



Housing

Ellis Act Ordinance Re-Control Provisions

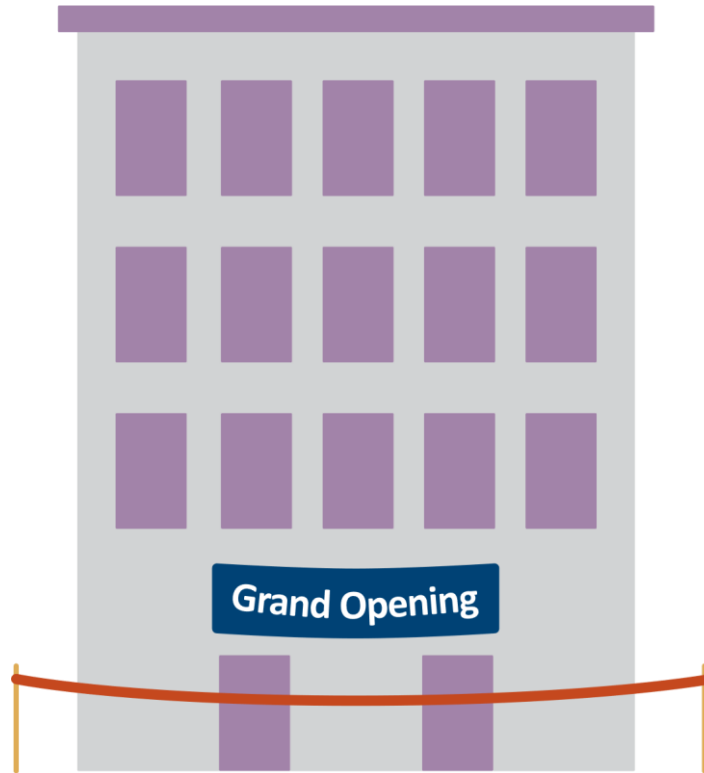
November 5, 2019
Item 4.5

Jacky Morales-Ferrand
Director

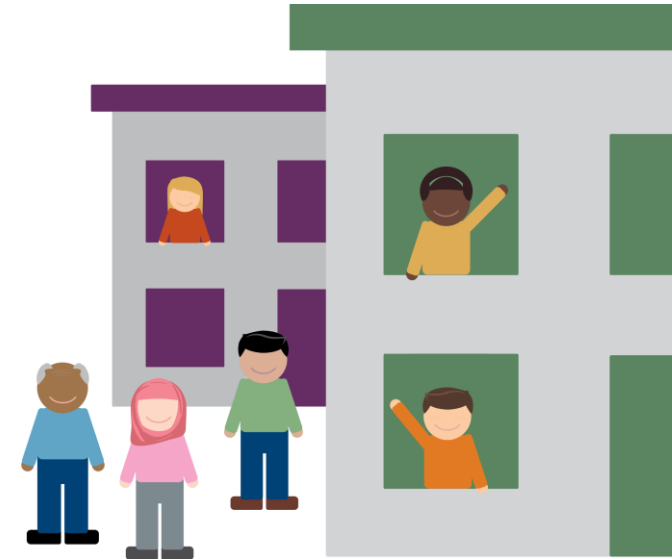
Rachel VanderVeen
Deputy Director

Christopher Alexander
Deputy City Attorney

Desired Outcomes



**Encourage Market
Rate Development**



**Minimize
Displacement**



Council Direction

🏠 Research the impact of subjecting replacement units to be re-controlled by Ellis Act:

- Information from interviews with developers & lenders
- Threshold of new apartments that result in net positive affordable housing
- Other cities' experience with re-control provisions

🏠 Other areas of research:

- Results of tenant interviews and potential displacement
- Current housing market and potential impact on displacement



