
ELLIS ACT ANALYSIS

Causation, Factors Which Contribute to Ellis
Withdrawal, and Possible Mitigation
Strategies



What is the Ellis Act

Enacted 1985

- Defines criteria under which landlords can remove dwellings from rental inventory

Provides property owners a statutory right to exit the rental housing business

Allows localities to retain the power to mitigate adverse impacts of displacement, including requiring relocation assistance and payments to lower income households.



RFP Process |

Staff from Planning and Rent Control provided input on the RFP and the Request for Proposals was issued on January 19, 2017

The City received 2 Responses to the RFP

The contract was issued to Keyser Marston Associates on May 4, 2017

Historical Impacts of Ellis Act

1986 to 2016

- 2,123 Rent-Controlled Dwellings on 446 properties have been withdrawn from the housing stock

In 2016

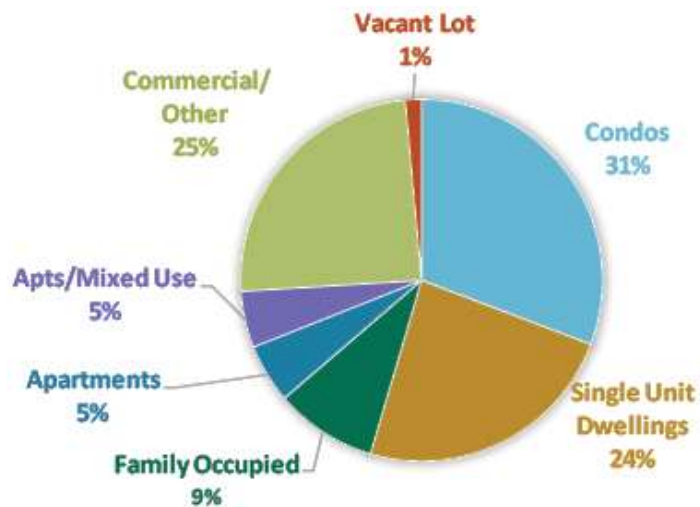
- 39 Properties with a total of 171 units were withdrawn from the rental market.

Since 2013

- Ellis Withdrawals have dramatically increased as compared to Ellis Withdrawals during the economic recession between 2008 -2012.
- Average # of properties withdrawn from 2008-2012 : 6
- Average # of properties withdrawn from 2013-2016 : 16

Disposition of Properties

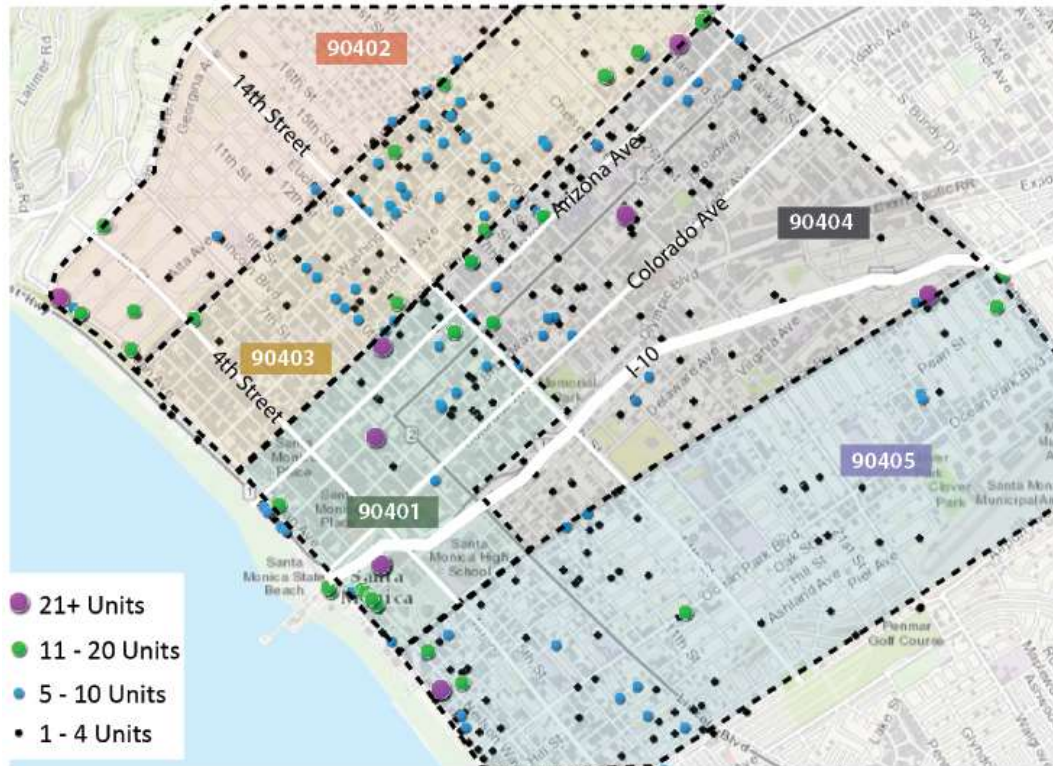
Property Use After Withdrawal
(all properties)



