



## City Council Report

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Sacramento, CA 95814

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**File ID:** 2018-01275

September 4, 2018

**Discussion Item 19**

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**Title:** Housing Workshop: Rent Stabilization

**Location:** Citywide

**Recommendation:** Receive and file.

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**Presenter:** Michael Jasso, Assistant City Manager, (916) 808-1380, Office of the City Manager

**Attachments:**

1-Description/Analysis

2-Overview of Sacramento's Housing Environment

## Description/Analysis

**Issue Detail:** Sacramento is experiencing a housing crisis. There is an insufficient supply of affordable housing and rents have been rising at dramatic rates, making it increasingly difficult for residents to find housing they can afford. Furthermore, median income is stagnant at the same time rents are increasing, and homelessness has increased 30 percent from 2015 to 2017.

Tackling Sacramento's housing affordability challenge will require a multi-prong approach. The first workshop held on August 14, 2018 provided a brief overview of Sacramento's current housing condition. Then a panel representing local practitioners, other cities, and state agencies described current and potential state and local funding sources/programs and some examples of housing programs and partnerships other cities are implementing.

Increasing funding and adopting policies to promote development will take time to bear fruit. In the near-term, residents are struggling with high housing costs. Therefore, this second workshop will discuss rent stabilization and informed notice, a form of just cause eviction, as potential policies to address the immediate burdens many residents throughout the city are facing, as well as continue the discussion on policies to increase housing supply.

**Policy Considerations:** On August 25, 2015, the City Council approved the recommendations for a Downtown Housing Initiative. This initiative was limited to the downtown and given the dramatic need for enhanced housing production, a more intensified focus is needed to meet Sacramento's current housing challenges. This is in keeping with the City's goals and policies as established in the 2035 General Plan such as:

LU 1.1.4. Leading Infill Growth. The City shall facilitate infill development through active leadership and the strategic provision of infrastructure and services and supporting land uses.

LU 1.1. 5 Infill Development. The City shall promote and provide incentives for infill development, reuse and growth in existing urbanized areas to enhance community character, optimize City investments in infrastructure and community facilities, support increased transit use, promote pedestrian- and bicycle-friendly neighborhoods, increase housing diversity, ensure integrity of historic districts and enhance retail vitality.

**Economic Impacts:** A strong and affordable housing environment is critical to the economic well-being and growth of Sacramento and its residents.

**Environmental Considerations:** None

**Sustainability:** Increasing housing production and affordability will assist in creating a sustainable Sacramento and provide a platform for sustainable economic growth.

**Commission/Committee Action:** None

**Rationale for Recommendation:** The housing challenges facing Sacramento are not unique but are felt in many cities across the country. The information contained in the attached Overview of the Sacramento's Housing Environment highlight a few of the stark realities facing Sacramento residents. Median incomes have been relatively flat since 2011 while median home prices have increased from \$208,000 in 2011 to \$339,000 in 2017. Homeownership rates have been slowing slipping with rates hovering at the 47% level. Rents have risen even more dramatically with sources such as Apartment List stating that Sacramento experienced the highest rent increases in the nation in 2017.

These statistics exemplify why a more comprehensive look at Sacramento's housing environment and development of specific actions to address the needs is warranted.

**Financial Considerations:** None

**Local Business Enterprise (LBE):** None

**OVERVIEW OF THE CITY OF SACRAMENTO'S  
HOUSING ENVIRONMENT**

Sacramento, like a number of cities across the country, is facing many housing challenges. The information presented below provides a snapshot of the Sacramento housing environment and a current picture of the housing issues facing Sacramento residents. It is designed as background for the housing workshops to be held on August 14<sup>th</sup> and 21<sup>st</sup> and to aid in the development of actions to improve Sacramento's housing outlook.

