

City of Piedmont
COUNCIL AGENDA REPORT

DATE: September 19, 2022

TO: Mayor and Council

FROM: Sara Lillevand, City Administrator

SUBJECT: Receipt of the 2021 Annual Progress Report to the California Housing and Community Development Department Regarding the Implementation of the 5th Cycle (2015-2023) Housing Element of the Piedmont General Plan

RECOMMENDATION

Receive the attached 2021 annual progress report for the implementation of the Piedmont General Plan 5th Cycle (2015-2023) Housing Element programs and policies.

EXECUTIVE 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. Piedmont's current Housing Element is for the term 2015-2023. The state-mandated allocation of new units by the end of 2022 is 60 housing units. This report covers the 2021 Piedmont Housing Element annual progress report.

During the calendar year 2021 the City of Piedmont gave final inspection approval to building permits for 16 new accessory dwelling units (ADUs) in 2021. In addition to the 16 that received final inspection approval, the City of Piedmont issued building permits for 23 new ADUs. Zero (0) building permits were issued for new single-family homes, bringing the total number of building permits issued during the 2015-2023 term up to 96 permits. The City's issuance of building permits for new housing units exceeds the overall goal set by the State of California in the RHNA for the 5th Cycle Housing Element by 36 housing units. However, production of very low-income units has lagged, resulting in a total since 2015 of 18 building permits for very low income units, where the RHNA goal is 24. The following staff report provides background and analysis on the annual progress report.

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 5th cycle planning period for the Bay Area 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 Piedmont's 5th cycle 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.

ANNUAL PROGRESS REPORT

Pursuant to Government Code section 65400, the annual progress report for 2021 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).

Piedmont’s annual progress report is attached (Attachment B, online). The City issued building permits for 24 new housing units in 2020 and 11 new housing units in 2019. In 2021, the City issued building permits for the following 23 new housing units, all of which were accessory dwelling units (ADUs):

2021 Piedmont Building Permits for New Housing Units

No.	Affordability	Address/Housing Type
1	L	95 Sea View Avenue ADU
2	M	1042 Winsor Avenue ADU
3	M	2070 Oakland Avenue ADU
4	VL	204 Pala Avenue ADU
5	AM	1680 Lower Grand Avenue ADU
6	VL	301 Hillside Avenue ADU
7	AM	440 El Cerrito Avenue ADU
8	L	1601 Oakland Avenue JADU
9	L	601 Mountain Avenue ADU
10	AM	1086 Annerley Road JADU
11	VL	14 Dormidera Avenue JADU
12	VL	1346 Grand Avenue ADU
13	AM	33 Monticello Avenue ADU
14	VL	230 Bonita Avenue JADU
15	AM	9 Alta Avenue ADU
16	M	1102 Harvard Road ADU
17	L	330 El Cerrito Avenue ADU
18	VL	1546 Oakland Avenue ADU
19	AM	34 Manor Drive ADU
20	AM	948 Kingston Avenue ADU
21	L	118 Wildwood Avenue JADU
22	AM	2076 Oakland Avenue ADU
23	M	148 Ronada Avenue ADU

Six of the building permits were issued for small ADUs and 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 characterizes these units as affordable to households earning less than 50% of the area median income for Alameda County (income of approximately \$54,800 a year in 2021 for a household of two people).

Five accessory dwelling units that were issued building permits in Piedmont in 2021 would likely have rents affordable to residents earning low-income wages (L). Households earning low-income wages earn between 50% to less than 80% of the area median income for Alameda County. City staff

characterizes these units as low income. In 2021, this income was approximately \$87,700 a year for a two-person household.

Four new ADUs that were issued building permits in 2021 will be moderate-income housing (M) due to their sizes and number of bedrooms. Moderate incomes are 80% to 120% of the area median income for Alameda County. City staff characterizes these units as moderate income. In 2021, this income was a maximum of approximately \$120,550 a year for a household of two people (and more for larger households). The remaining ADUs 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 of construction completed under building permits for 16 new housing units in 2021, compared to the six building permits which received final approval in 2020. All of the new housing units completed in 2021 were ADUs.

Lastly, in 2021, the City approved planning entitlements for 33 new housing units, compared to 25 housing units entitled in 2020 and 19 entitled in 2019. All but two of the planning entitlements for new housing units in 2021 were ADU permits. The only denied permit for a housing unit in 2021 was an early proposal for 58 York Drive, and a subsequent design was approved and entitled by the Planning Commission in 2021.

