

## APPENDIX 2: AFFORDABLE HOUSING AND ANTI-DISPLACEMENT STRATEGY<sup>1</sup>

### INTRODUCTION

The City of Larkspur is undertaking the preparation of a Station Area Plan for the planned Larkspur station on the Sonoma-Marín Area Rail Transit (SMART) line. SMART is a planned 70-mile commuter rail line beginning in Cloverdale and ending in Larkspur, serving a total of 14 stations in Marin and Sonoma Counties. The project also includes a bicycle and pedestrian pathway following the rail line, and is intended to provide an alternative mode of transportation for people commuting on Highway 101. The planned Larkspur SMART Station will be located in Larkspur Landing, directly east of Highway 101.

The planning process for the Larkspur SMART station area is intended to establish a land use plan and policy framework that will guide development in the station area toward uses that will support transit ridership and meet the City's regional housing goals, particularly in relation to affordable housing. In addition, the Station Area planning effort is intended to identify bicycle and pedestrian improvements that will facilitate connectivity within the station area and to the regional transit connections provided by the SMART station, the Marin Airporter, the Larkspur Ferry terminal, and local commuter buses.

The Association of Bay Area Governments (ABAG) and the Metropolitan Transportation Commission (MTC) are supporting the Larkspur SMART station area planning effort as well as station area planning efforts in jurisdictions throughout the Bay Area. These station area plans are meant to facilitate implementation of the Jobs-Housing Connection Strategy that ABAG and MTC approved in May 2012, which plans for the anticipated household and employment growth in the region over the next 30 years with an emphasis on focusing most new nonagricultural development within the existing urban footprint, mostly in areas with high levels of transit accessibility. The Jobs-Housing Connection Strategy includes an estimate of the quantity of housing that will be needed in the region by 2040 as well the

<sup>1</sup> Prepared by BAE Urban Economics, November 2012

estimated need for affordability, projecting that most households (61 percent) in the Bay Area in 2040 will have very low, low, or moderate incomes.

Station area planning efforts are often associated with an increase in property values as a result of enhanced transit accessibility and public and private investment in the station area, making it particularly important to incorporate affordable housing considerations into station area planning. While an increase in property values can benefit a community in a number of ways, potential outcomes also include the displacement of existing low-income residents and a shortage of new housing affordable to low- and moderate-income households. This can result in an overall lack of housing opportunities in the station area for households with low or moderate incomes, despite the large benefit that many lower-income households can reap from transit accessibility.

The Affordable Housing and Anti-Displacement Strategy presented in this memo is intended to develop goals and implementation measures to provide existing and future station area residents with a range of housing options affordable to households at all income levels. To this end, the following sections provide a demographic and housing profile of the station area, identify goals for the station area related to the development and preservation of affordable housing, analyze financial feasibility, and develop a range of implementation strategies.

Additionally, the Strategy is intended to identify small businesses, services, and community centers in the station area that are at risk of displacement, particularly those that serve lower-income residents, and determine whether additional services might be needed to serve current and future station area residents. Accordingly, the following analysis will include a scan of small businesses and community services in the area and recommendations for additional services that are likely to be needed as development takes place in the station area.

BAE completed a Market Analysis in August 2012 to inform the Station Area planning effort, which provided background information on demographic, real estate, and economic trends in the station area and assessed market

**Table A2.1: Housing Units by Type of Structure (a)**

Type of Residence	Plan Area (b)		Marin County	Bay Area (c)
	Area (b)	Larkspur		
Single Family Detached	51.2%	40.7%	61.1%	53.7%
Single Family Attached	2.5%	6.6%	10.1%	9.2%
Multifamily 2-4 Units	6.0%	7.6%	7.4%	10.0%
Multifamily 5-19 Units	15.8%	27.8%	11.3%	11.5%
Multifamily 20-49 Units	4.4%	4.5%	4.6%	5.6%
Multifamily 50+	4.6%	8.3%	3.7%	7.8%
Mobile Home	12.0%	3.5%	1.4%	2.0%
Boat, RV, Van, or Other	3.5%	1.0%	0.3%	0.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Multifamily Housing Units</b>	<b>30.9%</b>	<b>48.1%</b>	<b>27.0%</b>	<b>35.0%</b>