**Key Facts**

**Table 1:**

	<b>Sacramento (city)</b>	<b>California</b>	<b>United States</b>
<b>Median Household Income (2012-16)</b>	\$52,071	\$63,783	\$55,322
<b>Persons in Poverty (2017)</b>	21.4%	14.3%	12.7%
<b>Median Housing Value (2012-16)</b>	\$259,400	\$409,300	\$184,700
<b>Homeownership Rate (2017)</b>	46.8%	54.1%	63.6%
<b>Average Rent (2017)</b>	\$1,057	\$1,297	\$949

Source: US Census, QuickFacts, 7/1/2017 (V2017)

**Sacramento's Growing Population**

For the first time ever, Sacramento's population exceeded 500,000 in 2017. According to the California Department of Finance, **Sacramento grew the fastest of the 10 largest cities in the state** in that same year.

**Median Income Flat while Poverty Rises**

Median household income has sustained only weak growth since 2011, when it was \$47,908 annually, to 2016 to \$52,071 a year, well below the 2016 median household income for California at \$63,783 and slightly below the US median of \$55,322.

Poverty rates for the city are significantly higher than the state and national rates. The city's poverty rate is 21.4%, much higher than the statewide rate of 14.3% and national rate of 12.7%

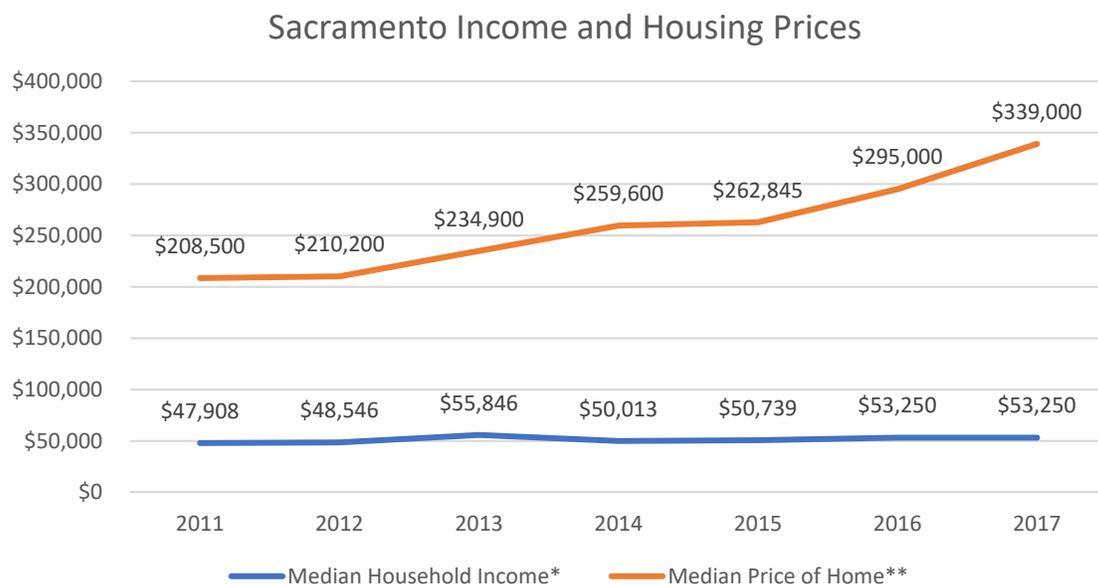
(US Census). **One in five Sacramentans live in poverty.** The poverty rate is up from 18.6% in 2011.

### Home Prices Jump with No Increase in Income

Since 2011, the median price for a home in the city has jumped from \$208,500 to \$339,000 in 2017. In comparison, the median sales price for a house in California for 2017 was \$454,208 and in the United States it was \$220,958, according to Zillow.

Homeownership rates have been slowly slipping in the city since the end of the Great Recession – from 50% in 2011 to 47% in 2017. This rate compares unfavorably with the national ownership rate of 63.6% and the statewide rate of 54.1% (US Census).