Rental Survey

City staff has prepared a survey of local rents based on similar floor areas and amenities which substantiate the expected rents for the moderate, low, and very low ADUs in the 2021 annual progress report. HCD has accepted the City's rental surveys, using this methodology, since 2018. The rental survey is included as Attachment A.

CONCLUSION

The 2021 annual progress report shows that the City of Piedmont is surpassing the annual rate of construction of new housing units anticipated by the 5th Cycle RHNA, having issued building permits since 2015 for the construction of approximately 96 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 very low income housing is being produced under the 5th Cycle (2015-2023) Housing Element's programs and policies.

By: Pierce Macdonald, Senior Planner

ATTACHMENTS

Attachment A	Pages 5-8	2021 Rental Survey
Attachment B	Web Link	2021 Housing Element Progress Report*

*Web Link at:

[https://piedmont.ca.gov/UserFiles/Servers/Server_13659739/File/Government/Departments/Planning/Division/Housing Programs/2021 APR Tables.pdf](https://piedmont.ca.gov/UserFiles/Servers/Server_13659739/File/Government/Departments/Planning/Division/Housing%20Programs/2021%20APR%20Tables.pdf)

ATTACHMENT D – 2021 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 over the last 12-month period. 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.

Average rents in Piedmont in 2021 total \$2,614 per month, an increase compared to \$2,590 for the previous year (RentCafe.com). This rent is still less than that reported for the surrounding City of Oakland (\$2,772 per month on average for a 778-square-foot unit), an increase from \$2,705 for an average 780-square-foot unit, last year. Average rental unit size in Piedmont in 2021 was 764 s.f.

According to the same source, over 74% of rental units rent for greater than \$2,000 in Piedmont. In Oakland, over 80% 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, present in many large rental housing developments, could suggest why Piedmont apartments and ADUs rent for slightly less than Oakland as a percentage of overall units (i.e. fewer luxury apartments in Piedmont).

RentCafe.com reports the average rent in Piedmont in 2021 as \$2,614 per month and average unit size as 764 s.f. As stated above, the average rent reported for Oakland was slightly more at \$2,772 per month for a 778-square-foot apartment.

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**, **ApartmentLists.com**, and **Rentometer.com** instead. Reliable data for Piedmont was not available through Zumper.com or Rentometer for the last 12 months because of the small sample of apartments and the large number of houses for rent (rather than apartments).

Zumper.com reports that the average rent in Oakland for a one-bedroom apartment is \$2,050 per month, an increase from \$1,925 per month, last year. The average rent for a studio apartment was \$1,699 per month. The average rent for a two-bedroom apartment was \$ 2,795.

ApartmentLists.com reports that the average rent for a studio apartment was \$1,365. The average one bedroom apartment rented for \$2,520, and the average rent for a two-bedroom apartment was \$3,228.

Rentometer.com reports that the average rent in Oakland, adjusted for Piedmont, for a one-bedroom apartment was \$2,204. The average rent of a studio apartment was \$1,834. The average rent of a two-bedroom apartment was \$3,013.

This rental survey shows the cost per square foot based on the average rents provided by RentCafe.com and assigns a 34% premium to two-bedroom apartments based on the percentage increase of rents provided by Zumper and Rentometer.

2021 Piedmont Average Rents Per Square Footage

2021 Average Rent RentCafe	Average Apartment Size	Rent Per Square Footage	Rent VL	Rent L	Rent M	Rent AM
\$2,614	764	\$3.42	See below	See below	See below	See below

2021 Oakland Average Rents Per Square Footage

2021 Average Rent RentCafe	Average Apartment Size	Rent Per Square Footage	Rent (336 sf.) VL	Rent (539 sf) L	Rent (678 sf.) M	Rent (777 sf., 1-bedroom + 652 s.f., 2-beds) AM
\$2,772	778	\$3.56 and \$4.77*	\$1,199	\$1,919	\$2,417	\$2,765 or more - \$3,110 or more
		*\$4.77 - 34% premium for 2 bedrooms or more				

A. Zumper Bedroom Count Premiums

2021 Average Rent Zumper	Studio	1-Bedroom \$351 + 21% premium	2-Bedroom \$745 36% premium
\$2,181	\$1,699	\$2,050	\$2,795

B. Rentometer Bedroom Count Premiums

2021 Average Rent Rentometer	Studio	1-Bedroom \$370 + 20% premium	2-Bedroom \$809 37% premium
\$2,350	\$1,834	\$2,204	\$3,013

C. Apartmentslist.com Bedroom Count Premiums

2021 Average Rent Apartmentlist	Studio	1-Bedroom \$1,155 + 85% premium	2-Bedroom \$708 28% premium
\$2,371	\$1,365	\$2,520	\$3,228

Average Rents A to C

Average Rent	Studio	1-Bedroom	2-Bedroom
\$2,300	\$1,633	\$2,258	\$3,012

Housing Affordability by Incomes

According to California HCD, the allowable rents in 2021 for low-income category units in Alameda County is between \$1,919 per month (539 s.f. or less studio); \$2,193 per month (616 s.f. or less one-bedroom); and \$2,466 (516 s.f. or less two bedrooms).

