



CITY OF
**PALO
ALTO**

City Council Staff Report

From: City Manager

Report Type: INFORMATION REPORTS

Lead Department: Planning and Development Services

Meeting Date: March 11, 2024

Report #:2401-2542

TITLE

Rental Residential Vacancy Rate Determination for Three Plus Dwelling Units for the 2nd Half of 2023

RECOMMENDATION

This is an informational report and City Council action is not required.

BACKGROUND

Planning and Development Services staff prepares the Residential Vacancy Rate Determination Report twice a year to meet the requirements of Palo Alto Municipal Code (PAMC) Section 21.40.040, Determination of Vacancy Rate and Surplus. Section 21.40.040¹ states the following:

"In April and November of each year, the director of planning and community environment shall determine from the city utility meter records the vacancy rate and the vacancy surplus, if any, within the city limits. New market-priced rental units available to the general public, for which a certificate of use and occupancy has been issued since the last vacancy survey, shall be added on a unit-for-unit basis either to reduce the vacancy deficiency or to increase the vacancy surplus."

All conversions involving a change in the type of ownership of three or more rental units are subject to the provisions of this chapter. Vacancy surplus in this section of the Municipal Code is defined as the number of rental units being offered for rent or lease more than the 3% vacancy rate. The City cannot accept tentative or preliminary parcel map applications for subdivisions created from conversions unless there is a vacancy surplus of 3% or more as of the most recent determination. This rule is established in PAMC Section 21.40.040.

The purpose of this report is to seek a reasonable balance of rental and ownership housing in the city in a variety of individual choices of tenure, type, price, and location of housing. It is also

¹ Municipal Code Chapter 21.40: https://codelibrary.amlegal.com/codes/paloalto/latest/paloalto_ca/0-0-0-19994

to protect the supply of multi-family rental housing stock in the city for low- and moderate-income families and to reduce and avoid displacement of tenants, particularly seniors and families.

ANALYSIS

For the second half of 2023, the multifamily rental vacancy number was 1.25% percent. This number represents a decrease from the first half of 2023, but higher compared to the 2021 and 2022 annual averages. Further details can be found in Table 1.

Table 1: Average Annual Rental Vacancy Rates

Year	Estimated Housing Units ²	Utility Accounts Deemed Vacant	Estimated Vacancy Rate (Average) ³
2015	7,901	92	1.22%
2016	7,912	118	1.45%
2017	7,928	131	1.58%
2018	7,928	132	1.52%
2019	7,931	141	1.83%
2020	8,057	226	2.80%
2021	8,057	55	1.13%
2022	8,057	56	1.16%
2023 (1 st half)	8,057	56	1.39%
2023 (2 nd half)	8,057	68	1.25%

Staff prepared this analysis per PAMC 21.40.040 by using the City of Palo Alto's utility meter

² The U.S. Census Bureau Decennial Census 2010 data is used as a baseline for the total rental stock data in Palo Alto and changes (addition or demolition) to the total rental dwelling unit stock are tracked by staff biannually using the City of Palo Alto's land use management system (Accela) to generate the vacancy rate. Staff expected to update the baseline with the release of the 2020 Decennial Census; however, the U.S. Census Bureau decided to discontinue the rental data point and staff will continue to use the original methodology.

³ This percentage is the number of utility accounts deemed "vacant" divided by the utility accounts sample size.

records. These records indicated the total number of “active” multi-family apartments and allow staff to determine the percentage of “vacant” multi-family apartments. Utility accounts associated with 3+ rental units were identified using these records. Gaps in the utility meter data exist due to the inconsistency of relationships between utility meters to owners and tenants; however, it is the best available data and follows the methodology outlined in the PAMC. Once the City’s rental registry is implemented, staff will evaluate whether a municipal code update is warranted to include that information as a new or supplemental resource to improve report accuracy.

FISCAL/RESOURCE IMPACT

There is no fiscal impact associated with this action.

STAKEHOLDER ENGAGEMENT

This is an informational report for the City Council and does not require any stakeholder engagement.

ENVIRONMENTAL REVIEW

This project is exempt from environmental review under Section 15061 of the California Environmental Quality Act Guidelines.

ATTACHMENTS

None

APPROVED BY:

Jonathan Lait, Planning and Development Services Director