**Figure 1**



Source: City of Sacramento Livability Index (2017)

### Rent Increases Exceed National Average

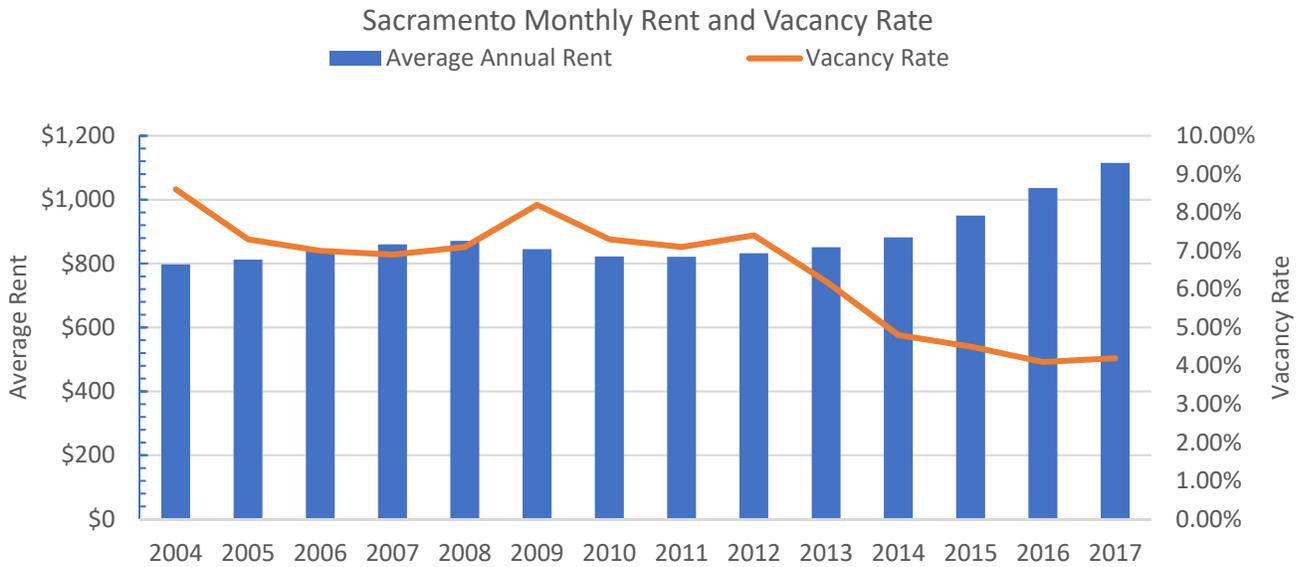
As noted by Apartment List, **Sacramento has experienced the highest rent increases in the nation in 2017.** The Census lists the average rent for Sacramento, \$1,057, as being between the national average of \$949 and the statewide average of \$1,297.

Figure 2



As shown in the table below, from 2010 to 2018 rents were on an upward trajectory and climbed from an average of \$797 in 2004 to \$1,156 in 2018 (CoStar). In-migration and low housing stock have contributed to upward pressure on housing costs resulting in a steady increase in rent. As can be expected, the vacancy rate has been trending downward in that same time period.