**Notes:**

- (a) The American Community Survey (ACS) publishes demographic estimates based on statistical sampling conducted between 2006-2010.
- (b) Demographic data for the Plan Area are drawn from Block Group 1 of Census Tract 1192.02 and Block Group 2 of Census Tract 1212.
- (c) The nine-county Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma counties.
- Sources: ACS, 2006-2010; BAE, 2012.

demand for new residential, office, industrial, and retail development. The Affordable Housing and Anti-Displacement Strategy uses information presented in the Market Analysis, along with additional information specific to housing conditions and commercial properties in the City and station area, to inform conclusions and recommendations.

**EXISTING HOUSING STOCK**

The existing housing stock in the station area demonstrates substantial diversity in unit types and affordability levels. In the Greenbrae portion of the station area, the vast majority of homes are owner-occupied and single-family. The Larkspur Landing area has two large market-rate multifamily properties, with a combined total of approximately 600 units, and Drake's Way, a 24-unit affordable housing development for families earning 50 per-

cent of the Area Median Income (AMI) or less. Larkspur Courts, one of the two market-rate properties, has 37 units that are deed-restricted to remain affordable to lower-income households for the life of the property. In the Redwood Highway area, the existing housing stock consists of two mobile home parks. The diversity of the station area housing stock is shown in Table 1. Apart from Drake's Way, the 24-unit affordable development within Larkspur Courts, and the two mobile home parks in the Redwood Highway Area, homes throughout the station area tend to have high rents and sale prices.

Housing quality within the station area is generally high, with the possible exception of the mobile homes in the Redwood Highway area. As reported in the Market Analysis, the estimated median year of construction for homes in the station area is 1969, comparable to the rest of the Bay Area. Overall, the single-family homes in the Greenbrae area and the rental properties in the Larkspur Landing area have been well maintained. Though neither of the market rate rental properties in the Larkspur Landing area are new (constructed in 1978 and 1990), both have been renovated since opening and offer high-quality amenities. Drake's Way is newly constructed, completed in 2009. Due to the high quality of housing in the station area, the Affordable Housing and Anti-Displacement strategy focuses mainly on strategies to preserve existing housing and provide new quality housing, rather than on upgrading or replacing existing units.

**Residential Building Permit Trends**

The US Census Bureau provides data on the number of residential building permits issued in cities and counties on an annual basis. According to this data, residential building permit trends show a modest amount of activity in Larkspur in recent years, with an emphasis on single-family homes. The City issued permits for 101 residential units between 2001 and 2011, at an average rate of 9 units per year, 84 percent of which were for single-family homes. There were no multifamily building permits issued in any year other than 2008, which was the most active year during this period for building permit activity.

**Table A2.2:** Residential Building Permit Trends, 2001-2011

<b>Larkspur</b>													<b>Total</b>	
<b>Building Type</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>Number</b>	<b>Percent</b>	
Single Family	8	5	11	9	2	14	8	13	6	6	3	85	84.2%	
2 Family	0	0	0	0	0	0	0	0	0	0	0	0	0.0%	
3 & 4 Family	0	0	0	0	0	0	0	11	0	0	0	11	10.9%	
5 or More Family	<u>0</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>	<u>5.0%</u>							
<b>Total</b>	<b>8</b>	<b>5</b>	<b>11</b>	<b>9</b>	<b>2</b>	<b>14</b>	<b>8</b>	<b>29</b>	<b>6</b>	<b>6</b>	<b>3</b>	<b>101</b>	<b>100.0%</b>	