- Condominiums make up approx. 1/3 of new uses; resulted in loss of 128 rent-controlled buildings containing **709 dwellings**
- Conversion to single unit dwellings reduces rent-controlled housing supply
 - From 1986 – 2016, **241 rent-controlled dwellings** converted/demolished to make single-unit dwellings
 - Some of these single-unit conversions occurred on parcels zoned for multi-unit dwellings

Risk Factors - Where

Ellis Evictions by Zip Code (1986 – 2016)

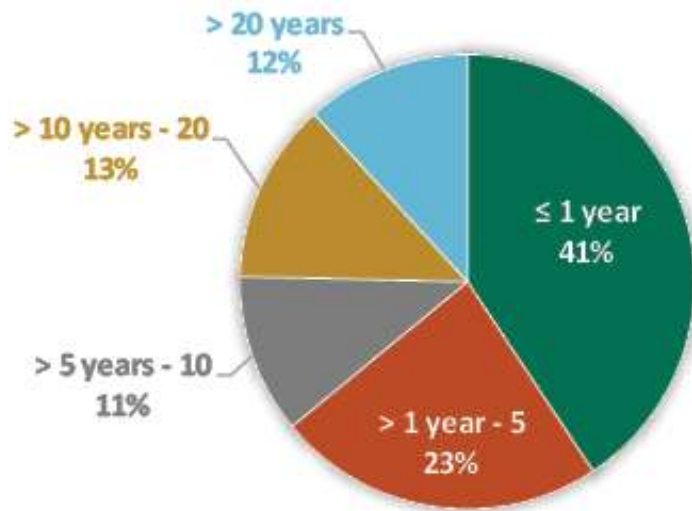


Most common in zip codes
90403 & 90405

- The most recent escalation in Ellis Evictions started in 2013, a period of rapidly increasing residential sales.

Risk Factors - When

Length of Ownership for Withdrawn Properties



- **41%** of Ellis evictions filed by owners who owned for one year or less. Of those, 73% owned for less than 6 months.
- Only **25%** of Ellis evictions filed by owners who owned properties for more than 10 years.