Figure 3



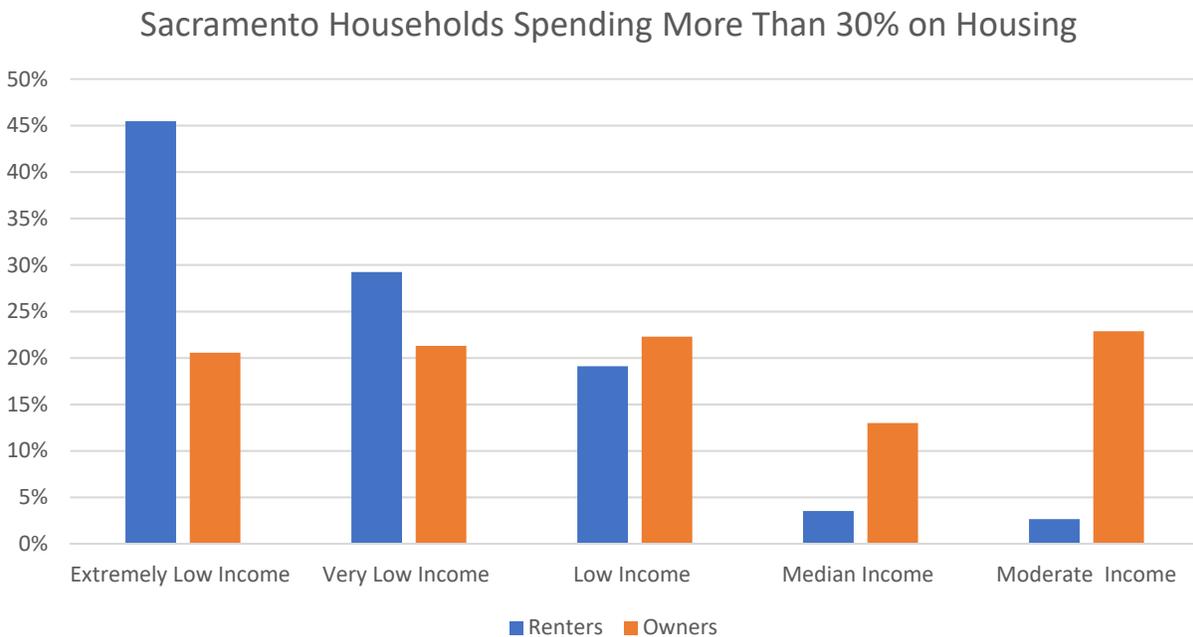
Source: CoStar Multifamily History, August 3, 2018

### Low Income Renters Most Heavily Cost Burdened

In the year 2015, 39% of Sacramento households, both renters and owners, spent more than 30% of their income on housing, meaning they are considered to be “cost burdened” by housing costs. However, the impact is more severe on renters: 51% are cost burdened as compared to only 30% of homeowner households (2011-2015 American Community Survey 5 Year Estimates).

For a household to be able to afford the median home price without becoming cost-burdened, it would have to earn an estimated \$70,000 annually (California Association of Realtors Housing Affordability Index). For a household that is renting, household annual income would need to be approximately \$42,200 to afford the median rent without becoming cost burdened.

Figure 4



Source: Comprehensive Housing Affordability Strategy (CHAS) Data, 2011-2015 5-Year Survey

### Disparities Exist in Homeownership Rates

Over 62.4% of homes in Sacramento are owned by whites. The next highest group of homeowners is Asians at 18.3%. 19.3% of renters and only 8.6% of homeowners are Black or African American.

Educational attainment for owners is higher than renters with 42.9% of homeowners holding a bachelor’s or higher degree. In contrast, just 26.6% of renters have completed a bachelor’s degree or higher.

Renters are significantly younger than owners. Over 37% of renters are under the age of 35. Homeownership is at its highest among those aged 55 to 64 years old (22.4%).

**Table 2**

Subject	Sacramento city, California	
	Owner-occupied housing units	Renter-occupied housing units
	Estimate	Estimate
Occupied housing units	84,113	95,752
<b>RACE AND HISPANIC OR LATINO ORIGIN OF HOUSEHOLDER</b>		
One race --		
White	62.4%	51.8%
Black or African American	8.6%	19.3%
American Indian and Alaska Native	0.4%	1.0%
Asian	18.3%	13.6%
Native Hawaiian and Other Pacific Islander	1.1%	1.2%
Some other race	5.9%	8.2%
Two or more races	3.3%	4.9%
Hispanic or Latino origin	17.9%	24.1%
White alone, not Hispanic or Latino	51.5%	38.0%
<b>AGE OF HOUSEHOLDER</b>		
Under 35 years	12.7%	37.1%
35 to 44 years	17.2%	20.7%
45 to 54 years	19.6%	16.0%
55 to 64 years	22.4%	13.4%
65 to 74 years	16.1%	7.3%
75 to 84 years	7.8%	3.3%
85 years and over	4.2%	2.1%
<b>EDUCATIONAL ATTAINMENT OF HOUSEHOLDER</b>		
Less than high school graduate	9.3%	15.4%
High school graduate (includes equivalency)	14.9%	20.4%
Some college or associate's degree	32.9%	37.6%
Bachelor's degree or higher	42.9%	26.6%

