

# CONSERVING AND IMPROVING EXISTING HOUSING

Conversion Controls ..... 3-70

Mobile Home Parks..... 3-72

Rehabilitation ..... 3-74

Rent Control..... 3-77

Rental Assistance..... 3-79

## Conversion Controls

The conversion of existing housing to non-residential uses, as well as the conversion of existing rental units to ownership units (typically condominiums), can result in a significant reduction in the affordable housing stock. While such conversions may create home ownership opportunities that are affordable to lower income households, they can also significantly affect the balance between rental and ownership housing; reduce the variety of individual choices of tenure, type, price, and location; increase overall rents; and displace individuals and families.

Conversion controls seek to limit the rate of conversion in situations where the private market is not developing new rental housing at an adequate rate to make up for the loss of units.

### Benefits

- Preserves the existing housing stock, especially rental housing that is affordable to moderate, low, and very low income households.
- Helps discourage the displacement of current residents in neighborhoods experiencing gentrification.

### During the Housing Element Process...

- **Assess the Rate of Conversion and Loss of Units.** Review conversion data for the past five to ten years to determine the number of units that have been lost either through demolition/conversion to non-residential uses or conversion of rental units to ownership. Compare the loss of rental units to construction of new rental units (at similar levels of affordability) to determine the net change in the local supply of rental housing.
- **Evaluate Potential for Future Loss of Units.** Based on recent trends and current and projected market conditions, evaluate the potential for future loss of units due to conversion.
- **Review Existing Policies and Ordinances.** Review any existing policies and ordinances that control the conversion of residential units from rental to ownership or to non-residential uses. Consider how effective they have been at controlling the rate of conversion and the loss of rental housing stock.

### Potential Programs and Actions

- **Establish a Conversion Policy.** Include a policy statement in the Housing Element regarding the conversion of units. The policy should establish clear priorities for the jurisdiction regarding the preservation of the rental housing stock, limiting conversions based on either an evaluation of the vacancy rate for rental housing (e.g., applications for conversion will only be accepted if the rental housing vacancy rate is greater than 5 percent) or demonstration that rental units being lost are being replaced through new construction. The policy statement should also address the relocation of current tenants, including adequate notification and relocation assistance, and ensure that existing tenants are first given the option of purchasing their respective units before the units are offered to the general public.

- **Adopt an Ordinance to Control the Rate of Conversion.** Develop and adopt a local ordinance to carry out the Housing Element's policy on conversions. The ordinance should address:
  - Purpose of the Ordinance.
  - Criteria for determining whether an application for conversion should be accepted (i.e., the thresholds that must be met in order to allow any conversions to occur).
  - Application procedures, including conditional use permit requirements and filing procedures.
  - Tenant notification requirements and relocation benefits.
  - Requirements to ensure that converted housing achieves the same standards of quality and safety as new construction.

*See Also...*

- Mobile Home Parks (*Page 3-72*)
- Preservation of Assisted Units (*Page 3-105*)

## Mobile Home Parks

Mobile home parks serve as a valuable source of affordable housing. Although mobile home parks are an allowed use in many zoning districts, new parks are difficult to develop in high cost areas.

Preservation of mobile home parks is an important issue because many existing mobile home parks are threatened by the escalating value of land and accompanying development pressure. Preservation allows a community to protect a valuable source of usually irreplaceable affordable housing.

The State of California, non-profit organizations, and many local communities have assisted residents in buying their mobile home parks. Some cities and counties have passed conversion ordinances to preserve mobile home parks and/or to assist the residents who might be displaced. Local ordinances may be adopted which limit conversions or specify conditions and provide for assistance to residents. Other ordinances establish mobile home rent control or seek to achieve long-term access to the land or impose resale restrictions on the site.

### Benefits

- Provides aid to those who can least afford to replace a stand-alone unit that they own.
- Retains the availability of mobile homes to ease pressure on senior housing, apartments, and sometimes on condominiums.
- Provides an option for quick, inexpensive housing development, especially in rapidly growing communities with low vacancy rates.

### During the Housing Element Process...

- **Analyze Conversion Potential and Preservation Options.** Identify local mobile home parks and analyze their potential for conversion. Work with residents and owners to identify suitable programs and actions, such as ordinances, subsidies, purchase assistance, or other measures.
- **Conduct Legal Research.** Regulatory programs, such as rent control, should be analyzed carefully because they have been the subject of considerable litigation in the past several decades. The Ellis Act (Gov Code §§7060-7060.7) may also affect the ability of local governments to restrict the reuse of mobile home parks.
- **Involve Stakeholders.** Senior groups and mobile home park owners can help define mobile home park problems. Their support and expertise is also helpful in developing community support for new programs.