Economic Triggers for Withdrawals

Two single-unit developments and a condominium development completed between 2016 - 2017

Analysis of Profitability Following Withdrawal

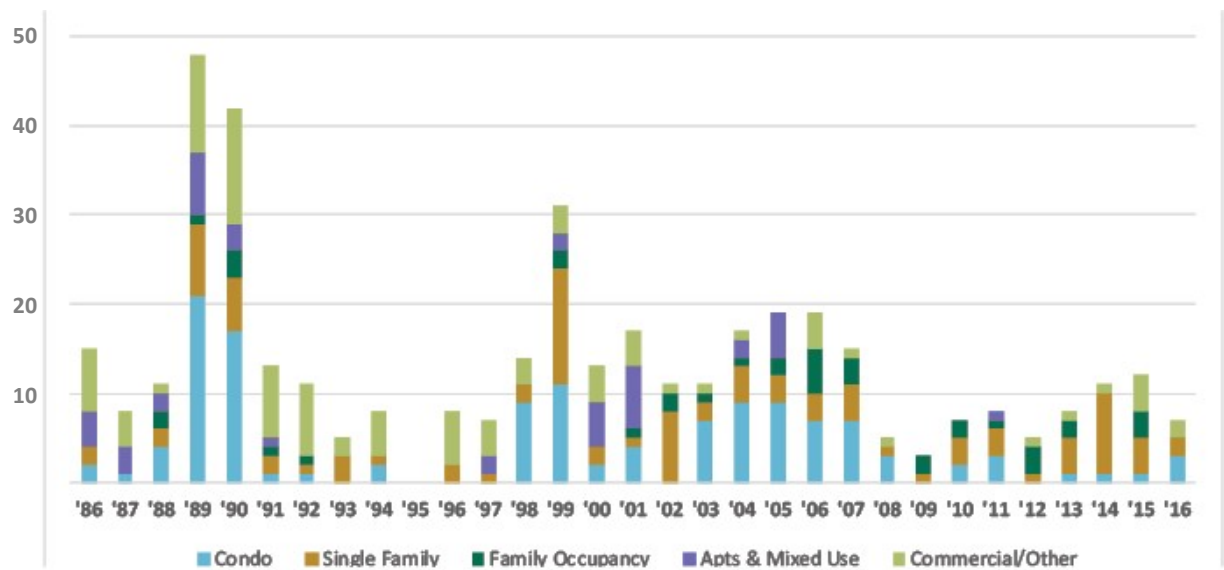
	Property 1	Property 2	Property 3
Purchase Date	7/15/2014	9/1/2014	11/15/2010
Purchase Price	\$1,225,000	\$1,099,000	\$1,403,000
# of Units Prior to Withdrawal	1	2	4
Post-Eviction Sales Date	5/6/2016	1/24/2017	Sept - Nov 2014
Post-Eviction Revenue from Sale	\$2,867,000	\$3,233,000	\$6,779,000
Estimated Costs Associated with Development	\$921,000	\$1,238,000	\$3,242,000
Total Profit*	\$721,000	\$896,000	\$2,134,000
% Profit	33.6%	38.3%	45.9%

- Sales values for new dwellings exceeded purchase price by **150% - 400%**
- Profit achieved estimated to range from **34% - 46%**

Disposition of Ellis Act Properties

Trends in Property Reuse Over Time

- Condo and commercial uses most common from 1986 - 1996
- Most common uses from 2010 – 2016: Family occupancy, single-unit dwellings, and condos
- Home values rose **60% in Santa Monica** from 2009 – 2017 (compared to 10% avg increase for major American cities)

