



**CITY OF PALO ALTO
CITY COUNCIL
Special Meeting
Monday, February 03, 2025
Council Chambers & Hybrid
5:30 PM**

Agenda Item

10. Rental Residential Vacancy Rate Determination for Three Plus Dwelling Units for 2024



City Council Staff Report

From: City Manager

Report Type: **INFORMATION REPORT**

Lead Department: **Planning and Development Services**

Meeting Date: **February 3, 2025**

Report #:2412-3876

TITLE

Rental Residential Vacancy Rate Determination for Three Plus Dwelling Units for 2024

RECOMMENDATION

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

EXECUTIVE SUMMARY

This report transmits the reporting of the vacancy rates of properties containing three or more residential rental units for 2024. The vacancy rate was below the 3% threshold at 1.19% for the first half of 2024 and 1.25% for the second half of 2024; therefore, applications to convert residential rental to ownership units via a subdivision process are not eligible for consideration.

BACKGROUND

Planning and Development Services staff prepare 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. PAMC 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 set forth in PAMC Section 21.40.040.

¹ Municipal Code Chapter 21.40: https://codelibrary.amlegal.com/codes/paloalto/latest/paloalto_ca/0-0-0-83254

The purpose of the regulations pursuant to PAMC 21.40.040 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. The provisions are also intended 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

The multifamily rental vacancy rate was 1.19% in April 2024 and 1.25% in November of 2024. These percentages represent a decrease from the annual vacancy average of 2023 but are still higher compared to 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	8,057	68	1.32%
2024 (1 st half)	8,057	58	1.19%
2024 (2 nd half)	8,057	61	1.25%

Staff prepared this analysis per PAMC Section 21.40.040 using the City of Palo Alto's utility meter records. These records reveal the total number of "active" multi-family apartments and allow staff to determine the percentage of "vacant" multi-family apartments. Utility accounts associated with three or more rental units were identified.

Staff acknowledge there may be gaps and inconsistencies in this data methodology. Multi-family properties could have different types of utility accounts and for various reasons, not all

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.

accounts could be identified. Examples of data limitations include but are not limited to, addresses between databases may not match utility account addresses, there is not a one-to-one relationship between estimated three or more rental housing units and three or more rental unit utility accounts, instances where a property has one utility meter or all meters are billed to the property manager/owner, and some units with legacy “inactive” accounts may be vacant or no longer available to rent altogether. Accordingly, the data included in this analysis represents staff’s best-effort to address these discrepancies.

With the implementation of the new Rental Registry Program (RRP) in October 2024, staff will explore the feasibility of using the data collected through the program for more accurate vacancy rates for three or more rental units as the program develops.

FISCAL/RESOURCE IMPACT

Planning staff prepares this report biannually and there are no resource impacts.

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