### Potential Programs and Actions

- **Adopt Local Programs.** Consider the following approaches to preserve affordable mobile home housing:
  - Provide rent subsidies.
  - Grant financial assistance with CDBG, tax increment funds, or other local resources.
  - Establish rehabilitation loans to correct health and safety violations.
  - Participate with mobile home residents in the State's Mobile Home Park Assistance Program.
  - Require adequate notice of any intent to raise rents.
  - Adopt preservation ordinances with measures to encourage retention of housing, aid in relocation, and provide compensation to owners and residents.
  - Protect current mobile home parks and sites by zoning them for appropriate residential use.

## Contacts and Resources

*See Appendix D for phone numbers and addresses, where relevant.*

- ✍ HCD, *Incentives for Family Mobilehome Parks*, State of California, Sacramento, 1986.
- ✍ HCD, *Local Government Mobilehome and Mobilehome Park Policies in California*, 1986.
- ✍ HCD, *Ordinances and Laws Regulating Change of Use of Mobilehome Parks*, 1987.

*See Also...*

- Conversion Controls (*Page 3-70*)

## Success Stories

- **Resident Purchase of Mobile Home Park Secures Affordable Housing for Low-Income Seniors.** Alta-Mac is a 33-space mobile home park with homes in fairly good condition with a small unused home and a laundry room as amenities. Most of the residents are low and very-low income seniors who were spending over 30 percent of their incomes on housing when the owner asked if they would like to buy the park. They organized themselves and with the help of unsecured funds from the City of Santa Rosa made deposits to hold the purchase deal and used a city loan to cover predevelopment financing. The residents also hired an experienced consultant to help with the deal. They formed a non-profit corporation where each member pays a one-time, non-transferable, non-refundable fee. Each member also receives one vote, occupies one space in the park and pays a monthly rent to the corporation.

The \$885,565 necessary for conversion to resident ownership was raised from Redevelopment Agency set-aside funds, provided as a deferred loan from the **Santa Rosa Housing Authority**, a loan from the National Cooperative Bank, funds from the State Mobile Home Park Resident Ownership Program (MPROP), an Affordable Housing Program Grant from the City, and resident owner equity. The Housing Authority was the co-applicant on the loan from MPROP, which required city staff to monitor and ensure the success of the development—an important contributor to the success of this initiative. The savings from low-interest government financing enabled the resident owners corporation to offer some financial assistance to members. The very successful park conversion to resident ownership took about three years to complete.

- **Affordable Mobile Home Park Provides Sanctuary for Residents.** Osocales Community in Soquel is an affordable mobile home park with a new lease on life. Renovated by **Mercy Housing Santa Cruz** with funding from the Santa Cruz Redevelopment Agency, twenty-eight new and rehabilitated homes for low and very-low income residents are surrounded by existing trees and ample new planting along a quiet driveway. **Pyatok Associates** worked with residents, staff, and Wamsher Construction to design a compact yet friendly site plan. Five-foot minimum setbacks from the driveway and minimal use of asphalt give the park a softer and more permanent feel. While the site improvements took a number of years to complete, the end result was affordable homes in a quality development for low and very-low income residents.

## Rehabilitation

In communities with a large stock of older housing or structures that could be converted easily into residential units, rehabilitation can be the most cost-effective method to provide affordable housing. Rather than spending limited housing dollars on new construction, subsidies can be directed towards increasing the affordability of existing housing and/or improving the habitability of substandard housing. Rehabilitation can also improve the appearance of whole neighborhoods and preserve historical sites for the community.

### Benefits

- Preserves and potentially expands affordability in the existing housing stock.
- Does not require development of vacant land or changes in land use to achieve affordability goals, thereby resulting in less community opposition.
- Achieves more “bang for the buck” in the use of limited resources to promote affordability.
- Improves the livability, safety, and quality of existing housing and neighborhoods.

### During the Housing Element Process...

- **Inventory Housing Conditions and Assess Rehabilitation Needs.** Ensure that the housing element includes an inventory of local housing conditions and an assessment of rehabilitation needs. Use this assessment to identify and target the most promising projects and programs.
- **Review Land Use and Zoning Standards.** It is important to have the right land use and zoning standards and to regulate the development capacity of housing preservation areas. Use the housing element process to review local standards and regulations to ensure they support rehabilitation activities.
- **Build Community Support.** As with any affordable housing program, community acceptance is necessary and essential.
- **Achieve HCD Certification.** Access to many of the State and Federal resources to support local rehabilitation activities requires that the local jurisdiction have a certified housing element.
- **Identify Housing and Other Structures that Can Most Easily Be Made Barrier-Free.** The HUD regulations require it, and accessible, rehabilitated housing that is barrier-free can be used for a greater variety and number of households.

