated by the RHNA, having issued building permits for the construction of approximately 73 new units out of a state-mandated allocation of 60 new units by the end of 2022.

However, with the changes to state legislation, which eliminated rent restrictions tied to parking exceptions, it will be challenging for the City of Piedmont to show that sufficient low and very low income housing is being produced under the 2015-2023 Housing Element's programs and policies. The preparation of the next Housing Element will require innovative approaches to developing new housing with much higher goals. The next Housing Element will likely require the City to affirmatively plan for the development of approximately 587 new housing units on new sites not considered in the 2015-2023 Housing Element.

Consideration of innovative approaches to creating more and different types of housing is already underway. On April 20, 2021, the Piedmont Housing Advisory Committee (HAC) will hold its first meeting to consider housing and equity issues in Piedmont, including the draft RHNA and planning for the next Housing Element. Also, City staff members are in the process of leading community planning efforts, funded through the SB2 Planning Grant Program. Through SB2, the City launched the Piedmont Is Home campaign on March 12, 2021 with the launch of a project website (piedmontishome.org) with interactive public engagement tools, such as the online Fair Housing survey and pinnable map, as well as a social media publicity campaign.

In addition, the ad hoc Subcommittee of the Planning Commission on Measure A-1 has been meeting with housing experts, including experts who are also Piedmont residents. The County of Alameda Measure A-1 program has made approximately \$2.2 million available for the construction of affordable housing in Piedmont. The Alameda County Measure A-1 program recently granted Piedmont's request to extend the deadline for the City's application to use the \$2.2 million in funding to a new deadline of December 31, 2022.

Through community engagement such as these early activities, the Piedmont Community will share ideas and problem-solve. Although there are many challenges ahead, Piedmont elected officials, staff and community members are a hard-working, intelligent, and creative group of people who will find innovative ways to meet the state-mandated goals.

By: Pierce Macdonald-Powell, Senior Planner

ATTACHMENTS

Attachment A	Pages 7-;	2020 Rental Survey
Attachment B	Web Link	2020 Housing Element Progress Report*

*Web Link at:

[https://piedmont.ca.gov/UserFiles/Servers/Server_13659739/File/Government/Departments/Planning%20Division/Housing%20Programs/2020 APR Tables.pdf](https://piedmont.ca.gov/UserFiles/Servers/Server_13659739/File/Government/Departments/Planning%20Division/Housing%20Programs/2020%20APR%20Tables.pdf)

ATTACHMENT A – 2020 Rental Survey

The City of Piedmont surveyed the average rent and average unit size for Piedmont and the surrounding Oakland area. Real estate websites, providing information and services for people seeking rental housing in a publicly accessible format, were used to find average rental rates and other characteristics of local rental housing. Rental information for Oakland is readily available and Oakland was found to be a larger sample and more reflective of the trends in the local rental market for apartments.

Average rents in Piedmont in 2020 total \$2,590 per month, a decrease compared to the previous year, when the average rent was approximately \$2,853 (RentCafe.com). This rent is still less than that reported for the surrounding City of Oakland (\$2,705 for an average 780 s.f. unit or \$3.47 per square foot). Average rental unit size in Piedmont in 2020 remained 755 s.f. Piedmont units were reported to rent for \$3.43 per square foot.

According to the same source, 30% of the rental units in Piedmont are rented at a rate of \$2,000 or less per month, and 70% of rental units rent for greater than \$2,000. In Oakland, 83% of units are rented at a rate greater than \$2,000. The age and small number of Piedmont rental units and the lack of amenities, such as the shared gyms, parking garages, or roof-top gardens in many new and large rental housing developments, could suggest why Piedmont apartments and ADUs rent for slightly less than Oakland (i.e. fewer luxury apartments in Piedmont).

RentCafe.com reports the average rent in Piedmont in 2020 as \$2,590 (compared to 2019 figures of \$2,853 average per month) and average unit size remained the same as 2019 at 755 s.f. Previous sources, consisting of *RentJungle.com* and *RentHop.com*, no longer provide research and analysis for cities in Alameda County. This survey incorporates data from *Zumper.com* and *Rentometer.com*, instead.

Zumper.com reports that as of March 2021 the average rent in Oakland for a one-bedroom apartment is \$1,925 per month. This is a 17% decrease compared to the previous year (\$2,320). Using the average unit size provided by *RentCafe.com*, the Oakland units rent for \$2.97 per square foot. This average is based on a total sample of 908 apartments for rent. There is no average provided for Piedmont, CA.

Rentometer.com reports that the average rent in Oakland since May 2020 for a one-bedroom apartment is \$2,204, based on a sample of 95 apartments for rent. Using the average unit size provided by *RentCafe.com*, the Oakland units rent for \$2.83 per square foot. There is no average provided for Piedmont, CA.