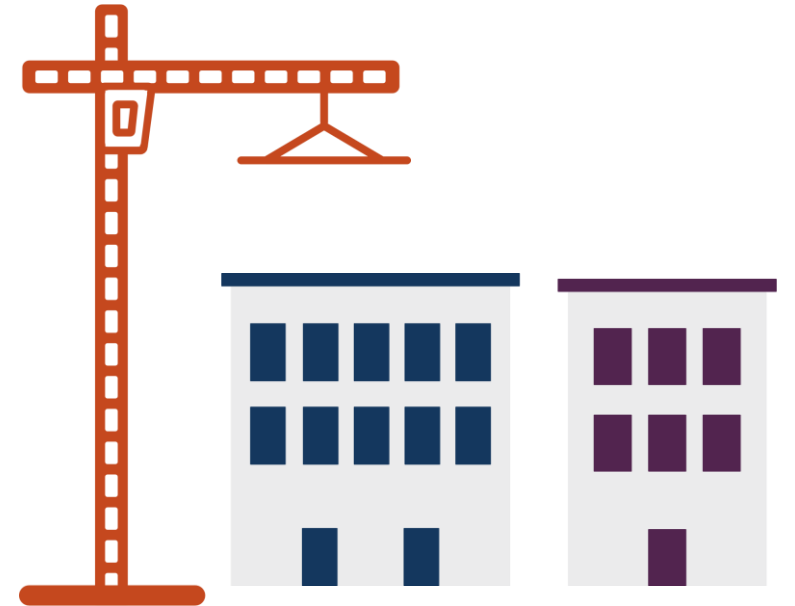
Feedback from Developers & Lenders

🏠 Developers

- Range of challenges
- Short-term investment strategy
- Long-term investment strategy

🏠 Lenders

- Lack in understanding of Ellis Act Ordinance requirements
- Financial Structure
- Risks for short-term equity providers



Feedback from Tenants

- 🏠 Displacement
- 🏠 Education about rights
- 🏠 Strengthen current provisions
- 🏠 Encourage new housing development while preserving affordable rents



