



Midpeninsula Regional
Open Space District

R-22-26
Meeting 22-06
February 23, 2022

SPECIAL MEETING AGENDA ITEM 1

AGENDA ITEM

Review of the Housing Program and Policies

GENERAL MANAGER'S RECOMMENDATION *den*

Receive a report on the Midpeninsula Regional Open Space District Housing Program and related Policies. No Board action required.

SUMMARY

As part of the acquisition of open space lands to expand the greenbelt, the Midpeninsula Regional Open Space District (District) will periodically inherit residential and accessory housing structures. These residences get folded into the District's housing program and serve an important role in supporting the mission by providing onsite employee residences to expedite emergency call outs and provide District presence (eyes and ears) on the land throughout the day and night. The housing program also enhances District employee recruitment and retention, supports agricultural workforce housing needs, and is a source of annual revenue. The purpose of this review is to provide the Board of Directors (Board) with a broad context to inform future structure disposition decisions. This informational presentation also responds to Board inquiries about the housing program. At this time, staff is conducting a review of the administrative procedural policy for the *Housing Program* and preparing to incorporate updates under the General Manager's authority that have been reviewed and supported by the District's Controller and Chief Financial Officer to reflect changes in the rental market.

BACKGROUND

In 2017, the Board amended Board Policy 4.11, *Housing Policy*, and related policies regarding District structures and improvements. These changes reflect new and emerging District housing needs for effectively carrying out the mission, namely the need to shift more of the housing stock to support District employees and to reflect that several residences are assigned to meet agricultural housing needs. Since that time, the number of residences occupied by employees has grown.

The *Housing Policy* has five possible residential assignments in the following order of priority:

- Employees who provide services
- Agriculture use
- Employees who do not provide services
- Employees of agency or nonprofit partners
- General Public

The *Housing Policy* prioritizes residences first for employees who provide services to the District and are needed for emergency or urgent calls outs for patrol response, such as search and rescue, medical calls and fire, as well as for urgent maintenance needs, such as a broken water line. These residences also provide a critical site presence at key locations throughout the District. Employees who provide this service as part of their tenancy receive a 50% discount off of market rates.

If needed to support onsite agricultural uses, the *Housing Policy* prioritizes use by agricultural tenants or workers. Residences such as the Lobitos farmhouse and Toto Ranch house are rented to the agricultural lessee to allow them to live on the property they lease for agricultural use. These residences are rented at market rates. However, since they are surrounded by an agricultural operation, their market value tends to be lower than a comparable house not surrounded by an agricultural operation. Agricultural work force housing is an assignment to house the employees of an agricultural lessee. A house in La Honda Creek Open Space Preserve is currently the only designated District agricultural workforce housing. The rent to the agricultural employee is restricted to no more than 30% of the household salary.

The 2017 amendments to the *Housing Policy* also created a new category of general employee residences for the purpose of employee recruitment and retention. These employees are not responsible for specific services as part of their tenancy and receive a reduced 25% discount off market rates. An additional category was created to prioritize the remaining housing stock for allied agency or nonprofit employees at market rate. Various residences have been rented to California Department of Fish and Wildlife (CDFW) employees, including the Folger House that is currently rented to a CDFW Warden. The remaining housing stock is available to the general public at market rate, providing general housing opportunities and revenue to the District.

There are two additional categories of residences that are not covered by the *Housing Policy* that apply in special circumstances. One is determinable fee/life estate. These are typically created before or at the time a larger open space property is purchased, where long term rights are transferred or retained by a private party as part of the land transaction. Typically, the District has no maintenance responsibilities for these properties. The second category are residential management agreements with outside parties/partners to reside within and maintain certain historic structures (e.g., Fremont Older house and adobe and Pichetti Ranch historic house). Structures with historic significance may also be assigned to other rental categories.

DISCUSSION

Housing Assignments

Board policy 4.09, *Factors to consider for Structures Disposition*, lists several factors to consider when making a disposition decision for a structure. One of those factors is “Proposed and Potential Uses”. This report provides the context for existing uses of District residential structures to help evaluate future disposition decisions for these types of structures.

The District’s housing program contains 43 residential units. Most are single-family homes, and some are apartments or split duplexes. While residences are spread throughout the District, they are concentrated in the Skyline Area. There are currently three ongoing projects to rehabilitate existing housing. One project is to legalize and repair a residence for ranger use located at the end of Pheasant Road at Sierra Azul Open Space Preserve. Very little District housing exists in

the southernmost reaches and this residence would serve as the only designated ranger housing within this area. The second project involves repairs to a designated agricultural workforce residence located at La Honda Creek Open Space Preserve that is part an existing conservation grazing lease; only final punch-list items remain to closeout this repair project. Finally, the third project involves short-term repairs to the Thornewood House in Thornewood Open Space Preserve to allow for re-occupation. As part of this project, staff is also evaluating future long-term repairs that will be needed to continue maintaining the structure. These three structures are included in table 1.