<b>Marin County</b>													<b>Total</b>	
<b>Building Type</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>Number</b>	<b>Percent</b>	
Single Family	189	281	641	585	236	113	104	108	53	60	45	2,415	67.9%	
2 Family	0	18	10	46	0	2	2	0	0	0	0	78	2.2%	
3 & 4 Family	0	19	3	9	4	0	0	11	0	0	0	46	1.3%	
5 or More Family	<u>182</u>	<u>115</u>	<u>47</u>	<u>385</u>	<u>135</u>	<u>49</u>	<u>8</u>	<u>14</u>	<u>82</u>	<u>0</u>	<u>0</u>	<u>1,017</u>	<u>28.6%</u>	
<b>Total</b>	<b>371</b>	<b>433</b>	<b>701</b>	<b>1,025</b>	<b>375</b>	<b>164</b>	<b>114</b>	<b>133</b>	<b>135</b>	<b>60</b>	<b>45</b>	<b>3,556</b>	<b>100.0%</b>	

Sources: U.S. Census Bureau, Building Permit Trends; BAE, 2012.

## DEMOGRAPHIC AND HOUSING TRENDS

The Market Analysis for the Larkspur SMART Station Area Plan provided detailed information on demographic and housing characteristics in the station area, the City of Larkspur, Marin County, and the Bay Area,<sup>2</sup> based primarily on data from the US Decennial Census and the American Community Survey (ACS). As discussed in the Market Analysis, station area households tend to be comparatively wealthy, with a median income over \$90,000 per year, and small, with an average size of 2.2 persons per household. Within the station area and throughout Larkspur, households are split approximately evenly between renters and owners. Larkspur residents tend to be older than average for the Bay Area, with a median age of 45 in the station area and 49 citywide. Almost all employed residents (90 percent) work

outside of the city, two thirds of which commute to jobs outside of Marin County. These characteristics have implications for current and future housing needs, which will be discussed further in the following section detailing priority housing needs in the station area.

In addition to the demographic and real estate trends discussed in the Market Analysis, this analysis uses data on overcrowding, length of residency, and the cost of housing relative to resident incomes to assess housing affordability and displacement risk in the station area. Almost all ACS data used for this analysis were collected between 2006 and 2010 and represent the station area using 2010 Block Group 1 of Census Tract 1192.02 and 2010 Block Group 2 of Census Tract 1212, similar to the data used in the Market Analysis. The exception is Table 7 (overpayment), which uses Comprehensive Housing Affordability Strategy (CHAS) data, custom tabulations of

<sup>2</sup> The nine-county Bay Area consists of Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma Counties.

**Table A2.3: Overcrowding (a)**

Area	Overcrowded (1.01-1.5 persons/HH)		Severely Overcrowded (1.51+ persons/HH)		Total Overcrowded	
	Number	Percent	Number	Percent	Number	Percent
Plan Area (b)	0	0.0%	0	0.0%	0	0.0%
Larkspur	55	0.9%	33	0.6%	88	1.5%
Marin County	1,655	1.6%	956	0.9%	2,611	2.5%
Bay Area (c)	93,975	3.7%	45,279	1.8%	139,254	5.4%

**Notes:**

(a) The American Community Survey (ACS) publishes demographic estimates based on statistical sampling conducted between 2006-2010.

(b) Demographic data for the Plan Area are drawn from Block Group 1 of Census Tract 1192.02 and Block Group 2 of Census Tract 1212.

(c) The nine-county Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma counties.

Sources: ACS, 2006-2010; BAE, 2012.

**Table A2.4: Year Moved Into Unit**

	Plan Area (b)	Larkspur	Marin County	Bay Area (c)
Renter Occupied (d)	2005+	2005+	2005+	2005+
Owner Occupied	1996	1996	1994	1997
<b>Total</b>	<b>2002</b>	<b>2002</b>	<b>2000</b>	<b>2002</b>
% of Renters that Moved After 2005	71.4%	53.3%	57.3%	59.1%

**Notes:**

(a) The American Community Survey (ACS) publishes demographic estimates based on statistical sampling conducted between 2006-2010.

(b) Demographic data for the Plan Area are drawn from Block Group 1 of Census Tract 1192.02 and Block Group 2 of Census Tract 1212.

(c) The nine-county Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma counties.

(d) An '+' following a median estimate means the median falls in the upper interval of an open-ended distribution.