### Potential Programs and Actions

- **Develop Rehabilitation Funding Sources.** There are a variety of potential funding mechanisms, including significant resources available through state and federal government for the rehabilitation of both renter and owner occupied housing. Cities and counties, housing authorities, and/or non-profits working with local governments can use CDBG and several other federal entitlement and competitive funding sources for local rehabilitation programs and projects. Federal and state low-income tax credits can also be used for purchase and/or rehabilitation of existing housing.
- **Target Redevelopment Activities Towards Rehabilitation.** Redevelopment agencies are particularly useful in supporting rehabilitation activities, including the site acquisition and the use set-aside funds.
- **Ensure Proper Management.** Management of rehabilitation activities can be staff intensive. Local governments need to have either staff ability or a good relationship with another public or non-profit to ensure adequate experience, skill, and expertise to execute a successful program.

*See Also...*

- Adaptive Reuse (*Page 3-5*)
- Energy Efficiency (*Page 3-33*)
- Self-Help and Community-Help Housing (*Page 3-43*)
- Zoning Standards and Building Codes (*Page 3-98*)
- Preservation of Assisted Units (*Page 3-105*)

## Success Stories

- Revitalizing a Troubled Neighborhood with Public/Private Partnerships, Creative Financing, and Inter-Governmental Cooperation.** The Maples was a 120 unit apartment complex in 30 four-plexes, in a high crime neighborhood with significant blight. There was a 25 percent vacancy rate, boarded windows, graffiti, litter, no landscaping, and poor exterior lighting. The “Acacia Neighborhood Team,” with representatives from Vacaville’s Office of Housing and Redevelopment, Police, Fire and Community Services Departments and a non-profit housing corporation, **Vacaville Community Housing (VCH)**, worked with residents to identify problems and implement cost-effective solutions to keep rents affordable for very low income households.

The key element was helping VCH acquire (and later manage) all 120 units from different absentee landlords, followed by substantial rehabilitation to bring the units up to code and add amenities such as increased lighting, private entryways for each unit, and features such as tot lots, picnic tables, and barbecues in common areas. A small Neighborhood Center was also opened in a one-bedroom unit to meet needs for after school care and job training for teenagers. Lastly, the project changed the public Acacia Street into a one-way private drive to reduce speeding and the police assigned two officers to a Street Enforcement Team and helped set up a Neighborhood Watch Program. The project was assisted through redevelopment set-aside funds, bond funds, HOME program funds, and private financing. Annual operating costs are met by CDBG and city funds. The Maples has been very successful in revitalizing the neighborhood, where residents now move freely in the “miracle on Acacia Street;” affordability has been maintained; school attendance is up; retail vacancies in the area have dropped; and crime is negligible.

- SRO Rehabilitation Provides a National Model.** The UA Homes Development involved acquisition and rehabilitation of a 77 unit SRO in **Berkeley** that had been severely damaged by the Loma Pieta earthquake of 1989. The major rehabilitation included a seismic upgrade and replacement of ceilings, walls, and all building systems. Laundry facilities were included on every floor and a community room, resident-manager’s office, and service offices were added. The City also allowed three parking spaces at the rear of the building to be converted to a community garden. The development also has a popular and innovative arts program. The non-profit developer **Resources for Community Development** used funds from the City of Berkeley, CDBG, FEMA, Small Business Association, SAMCO, the City of Berkeley Housing Trust, and the American Red Cross to put the project together. Completed in 1992, UA Homes houses formerly homeless individuals who receive rent subsidies through the HUD Section 8 Moderate Rehabilitation Program.



UA Homes, Berkeley

Steve Suzuki

## Rent Control

Rent controls are used by a number of Bay Area jurisdictions to regulate the price of rental housing. Although controversial, it has been upheld by the courts and remains a useful tool for preserving the affordability of existing rental housing. The Bay Area's three largest cities—San Jose, San Francisco, and Oakland—all have rent controls in place, as do several smaller jurisdictions.

Critics of rent control claim that the overall affect of such controls is to discourage the development of new rental housing or rehabilitation and improvement of existing rental units. They also claim that rent controls tend to distort the rental market, resulting in a shortage of moderate-priced rental units since new units have rents that are well above the median rent and units that have been occupied for a long period of time remain at levels far below the median.