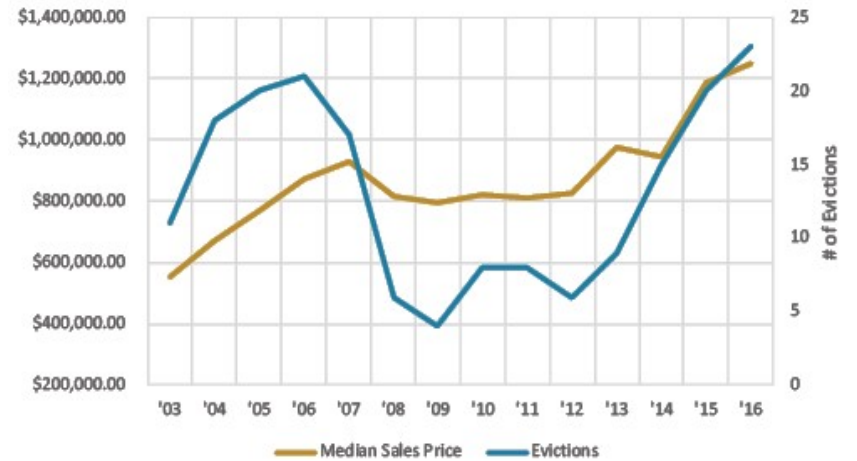


Economic Triggers for Withdrawals - Why

Median Residential Sales Prices



Ellis Withdrawals & Median Price per SF for Multi-Dwelling Properties



Ellis Withdrawals & Median Price for Single-Dwelling Properties

Model Opportunities to Mitigate Ellis Impacts



Replacement Requirement

- **Los Angeles:** Allows replacement of lost Rent Control dwellings with an equal number of covenanted affordable dwellings or 20% of new rental dwellings, whichever is greater
- **Berkeley:** Established impact fee for each dwelling demolished in a structure built prior to 1980 (or provide one-for-one replacement affordable dwellings)
 - Demolition prohibited for five years following Ellis withdrawal, and demo permit approval contingent on an equal number of replacement units being built
- **East Palo Alto:** Affordable housing removed during reconstruction/renovation must be replaced one-for-one with Rent Control dwellings with same number of bedrooms (Net Zero Loss Policy)
- **West Hollywood:** Draft ordinance would create one-for-one replacement requirements w/ deed-restricted inclusionary dwellings and/or Rent Control dwellings



Buy-Out Registry

- **San Francisco:** Rent Board maintains a list of dwellings that have been subject to a buy-out and annual report lists locations of all buy-outs. City's website has a map showing buy-out amounts.

...Policies in Other Cities (cont.)



Small Sites Program

- **San Francisco:** City partners with local non-profits to ID and acquire rent-controlled buildings (4-25 units) at risk of eviction. Land trust model uses gap financing from the City's inclusionary housing fees.

Focuses only on acquisition and rehabilitation

Approx. 13 buildings w/ 78 dwellings have been acquired

Opportunities for Consideration

1. Enact Replacement Requirements

- Any reuse or new construction project must include an equal or greater number of units than the number of Rent Control units removed. (Adopted in East Palo Alto, Berkeley, some areas of San Jose, Los Angeles (enacted similar version), West Hollywood (currently considering))

2. Work with legal counsel on potential for demolition restrictions

- Options could be placement of a cap on Rent Control unit demolitions per year (Los Angeles exploring this), or prohibiting demolition for five years following Ellis Act (Berkeley).

3. Place restrictions on owner or family move-in

- Prohibit move-in if owner has a defined percentage ownership in multiple properties and tenant has lived in unit 5+ years, owner has comparable vacant unit or is unwilling to relocate tenant to that unit. (Enacted in Berkeley and East Palo Alto)

4. Explore imposition of an impact fee

- Undertake a study determining feasibility of imposing impact fee for each Rent Control unit lost via Ellis withdrawal. (Berkeley - Ordinance adopted in 2016)

Opportunities for Consideration

5. Explore Options for Acquiring At-Risk Properties

- Utilize City's financial resources to acquire small rent-controlled buildings at risk for Ellis Act withdrawal. (Established in 2014 in San Francisco in partnership with a local non-profit organization)

6. Advocate at State Level

- Join other cities to support state legislation, including imposing a minimum ownership period before owners can file for Ellis. (San Francisco)

7. Economic Incentives to Retain Rental Housing

- Potential to allow Airbnb/VRBO to list whole homes as STR's in return for use of technology to track available affordable housing in City to assist low-income renters. (Recommendations offered in Related Studies)
- Allow whole unit STR's in rent-controlled properties if a defined percentage of remaining units are subject to income/affordability covenants. (Recommendations offered in Related Studies)



QUESTIONS

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