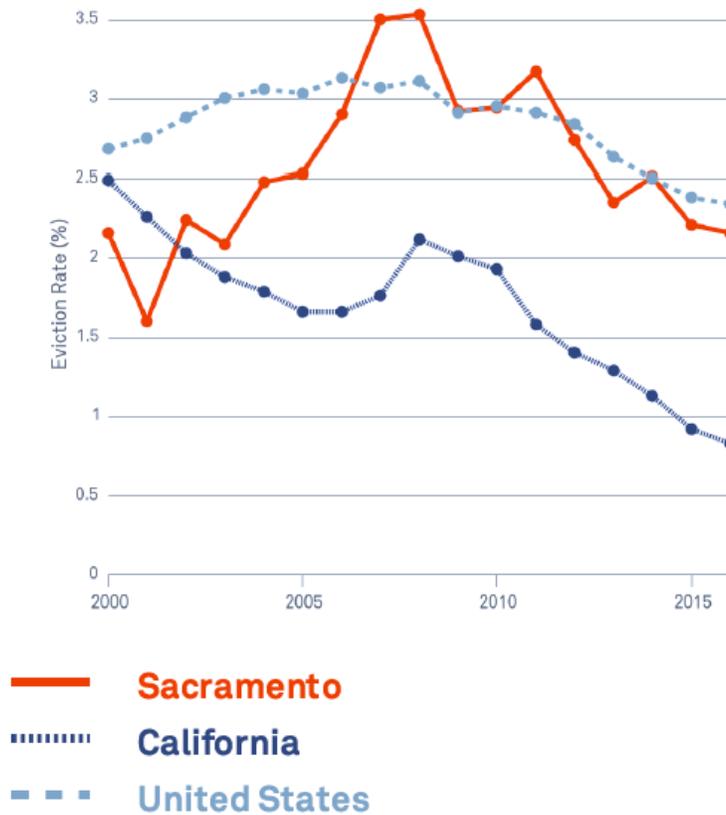
Source: 2012-2016 American Community Survey 5-Year Estimates

### Eviction Rate High in Sacramento

There were 2,044 evictions in Sacramento in 2016, according to Eviction Lab, which translates to 5.58 evictions a day and an eviction rate of 2.16. This rate is significantly higher than the statewide rate of .83% and more closely aligns with national trends. Data is not currently available identifying the cause for the evictions.

Figure 5

## COMPARISON OF EVICTION RATES OVER TIME



Source: Eviction Lab, Princeton University, 8/2/2018

### Homelessness Increasing Locally

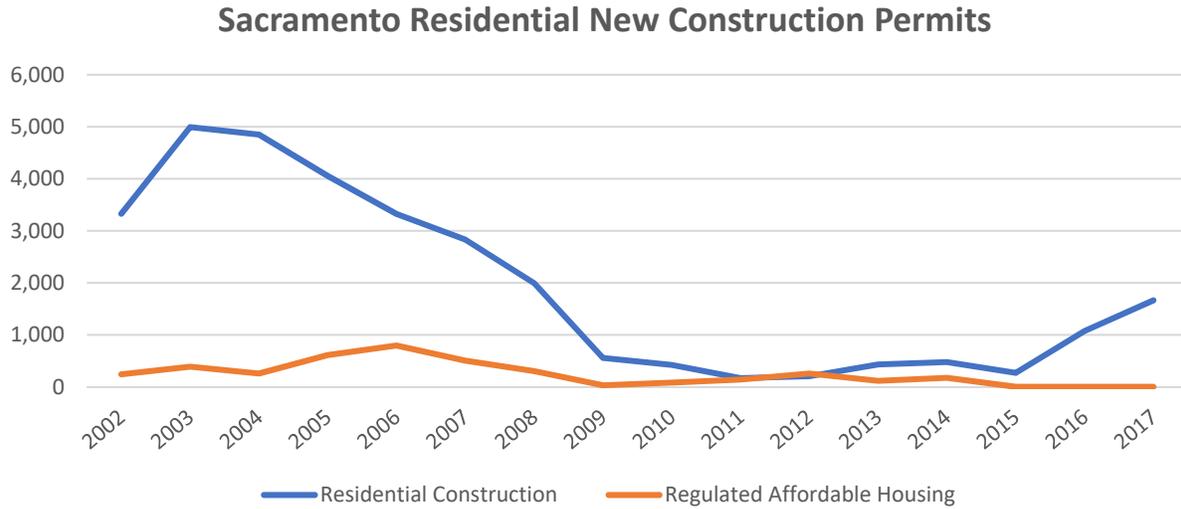
The Point-In-Time (PIT) Count, required biannually by the federal Housing and Urban Development Department, counted 3,665 homeless persons in Sacramento County in January 2017, a **30% increase from 2015's count** of 2,822 (Homelessness in Sacramento County: Results from the 2017 Point-In-Time Count).