In rent-controlled jurisdictions, annual rent increases are allowed based on an established percentage, typically based on the rate of inflation. Many jurisdictions also have what is called “vacancy decontrol,” in which rents may revert to “market-rates” whenever a unit is voluntarily vacated by a tenant. Nearly all rent control regulations allow owners to repossess a unit for their own use, and provide exemptions for small multi-unit buildings in which the owner is also a resident of one of the units.

These restrictions and exemptions are outlined in the local rent control ordinance with established grievance procedures, typically overseen by local rent boards, to mediate disputes related to rent increases, evictions, and related matters.

### Benefits

- Preserves the affordability of the existing rental housing stock.
- Protects low and very low income renters—including renters on fixed incomes—from substantial rent increases that could force them out of their homes.
- Discourages the displacement of current residents in areas where rents are increasing at rates greater than the overall rate of inflation.

### During the Housing Element Process...

- **Evaluate Recent Rent Increases and the Impacts on Renter Households.** Collect data on increases in local median rents (ideally by unit size) over the past several years and compare the rate of increase to the rate of inflation. If the rate of rent inflation is substantially higher, try to ascertain the impact of higher rents on local renter households (e.g., eviction/displacement, overcrowding, etc.). This may require anecdotal evidence obtained through interviews with rental agencies, service providers, and others who are familiar with the local rental market.
- **Consider the Causes of Rent Increases.** Are rents increasing across the board, or only for some unit types? Is the mismatch between supply and demand being exacerbated by the lack of new construction for rental units or the loss of existing units? Are the rent increases more substantial in some parts of the City than in others? Are the management costs of rental housing increasing at similar rates (e.g., property taxes, insurance, etc.)? What are the profit margins for the owners/managers of rental properties?
- **Evaluate the Potential Benefits and Impacts of Rent Control.** Consider the potential benefits and impacts of rent control both in terms of controlling local rents and preserving affordable housing and on the larger housing market in general. Conduct an evaluation process that is as open, inclusive, and comprehensive as possible, helping participants to understand the current situation and its causes as well as the full range of potential strategies for addressing them.

### Potential Programs and Actions

- **Monitor Rental Rates.** To ensure reliable data for decision making related to rent control and other rental housing strategies, establish an effective mechanism for monitoring rental rates in the local area. This may include annual, bi-annual, or quarterly reports on median rents in the local area by unit type, forwarded to local decision makers and other interested parties. For larger jurisdictions, a breakdown of median rents by geographic area can also be helpful.
- **Establish or Modify a Rent Control Ordinance.** Based on an evaluation of the local situation, consider establishing a rent control ordinance or similar mechanism to discourage unwarranted or unreasonable rent increases. If a rent control ordinance is currently in place, but has been ineffective in achieving its goals, consider modifications that might improve its effectiveness.
- **Ensure a Multi-Strategy Approach.** Rent control in and of itself will not provide an effective strategy for ensuring the long-term viability of the local rental market for lower income households. The strategy must also address the availability of sites for new multi-family housing development, incentives to encourage such development, and other local policies to ensure that new rental housing is developed and managed at prices affordable to lower income households.

#### *See Also...*

- Mobile Home Parks (*Page 3-72*)
- Rental Assistance (*Page 3-79*)

### Success Stories

- **Dispute Resolution Ordinance Addresses Rent Increase Issues.** In response to the rental housing crisis and its potential impacts on tenants, **Fremont** enacted an ordinance to discourage unreasonable rent increases. The ordinance does not establish “rent controls.” Instead, it establishes a three-step rent dispute resolution process that consists of conciliation, mediation, and fact-finding within a fixed time period. Conciliation and mediation assistance is provided by Mediation Services, a non-profit, non-partisan neighborhood-based conflict resolution program staffed by trained volunteer mediators. If mediation does not result in an agreement, either party may request a Fact Finding Panel to determine the reasonableness of the rent increase and the impact of the rent increase on the affected households. The panel is appointed by the City and composed of three neutral persons: a tenant, an owner, and a designated neutral third party. In addition, rent increases are limited to once per year and landlords are prohibited from retaliating against a tenant for use of any remedy provided by the ordinance. To date, over 200 persons have been served.

## Rental Assistance

Several local governments help qualified individuals or families locate and afford market-rate rental housing. For those having difficulty securing an apartment, loans or grants may be provided for all or a portion of the first and last month's rent as well as the security deposit. To improve the affordability of housing, some communities (occasionally with the support of a foundation or trust) provide limited monthly subsidies to low-income households.