Sources: ACS, Table B25038 & B25039, 2006-2010; BAE, 2012.

demographic and housing data from the US Census Bureau that are often used by local governments to determine housing needs and prioritize housing funds. CHAS tabulations currently lag the release of ACS data by one year and as a result the CHAS tabulations presented in Table 7 are based on ACS data collected between 2006 and 2009. CHAS data are not available at the Block Group level but data can be accessed for partial Census Tracts to include only the portion of a Census Tract that lies within a Census-designated place. Therefore, the data presented in Table 7 represents the station area using the portions of year 2000 Census Tracts 1192 and 1212 that lie within Larkspur.

**Overcrowding**

ACS data on overcrowding in the station area, Larkspur, Marin County, and the Bay Area are shown in Table 3. According to the ACS, a housing unit is defined as overcrowded if it houses more than one person per room, excluding bathrooms, kitchens, and hallways, and is severely overcrowded if it houses more than 1.5 persons per room. As shown, rates of overcrowding are low throughout Marin County compared to the Bay Area as a whole. The rate of overcrowding is lower still in Larkspur, and there are no reported cases of overcrowding in the station area.

**Length of Residency**

ACS data indicate that station area residents are generally similar to residents throughout Larkspur, Marin County, and the Bay Area with respect to the average length of residency. In the station area, Larkspur, and the Bay Area, the median year that a household began occupancy in their current unit was 2002; in Marin County it was 2000. Among owner-occupied units, the median year that households moved into current units ranged between 1994 and 1997 in the station area, Larkspur, Marin County, and the Bay Area. The typical length of residency among renter households was much shorter; more than half of all renter households moved into their current units in 2005 or later in all four geographies. The typical length of residency among renters was particularly short in the station area, where 71 percent of all renters had moved in after 2005.

**Affordability**

The affordability of housing is typically measured by the percent of household income that is spent on housing costs, and housing is typically considered to be affordable to a given household when total housing costs are equal to 30 percent of gross household income or less. As the following analysis demonstrates, the vast majority of market-rate housing in Larkspur exceeds this affordability threshold for most Marin County households. Moreover, Marin County has one of the highest median household incomes in the State, which means that housing in Marin County is substantially less affordable on a regional or statewide basis than on a countywide basis. This has a number of implications at the local level, including a large number of people that work in the area but cannot afford to live nearby, and therefore commute from homes outside of the County.

*Affordability of For-Sale Homes*

Table 5 shows the percentage of single-family homes and condominiums in Larkspur that were sold between December 2011 and May 2012 and are affordable to households earning up to 120 percent of the median income for a three-person household in Marin County. With a median sale price of \$1.3 million, only seven percent of single-family homes sold during this period were affordable to households earning 120 percent of AMI. An even smaller portion was affordable to households earning the County median income or less and none of the homes sold during this period were affordable to households earning 30 percent of the County median income. In order to afford a home sold at the median sale price, a household needed an annual income equal to approximately \$300,000, more than three times the median income for a three-person household.

Condominiums are a slightly more affordable form of homeownership; 50 percent of all condominiums sold between December 2011 and May 2012 were affordable to households earning at least 120 percent of AMI. However, a three-person household earning 100 percent of AMI is nonetheless unable to afford a median-priced condominium in Larkspur, and the relatively low volume of condo sales during this period suggests that there are few available on the market, even if households can afford the sale price.