Averaged Rent: In order to estimate the rents of Piedmont ADUs, City staff averaged the rent for Piedmont from *RentCafe.com* with the rents for apartments in Oakland from *Zumper.com* and *Rentometer.com*. This is considered to be both reflective of the change in the rental market due to the COVID-19 pandemic, as well as considered to be a conservative approach as the average unit size is larger in Oakland and the average rent, generally higher. The resulting rent estimates were also compared to recent ABAG research on the affordability of ADUs in the San Francisco Bay Area. According to preliminary analysis of over 800 ADUs, reported by ABAG on March 9, 2021, approximately 30% of ADUs in the Bay Area are rented to households earning incomes that qualify as very low.

2020 Piedmont Average Rents Per Square Footage

2020 Average Rent	Average Apartment Size	Rent Per Square Footage	Rent (419 sf) VL	Rent (615 sf.) L	Rent (821 sf.) M
\$2,333	755	\$3.09	\$1,295	\$1,900	\$2,537

According to California HCD, the allowable rents in 2020 for low-income category units in Alameda County is between \$1,828 per month (studio); \$2,089 per month (one-bedroom); and \$2,350 (two bedrooms).

The allowable rents for a very-low-income category units of one bedroom or studio in Alameda County is between \$1,143 (studio); \$1,305 (one-bedroom unit); \$1,469 (two bedroom); and \$1,631 (three bedroom).

According to HUD, the allowable rents for moderate-income category units is between \$2,295 (studio); \$2,622 (one bedroom); and \$2,951 (two bedrooms).

Conclusion

The City of Piedmont issued building permits for 24 new housing units in 2020, as follows:

- Four accessory dwelling units or ADUs, 419 s.f. or smaller, and two junior accessory dwelling units (JADUs) designed to be partially integrated into the primary residences, would likely have rents affordable to residents earning very low income wages, for a total of six units in this category of affordability.
- Six accessory dwelling units, including JADUs, in Piedmont would likely have rents affordable to residents earning low-income wages. In addition, one ADU (1346 Grand Avenue) is deed-restricted to rents affordable to low-income residents, for a total of seven units in this category of affordability.
- Six new ADUs that were issued building permits in 2020 will be moderate-income housing due to their sizes (over 800 s.f.) and number of bedrooms.
- Two new ADUs would add to the above-moderate-income housing stock in Piedmont. Three building permits were issued for new single-family homes. All of the single-family homes are reported as above moderate income, for a total of five units in this category of affordability.

Table 1., Building Permits Issued in 2020

Housing Type	Very Low (VL)	Low (L)	Moderate (M)	Above Moderate (AM)	
Single-family Residence	0	0	0	3	
ADUs & JADUs	6	7	6	2	
Total	6	7	6	5	24

Table 2., List of Addresses of Building Permits Issued in 2020

1	L	778 Kingston Avenue ADU
2	AM	89 Maxwellton Rd SFR
3	VL	12 Sharon Avenue ADU
4	M	150 Scenic Avenue ADU
5	M	539 Blair Avenue ADU
6	L	55 Crocker Avenue ADU
7	L	90 Wildwood Avenue ADU
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24	AM	358 Scenic Avenue ADU

**Item #4 – Annual Housing Progress Report for 2015-2023 Housing Element
Correspondence Received before 12:00 Noon on Monday, April 19th**

In the staff report, Piedmont cites permits issued for accessory dwelling units in 2020, along with figures from RentCafe.com, as evidence of the production of low-income housing units. As we have discussed in past meetings with planning staff and Council members, we are very concerned that some of the ADUs and JADUs being permitted are not actually rented out as housing. It is important for the city to get better data on how many ADUs are actually being rented out, and at what rents. Lisa Wisa's scope of work for her SB2 consulting included gathering "data on the city's existing ADUS (including rents, demographics, condition, tenure of occupant(s), etc.)." Can the City draw on Lisa Wise's work to produce more concrete data to assess the effectiveness of ADUs as a source of affordable rental housing?

Irene Cheng and Sarah Karlinsky
Co-Chairs, Piedmont Racial Equity Campaign Housing Committee

Dear Mayor King and Council members Rood, Cavanaugh, Andersen and McCarthy,

I have one comment on the staff report posted for this item regarding estimated rental rates for ADUs in Piedmont.

I have owned a second unit in Piedmont for many years, and each year the unit has been rented we have paid a gross receipts business tax pursuant to Chapter 10. This tax is based upon estimated annual rental income.

Assuming that Piedmont has collected this tax not only from me but also from all other owners of ADUs when they are rented, staff should be able to easily determine how many ADUs were rented and what the approximate rental rate was for each unit. This is useful information which should be disclosed in aggregate for all second units and ADUs in Piedmont.

Staff has made ADUs its focal point for past, current and the upcoming Housing Element Plans. This is a good time to disclose based upon the City's own tax receipts and other records (1) how many ADUs were rented in 2020 and (2) what the average rent claimed by the property owners was last year.

Thank you for your attention to this matter,

Randy Wu