The PIT Count found 56% of the homeless sleeping outdoors, an 85% increase from the previous count in 2015. According to the 2017 PIT Count Report, "Analysis of national PIT data have found that rental housing market factors – particularly housing costs – are the strongest predictors of homelessness across the communities. In particular, the proportion of residents in these communities who spend more than 30% of their total income on housing was strongly predictive of the overall homelessness rate in the region."

## New Residential Construction Not Keeping Up

Between 2000 and 2010, 27,182 housing units were built in the city of Sacramento. However, between 2010 and 2018, only 7,897 units were constructed (US Census). Of these new 7,897 units, only 764 were regulated, affordable units.

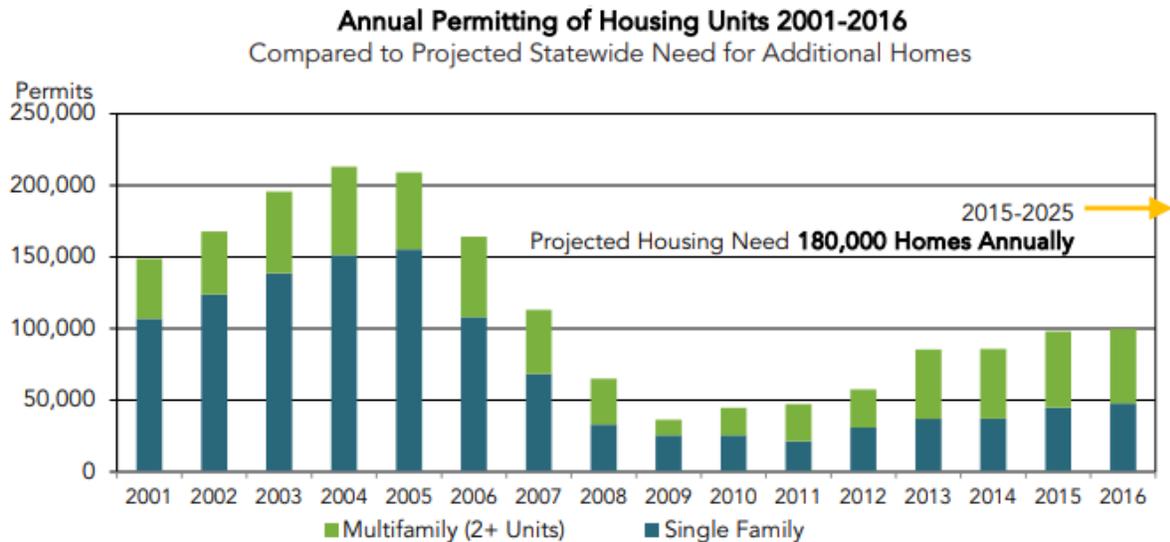
Figure 6



Source: City of Sacramento Residential Permits, 2002 to 2017.

A similar trend in housing production exists on the state level. Housing permits for both multifamily and single family residential have been nearly flat since 2013. A projected 180,000 units statewide are needed annually to meet projected housing needs.

Figure 7



Source: California's Housing Future: Challenges and Opportunities. Final Statewide Housing Assessment 2025. Department of Housing and Community Development, February 2018