**Table A2.5: Affordability of Market Rate For Sale Housing, Larkspur, 2012**

<b>Table 5: Affordability of Market Rate For Sale Housing, Larkspur, 2012</b>			
<b>Single-Family Residences</b>			
<b>Income Level</b>	<b>Income Limit (a)</b>	<b>Max. Affordable Sale Price (b)</b>	<b>Percent of 3+ BR SFRs Recently Sold Within Price Range (c)</b>
Extremely Low-Income (Up to 30% AMI)	\$30,000	\$129,154	0.0%
Very Low-Income (Up to 50% AMI)	\$49,950	\$215,042	4.0%
Low-Income (Up to 80% AMI)	\$79,950	\$344,196	4.0%
Median-Income (Up to 100% AMI)	\$92,700	\$399,087	5.3%
Moderate-Income (Up to 120% AMI)	\$111,250	\$478,947	6.7%
Median Sale Price			\$1,275,000
Number of Units Sold			75
<b>Condominiums</b>			
<b>Income Level</b>	<b>Income Limit (b)</b>	<b>Max. Affordable Sale Price (b)</b>	<b>Percent of Condos on Market Within Price Range (d)</b>
Extremely Low-Income (Up to 30% AMI)	\$30,000	\$59,072	0.0%
Very Low-Income (Up to 50% AMI)	\$49,950	\$143,250	2.8%
Low-Income (Up to 80% AMI)	\$79,950	\$269,834	25.0%
Median-Income (Up to 100% AMI)	\$92,700	\$323,632	38.9%
Moderate-Income (Up to 120% AMI)	\$111,250	\$401,903	50.0%
Median Sale Price			\$411,500
Number of Units Sold			36
<b>Notes:</b>			
(a) Income limits published by CA Department of Housing and Community Development for three-person household in Marin County, 2012.			
(b) Assumptions used to calculate affordable sales price:			
Annual Interest Rate (Fixed)		5.70%	Freddie Mac historical monthly Primary Mortgage Market Survey data tables. Ten-year average.
Term of mortgage (Years)		30	
Percent of sale price as down payment		20%	
Initial property tax (annual)		1.1%	
Mortgage Insurance as percent of loan amount		0.00%	
Annual homeowner's insurance rate as percent of sale price			
Condominium units:		0.42%	CA Dept. of Insurance website, based on average of all quotes, assuming \$100,000 of coverage.
Single-Family Homes:		0.29%	CA Dept. of Insurance website, based on average of all quotes Assuming \$150,000 of coverage and a new home. (Condominium units only)
Homeowners Association Fee (monthly)		\$400	
PITI = Principal, Interest, Taxes, and Insurance			
Percent of household income available for PITI		30%	
(c) Consists of all full and verified sales of single-family residences with 3+ bedrooms in the 94904 and 94939 ZIP codes between 12/1/2011 and 5/31/2012.			
(d) Consists of all full and verified sales of Condominiums in the 94904 and 94939 ZIP codes between 12/1/2011 and 5/31/2012.			
Sources: U.S. HUD, 2009; DataQuick, 2009; BAE, 2010.			

**Table A2.6:** Affordability of Market Rate Rental Housing, Larkspur, 2012

Income Level	Income Limit (a)	Max. Affordable Rent (b)
Extremely Low-Income (Up to 30% AMI)	\$30,000	\$612
Very Low-Income (Up to 50% AMI)	\$49,950	\$1,111
Low-Income (Up to 80% AMI)	\$79,950	\$1,861
Median-Income (Up to 100% AMI)	\$92,700	\$2,180
Moderate-Income (Up to 120% AMI)	\$111,250	\$2,643
	<b>Low</b>	<b>High</b>
Rent Range, 2 bedroom in Plan Area (c)	\$2,500	\$2,700

Notes:  
 (a) Income limits published by CA Department of Housing and Community Development for three-person household in Marin County, 2012.  
 (b) Assumes 30 percent of household income spent on rent and utilities, based on Marin County Housing Authority utility allowance.  
 (c) Rent range from Larkspur Courts and Serenity at Larkspur, July 2012.  
 (d) Average rent for a 3 bedroom single-family home, December 2009.  
 Sources: CA HCD, 2009; San Mateo County Housing Authority, 2008; BAE, 2010.