Since Board approval of the 2017 *Housing Policy* amendments, two additional residences have been acquired or secured: the Gordon Ridge residence and a Cloverdale residence through a management agreement with Peninsula Open Space Trust. The addition of these two structures has increased the housing stock from 42 in 2017 to 44 in 2022 (see table below).

Table 1. Change in housing stock assignments between 2017 and 2022

Housing Category[^]	2017	2022
Employees who provide services	16	21
Agricultural*	3	3
General Employees	0	2
Other Agency	1	1
General Public	15	10
Historic	3	3
Determinable Fee/Life Estate	4	4
Total	42	44

[^] Does not include the Hawthorn historic house and complex, which remains uninhabitable.

* Includes the Lobitos Farmhouse, which also has historic significance.

Consistent with Board policy, as residences rented to the general public have become available since 2017, the District first evaluates whether they are needed for an employee residence or agricultural residence. If not, they are offered to a general District employee. Finally, if there is no District employee or allied agency employee interest, the residence is offered for public rental use. As anticipated, this has been sufficient to gradually shift District residences from general public rentals to employee rentals. While public rentals are month to month rental agreements, the District has generally elected to continue renting to the public until they decide to move out, at which time the District reassesses the housing assignment.

Policy Review

In 2018, the General Manager adopted the administrative Housing Program procedural policy to implement the Board's *Housing Policy*. As part of the 2021 review of the administrative procedural policy, Property Management staff from the Land and Facilities Department identified the following recommended changes: (1) increasing the administrative policy cap for non-employee rentals from 5% to 10%, (2) utilizing the housing Cost of Living Adjustment (COLA) to set annual market rates and scheduling a more detailed consultant analysis of local market rates every 5 to 7 years, and (3) clarifying the occupancy time limits for employees.

These proposed changes are consistent with the Board's *Housing Policy* and continue to base District rental rates off of market rental rates. The Housing Program currently sets a 5% limit on

annual rent changes. After five years of implementation, it is apparent that this limit conflicts with Board direction to charge rental rates based on market rates. While most District rental rates currently reflect market rates with appropriate discounts applied per policy, there are notable exceptions due to the limitations of the annual 5% cap. These differences are due to residences that were already in the system at below market rate and some delays in implementing rental rate changes due to a cumbersome market rate evaluation process that currently requires hiring a consultant every year to conduct reviews. A comparison of the U.S. Bureau of Labor Statistics San Francisco-Oakland-Hayward Consumer price Index (CPI) for residence rentals with consultant recommended market rate changes reveals that the consultant recommendations closely track the index.

Increasing the cap for non-employee rentals to 10% a year will ensure that undervalued rental rates catch up to market rates. Rental increases for employee housing are recommended to remain capped at 5%. Unlike public rentals, employee rentals are subject to an occupancy time limit of seven years. When a new employee moves into a residence, the rental rate is reset to market with the appropriate discount rate applied. There is an exception to the occupancy limit if no other employees are interested in the residence that allows the employee to begin a new occupancy period. One of the proposed changes to the administrative procedural policy would clarify that the rental rate would be reset to market rates when an employee begins a new occupancy period. Finally, the proposed changes would also streamline the timely annual evaluation of market rates by basing them on the U.S. Bureau of Labor Statistics San Francisco-Oakland-Hayward Consumer price Index (CPI) for residence rentals. A detailed consultant evaluation of local representative rental residences would be conducted every five years as a check to confirm market rates.

These proposed administrative procedural changes were reviewed and supported by the District's Controller and Chief Financial Officer to ensure they effectively reflect changes in the rental market. District staff will next be meeting with represented labor groups to receive their input on the proposed changes. The General Manager expects to approve the changes in late March/early April of 2022.

FISCAL IMPACT

Accepting the report has no fiscal impact. Proposed changes to the administrative Housing program procedural policy as laid out in this report have the potential to provide an increase in rental revenue.

BOARD AND COMMITTEE REVIEW

There was no Board Committee review of this item.

PUBLIC NOTICE

Public notice was provided as required by the Brown Act.

CEQA COMPLIANCE

This item is not a project subject to the California Environmental Quality Act.

NEXT STEPS

Staff will update the administrative procedures for carrying out the Board's *Housing Policy* per this report, which will become effective in March/April of 2022.