However, the largest amount of rental assistance is provided by HUD's Section 8 Housing Assistance Payments, which up till recently had two programs: 1) certificate rent subsidies to owners of housing units on behalf of very low-income tenants; and 2) vouchers used in rental housing of the tenant's choosing. Section 8 *certificates* provide the difference between one-third of a household's income and the "fair market" monthly rent (including utilities) for an apartment (set separately for each county and according to the number of bedrooms) directly to the owner. Section 8 *vouchers*, however, have no rent ceilings, and the tenant is responsible for paying the difference between the "voucher payment standard" and the actual rent. Since the voucher program is meant to cost the government less, the subsidies are lower than those for the certificate program. All new housing assistance through the Section 8 program is now provided in the form of vouchers.

### Benefits

- Helps fill the gap between household income and housing costs.
- Provides assistance to the very low- and low-income households who are most in need.
- Under some programs, allows households to find the housing most suitable for their needs with rental assistance tied to the household rather than a specific housing unit.

### During the Housing Element Process...

- **Conduct a Needs Assessment.** Document the existing level of rental assistance and try to quantify the level of unmet need. Waiting lists at the local housing authority or other service agencies that provide rental assistance can provide some indication of the level of unmet need, though it most likely under-represents the actual need. Overcrowded units and the incidence of homelessness may provide other indicators.
- **Consider Potential Sources for Additional Assistance.** Identify potential funding sources to continue or expand existing rental assistance programs or to establish a new locally based program.
- **Develop a Comprehensive Affordability Strategy.** Rental assistance programs cannot be effective, if there is a shortage of lower cost rentals available in the community. The higher the local rental costs, the more expensive it is to operate a rental assistance program. A comprehensive approach is needed to support the construction and rehabilitation of units in the local area that are affordable to lower income households.

### Potential Programs and Actions

- **Collaborate with Other Jurisdictions and Agencies.** Rental assistance programs can be expensive to fund and operate. Many smaller jurisdictions work with County agencies to facilitate assistance for local residents. Another option is to collaborate with adjacent jurisdictions, pooling financial and staff resources to achieve the necessary level of size and efficiency to make a local program feasible. This provides more local control and targeting of resources to meet local needs.
- **Define Selection Criteria.** Develop clear criteria for the selection of participants to ensure that funds are targeted to those households who are most in need. Communicate the criteria in a clear and concise manner to potential applicants.
- **Ensure Professional Administration.** The success of rental assistance programs relies on having efficient, accessible program administration to direct aid to those most in need.

*See Also...*

- Housing for Homeless People (*Page 3-52*)
- Shared Housing and Co-Housing (*Page 3-60*)
- SRO Hotels and Efficiency Apartments (*Page 3-63*)
- Mobile Home Parks (*Page 3-72*)
- Rent Control (*Page 3-77*)

**Success Stories**

- **Rental Housing Assistance.** The **Marin County Housing Authority** assists low-income renters through a variety of programs including Section 8 Certificate and Voucher Programs. It uses Housing Opportunities for Person With AIDS (HOPWA) funds to provide rental assistance to low-income person with AIDS, and operates the Rebate for Marin Renters Program, which is funded on a two-to-one basis by the Marin Community Foundation. Program recipients—who include low- and moderate-income families, seniors, and people with disabilities—receive a monthly rent rebate based on unit size for a year.
- **Housing Scholarship Program Helps Families Become Self-Sufficient.** City officials, local job training agencies, landlords, and community leaders worked collaboratively to institute the Housing Scholarship Program in **Fremont**. The Program has helped over 200 families on public assistance become self-sufficient since its inception in 1987. Generous landlords and affordable housing developers receiving assistance from the City have agreed to provide rent reductions of up to 50 percent for up to one year to lower income families who have demonstrated the necessary commitment and skills to achieve sustainable livelihoods.

The Program offers job training, affordable housing, life skills classes, and other services to stabilize families as they increase their skills and job earning potential while enrolled in an approved job training program. A Board of elected officials, community organizations and support services, and former scholarship recipients meets monthly to award housing scholarships. In 1999, the Housing Scholarship Alumni Association was formed to help alumni support each other and take the next step to homeownership. **East Bay Habitat for Humanity**, in a joint venture with **Eden Housing**, will build three homes for lower income families, while Eden Housing will build 14 homes for lower to moderate income first time homebuyers. Three alumni will be selected to become Habitat for Humanity homeowners, thus completing the cycle from homelessness (for many scholarship applicants), to renter and finally homeowner.



Market-Rate Apartments

Tom Jones