**Table A2.7:** Overpayment among Households Earning 80 Percent of MFI or Less (a)

	Plan Area (b)		Larkspur	
	Renters	Owners	Renters	Owners
Elderly households	76.8%	55.0%	79.6%	65.8%
Small family (2-4 members)	88.9%	100.0%	91.4%	85.2%
Large family (5+ members)	0.0%	(c)	0.0%	(c)
All other households	94.7%	13.3%	92.6%	45.5%
<b>All households</b>	<b>81.9%</b>	<b>53.7%</b>	<b>85.2%</b>	<b>66.4%</b>

Notes:  
 (a) Housing overpayment defined as households that spend more than 30 percent of gross income on housing costs. Data are drawn from ACS demographic estimates based on statistical sampling conducted between 2005-2009. Data are shown for households for which cost burden was computed, not all households.  
 (b) Demographic data for the Plan Area are drawn from the portions of year 2000 Census Tracts 1192 and 1212 that lie within the Larkspur City boundary.  
 (c) There are no data on large family owner households earning 80% of MFI or less in the Plan Area or Larkspur.  
 Sources: HUD, State of the Cities Data System: Comprehensive Housing Affordability Strategy (CHAS) special tabulations from ACS 2006-2009; BAE, 2012.

*Rental Affordability*

Similar to condos, rental housing in the station area tends to be unaffordable for households earning less than 120 percent of AMI. Rent for a two-bedroom apartment in either of the two market-rate rental developments in the station area (Larkspur Courts and Serenity at Larkspur) ranges from \$2,500 to \$2,700 per month, exceeding the affordability threshold for median-income households by \$300 to \$500. Moreover, both of the apartment complexes report minimal amounts of vacancy (2 percent), indicating that there is a shortage of rental housing opportunities in the station area.

*Housing Overpayment*

Housing overpayment is defined as paying more than 30 percent of household income on housing costs. Given the gap between housing costs and household incomes that is demonstrated in Tables 5 and 6, it is not surprising CHAS data suggest that housing costs for many Larkspur and station area residents exceed the affordability threshold.

CHAS housing affordability data is based on Median Family Income (MFI), rather than the median income for all households (family and non-family), which is used to compute AMI. Table 7 shows the prevalence of overpayment among households earning 80 percent of MFI or less, according to CHAS data. As shown, among station area households in this income range, 82 percent of renter households and 54 percent of owner households paid more than 30 percent of household income on housing costs. The prevalence of overpayment was slightly higher throughout Larkspur, where 85 percent of renter households and 66 percent of owner households paid more than 30 percent of household income on housing costs.

The occurrence of overpayment varied substantially between household types. While almost all non-elderly, non-family renter households earning up to 80 percent of MFI overpaid for housing (95 in the station area, 93 percent citywide), among owner households, those that were neither elderly nor family households were the least likely to overpay for housing (13 percent in the station area, 46 percent citywide). Among owner households earning 80 percent of MFI or less, the households that most com-

monly overpaid for housing were small families (100 percent in the station area and 85 percent throughout Larkspur). Overpayment was also common among small renter families earning 80 percent of MFI or less. The data do not document any large family households in the station area or City earning 80 percent of MFI or less that overpaid for housing.

Elderly households, particularly elderly renter households, also had a high likelihood of overpaying for housing in the station area and City. CHAS data indicate that more than three quarters of all elderly renter households in the station area and City with incomes at or below 80 percent of MFI paid more than 30 percent of household income on housing costs. Elderly owner households were less likely to be overpaying for housing, but the rate of overpayment among these household was still relatively high at 55 percent in the station area and 66 percent throughout the City.

Due in large part to the high cost of housing, the station area and City as a whole do not have a large number of existing low-income households that are at risk of displacement due to Station Area planning efforts. As a result, while the preservation of the existing affordable housing in the station area is an important element of the Affordable Housing and Anti-Displacement Strategy, it is also important to consider strategies to expand the number of affordable housing options in the station area in order to accommodate the affordability needs of future households.