Attachment:

1. Overview Map of the District's Residential Properties

Responsible Department Head:

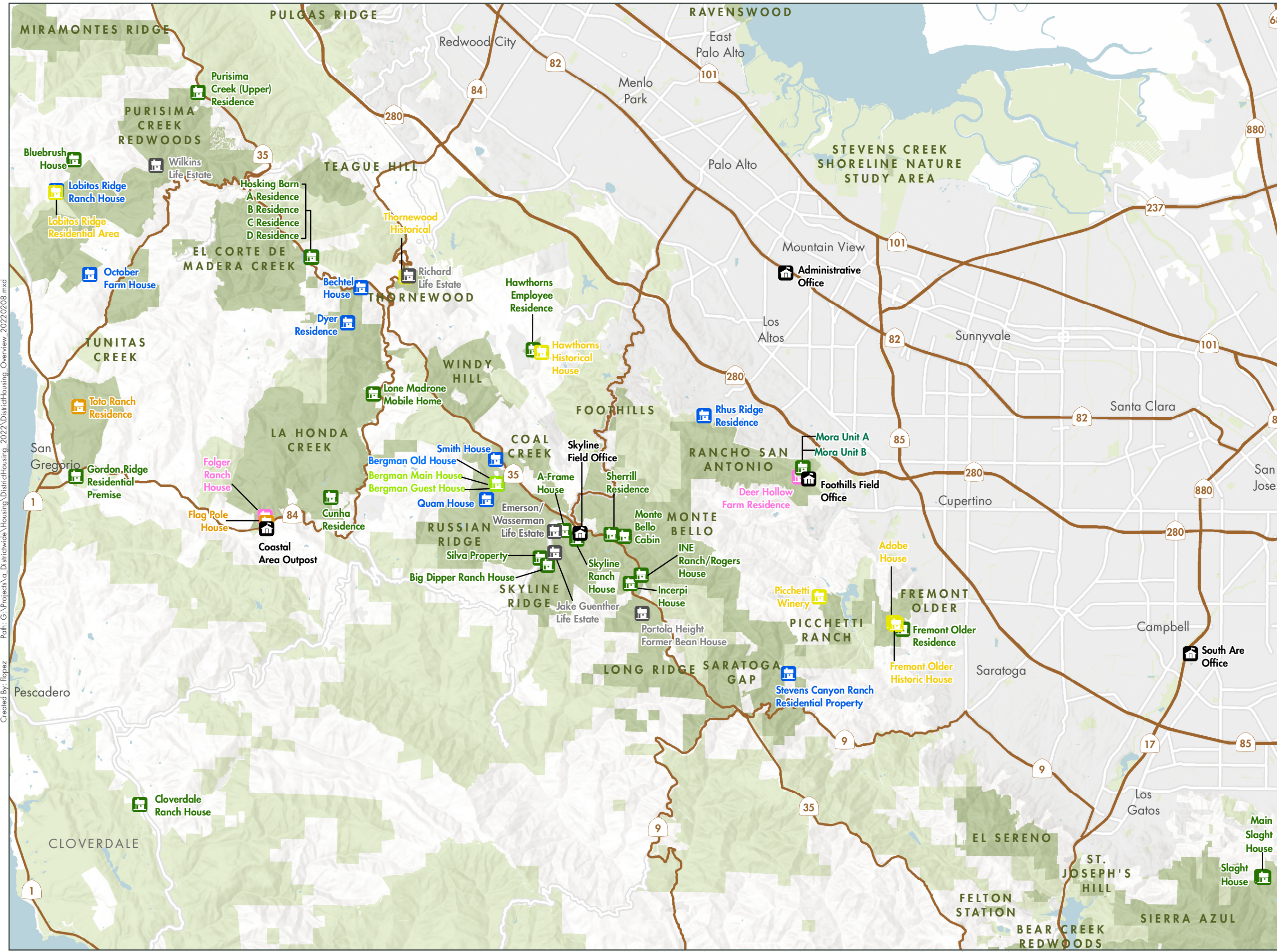
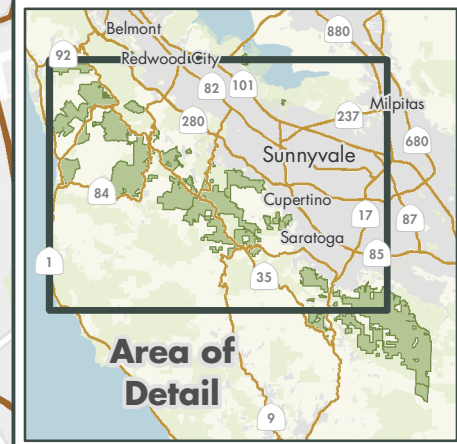
Ana Ruiz, General Manager

Prepared by:

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Graphics prepared by:

Francisco Lopez Tapia, Data Analyst I



District Residential Housing

- MROSD Preserves
- Other Protected Lands
- Residential, Agricultural
- Residential, District Employee (Service Provider)
- Residential, District Employee (Non-Service Provider)
- Residential, General Public
- Historical
- Other Agency/ Non-Profit Employees
- Determinable Fee/Life Estate

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 Created By: flopez

While the District strives to use the best available digital data, these data do not represent a legal survey and are merely a graphic illustration of geographic features.