The allowable rents for very low income category units of one bedroom or studio in Alameda County is between \$1,199 (up to 336 s.f. studio) and \$1,370 (384 s.f. one-bedroom unit). The rent for more than one bedroom is \$1,541 (323 s.f. two bedroom) and \$1,713 (359 s.f. three bedroom).

The allowable rents for moderate income category units is between \$2,417 (678 s.f. studio); \$2,764 (776 s.f. one bedroom); and \$3,109 (651 s.f. two bedrooms).

Methodology and Premium for 2-Bedroom Apartments

The average rents for a one-bedroom apartment surveyed by Zumper, Rentometer, and ApartmentLists.com, are less than the average rent surveyed by RentCafe at \$2,772 for an average 778-square-foot apartment in Oakland. This survey uses the higher number provided by RentCafe for analysis of probable rents in Piedmont. This survey adjusts the rents for a 2-bedroom or more apartment according to the premiums for two-bedroom apartments surveyed by Zumper, Rentometer, and ApartmentLists.com at approximately 34% more than a one-bedroom apartment. Therefore, the average \$3.56 per square foot rent provided by RentCafe is adjusted up to \$4.77 per square foot for the rents for a two-bedroom apartment. This approach is conservative because it is likely that the RentCafe survey included some two-bedroom apartments in the average \$3.56 rent per square foot. Construction completed in Piedmont in 2021 did not include any three-bedroom or larger homes.

Conclusion

In 2021, six small accessory dwelling units (ADUs) in Piedmont that received final building permit inspection would likely have rents affordable to residents earning low-income wages. Three ADUs finalized in Piedmont would likely have rents affordable to moderate income residents. Three new ADUs are so small (336 s.f. or less) that they would likely rent at rates affordable to households earning very low incomes, and another two ADUs (337 s.f. and 901 s.f.) were approved under prior City ordinances and have restrictions limiting occupants' incomes and rents to very low rates for a period of 10 years. Finally, two new ADUs would likely rent at rates above moderate income due to their size and number of bedrooms. There were no single-family residences completed in Piedmont in 2021. For addresses, sizes, and numbers of bedrooms, see the list of completed ADUs for 2021 below.

New Housing Units Completing Construction in 2021 in Piedmont, CA

	Address	Size	Bedrooms	Estimated Rent Per S.F.	Projected Rent
1	90 Wildwood Ave ADU	588 s.f.	1	\$3.56	L - \$2,093
2	90 Wildwood Ave JADU	500 s.f.	0	\$3.56	L - \$1,780
3	10 Crest Rd ADU	620 s.f.	1	\$3.56	M - \$2,207
4	21 Blair Ave ADU	332 s.f.	0	\$3.56	VL - \$1,182
5	1661 Grand Ave ADU	433 s.f.	1	\$3.56	L - \$1,541
6	78 Fairview ADU	867 s.f.	2	\$4.77	AM - \$4,136
7	88 Sandringham Rd JADU	437 s.f.	0	\$3.56	L - \$1,556
8	1546 Oakland Ave ADU	336 s.f.	0	\$3.56	VL - \$1,196
9	118 Wildwood Ave JADU	479 s.f.	1	\$3.56	L - \$1,705
10	87 Huntleigh Rd ADU	337 s.f.	1	n/a	VL - Deed restricted
11	58 York Dr ADU	775 s.f.	1	\$3.56	M - \$2,759
12	119 Ricardo Ave ADU	361 s.f.	0	\$3.56	L -\$1,285
13	275 Seaview Ave ADU	693 s.f.	1	\$3.56	M - \$2,467
14	162 Estates Dr ADU	901 s.f.	2	n/a	VL - Deed restricted
15	630 Blair Ave ADU	670 s.f.	2	\$4.77	AM - \$3,196
16	14 Dormidera ADU	327 s.f.	0	\$3.56	VL -\$1,164