**Who lives in affordable housing?**

***Housing is considered affordable if a household pays no more than 30 of its gross income towards total housing costs. The rent or home mortgage affordable to different households varies significantly by household size and income. The convention in California is to classify households as extremely low-income, very low-income, low-income, moderate-income, or above moderate-income based on percentages of the Area Median Income (AMI) established by the California State Department of Housing and Community Development (HCD) and adjusted by household size. The median household income in Marin County in 2012 was approximately \$103,000 for a four-person household, \$92,700 for a three-person household, \$82,400 for a two-person household, and \$72,100 for a one-person household. The graphic below provides examples of households of different sizes with extremely low, very low, low, and median incomes, adjusted by household size.***

	<p><b>Median-Income Family Profile</b>                  One parent works as a paramedic and the other works as a customer service representative. They have two children.                  Estimated Annual Income: \$99,000</p>
	<p><b>Low-Income Family Profile</b>                  One parent works as a retail sales person and the other works as an accounting clerk. They have one child.                  Estimated Annual Income: \$77,000</p>
	<p><b>Very Low-Income Family Profile</b>                  Parent works as medical secretary and is the only source of income for the household. Parent has one child.                  Estimated Annual Income: \$43,000</p>
	<p><b>Extremely Low-Income Family Profile</b>                  Retiree living alone on Social Security                  Estimated Annual Income: \$15,000</p>

Sources: HCD, BLS Occupational Employment Statistics Survey, Social Security Administration, BAE, 2012.

**MARKET CONDITIONS**

A number of factors have an impact on the feasibility of affordable housing production, including land availability and cost, financing, community opposition, and local policies and regulations. The extent to which each of these factors have an impact on the station area is discussed in the following sections.

**Land Cost and Availability**

The high cost of land presents a challenge for the development of affordable housing throughout Marin County, including in Larkspur. The 2007-2014 Larkspur Housing Element included information from an informal staff survey conducted in 2010, which estimated that single family lots in Larkspur had an average price equal to \$600,000 and an average size equal to 0.2 acres. Records of recent home sales provided by DataQuick, a private vendor that collects data from the County Assessor, provide a similar estimate. According to these data, among single family homes recently sold in the Larkspur area<sup>3</sup> the average lot size was 0.32 acres and the land value averaged \$566,000. This means that the average single family lot exceeded the maximum affordable home sale price for a household earning 100 percent of AMI by approximately \$167,000, even before adding the cost of the home itself. Given the high cost of land, it is not surprising that the price of home ownership exceeds the affordability threshold for most households in the area.

In addition to the high cost, the feasibility of land acquisition for affordable housing in the station area is limited by a shortage of available land. The station area is subject to a number of environmental constraints, including steep hillsides along the northern edge and Corte Madera Creek, which runs through the station area. Most of the land that is not significantly environmentally constrained is developed with existing uses, with the exception of a few single family lots on the eastern edge of the station area that are already entitled for construction and a 10-acre site in the Larkspur Landing area that is owned by the Ross Valley Sanitary District (RVSD).

<sup>3</sup> Data include homes sold in the 94904 and 94939 zip codes between December 1, 2011 and May 31, 2012.

## APPENDICES

The RVSD site is the only site in the station area that was included in the City's 2007-2014 Housing Element. The City has approved a precise plan for the RVSD site that incorporates a mix of uses, including 126 residential units, 25 of which would provide housing for low and moderate income households. RVSD has since made revisions to the plan which include an increase in the number of residential units and the revised proposal is in the early phases of the City's review process. When completed, residential development on the RVSD site will likely provide a portion of the affordable housing needed in the station area, though most residential units are expected to be sold or rented at market rates.

Although there are few vacant developable parcels in the station area, there are several developed sites that could accommodate additional development in the future, either through infill on the existing parking lots or through redevelopment of existing structures, which provide additional opportunity sites in the station area. These sites are identified in the Preferred Plan along with the total residential unit development capacity on each site.

### **Financing**

The challenges associated with securing funding to finance affordable housing development are often significant, particularly in high-cost areas like Larkspur. Given the gap between land costs and the rents and sale prices that are affordable to households earning 100 percent of AMI or less, it will be necessary to secure substantial amounts of financing to develop housing in the station area that is affordable to low- and moderate-income households. Cuts in funding for programs that finance affordable housing development have made this more difficult, making it necessary to explore alternative and innovative funding mechanisms. This challenge will be discussed in further detail in subsequent sections.