Modification to Base Re-control Requirements

Existing ARO Building

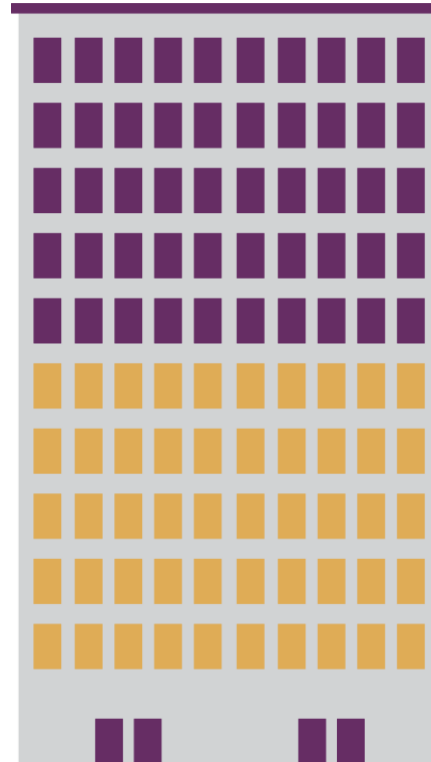
4 ARO Units



➔
Demolition

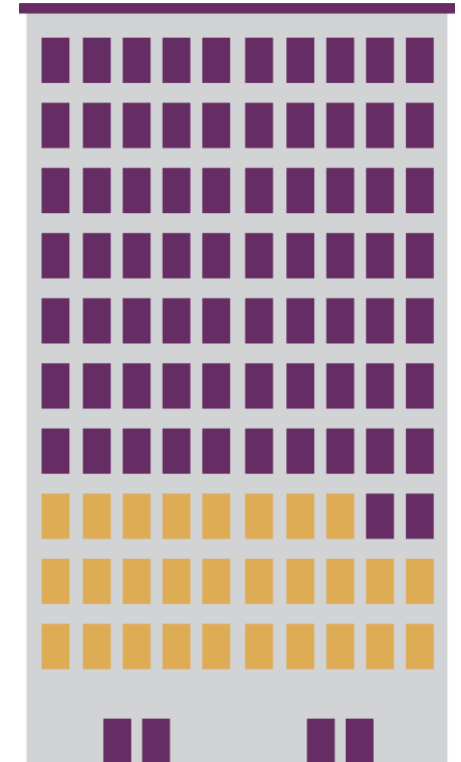
Current Cap

50 ARO Units (50%)
50 Market Units (50%)



Proposed Cap

28 ARO Units (7x cap)
72 Market Units



Existing Re-control Waiver Requirements

Existing ARO Building

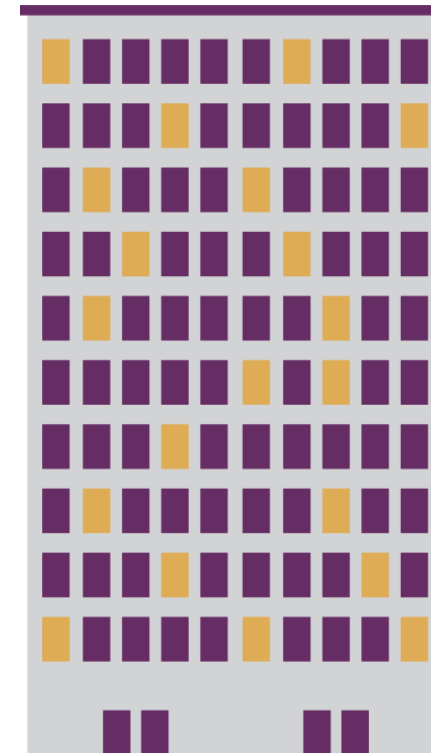
4 ARO Units



Demolition

Current Waiver

20% Affordable



Modification to Re-control Waiver Requirements

Existing ARO Building

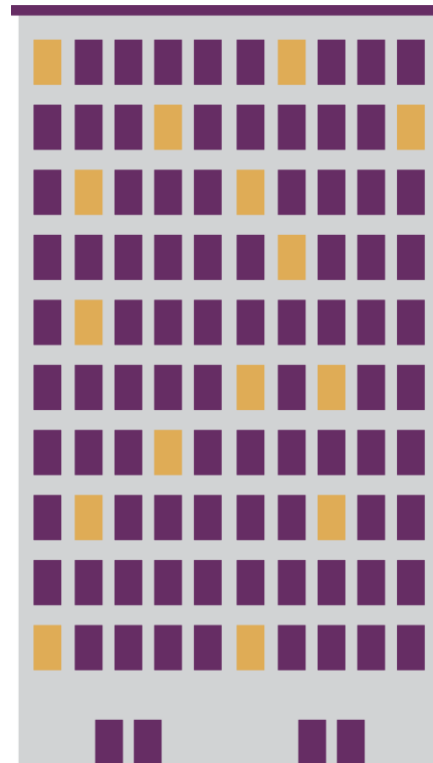
4 ARO Units



Demolition

Build On-Site

15% Affordable



1. Right to Return

at prior rents

OR

2. Relocate

at prior rents



Findings

Apartment Rent
Ordinance (ARO) Rent



\$1,600



New Apartment
Rent



\$3,500



Recommendations

1. Base Requirement:

Modify the base requirement of 50% re-control of newly-built units to require a cap of no more than seven times the number of withdrawn apartments;

2. Waiver Provision:

Modify the re-control waiver provision from 20% onsite to 15% of newly constructed rental units to be restricted affordable apartments and offer tenants displaced either:

- i. A right to return at the prior rent plus annual adjustments at the rate of the Consumer Price Index during the construction period and a maximum of 5% rent increases thereafter; or
- ii. An equivalent apartment immediately following displacement at the prior rent with annual rent adjustments no greater than 5% per year.



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