### **Community Opposition**

Community opposition is frequently a barrier to affordable housing development and tends to be especially strong in jurisdictions in Marin County. Opposition to affordable housing can be based on a number of perceived

potential outcomes ranging from traffic impacts to negative effects on property values. Due to an increasing recognition of the need for affordable housing, philanthropic organizations and advocacy groups have formed to focus on generating acceptance for affordable housing in Marin County and dispelling many of the myths that have led to opposition. The Marin Community Housing Action Initiative (MCHAI), a partnership between the Marin Community Foundation, Non-Profit Housing Association of Northern California, and Greenbelt Alliance, has provided numerous publications to assist Marin County jurisdictions in overcoming public opposition to affordable housing.

### **Local Policies**

The City of Larkspur has enacted a number of policies intended to preserve existing affordable units and facilitate development of new units. These policies include mobile home park preservation, inclusionary housing requirements, permitting of secondary dwelling units, and participation in Marin County's home rehabilitation loan program.

The City's policy to preserve mobile home parks has a direct impact on the station area, since this is the only location in the City where this type of housing exists, and reflects the importance of the mobile homes as an affordable homeownership opportunity. However, these units have a limited life span and many may become inhabitable before 2040. Additionally, the larger of the two mobile home parks is currently subject to flooding and both are within a 100-year flood zone and vulnerable to sea level rise. Due to these factors, consideration should be given to strategies that will provide replacement housing for these units during the next 30 years. This will be discussed in further detail in following sections.

The City of Larkspur has demonstrated a commitment to affordable housing through the implementation of an inclusionary housing ordinance, which requires that inclusionary units remain affordable into perpetuity. The City's inclusionary ordinance was responsible for the construction of Drake's Way and the affordable units in Larkspur Courts, as well as all other affordable units built in the City after 1988. However, many cities that have

used inclusionary housing ordinances to produce affordable units are now amending or eliminating inclusionary requirements due to the California State Appellate Court rulings in *Palmer v. City of Los Angeles* and *Building Industry Association v. City of Patterson*, which effectively invalidated most inclusionary housing requirements for rental units. The City of Larkspur has not yet reviewed or amended its inclusionary housing ordinance following these court decisions, in part because there no developments that would trigger the inclusionary housing requirements have been proposed in the City since the court decisions were made.

The City has also shown interest in creating and preserving affordable housing by permitting the construction of accessory dwelling units on single-family lots and by participating in the Marin County Housing Authority's Rehabilitation Loan Program, which provides home repair and rehabilitation loans to low-income homeowners. While these programs may improve housing affordability and quality citywide, the effect on the station area is likely to be small due to the limited number of accessory units that are likely to be constructed on single family lots in the station area and the prevailing high quality of most housing in the station area.

Other zoning regulations such as parking requirements often add to the difficulty and expense associated with the development of affordable housing. In the station area, parking requirements for multifamily properties vary based on the number of bedrooms in each unit and whether the property consists of rental or for-sale units. Required parking for rental units ranges from one space per unit for studios and one-bedroom units to two spaces per unit for units with three or more bedrooms, plus guest parking. Required parking for condominium units ranges from one space per unit for studios and one-bedroom units to 2.5 spaces per unit for units with three or more bedrooms, plus guest parking. Guest parking requirements for all multi-family developments call for four spaces for the first five units and one additional space for each additional five units. These requirements are likely to add substantial costs to residential projects, potentially limiting the feasibility of affordable housing development in the station area.

## PRIORITY HOUSING NEEDS

The Preferred Plan Alternative which has been selected for further study includes five important residential opportunity sites with capacity to accommodate up to 948 total new housing units at transit-supportive densities. These new housing opportunities will provide current and future Larkspur residents with a broader range of housing choices than are currently available in the marketplace. Most importantly, new multifamily housing serving smaller households, seniors and young workers will build on the area's existing strengths as a desirable residential community and provide more urban living options oriented to transit.

Within this target of 948 new units by 2040, there are a variety of priority housing needs which should be addressed proactively by the City of Larkspur and its partner agencies. These are described below.

### Affordability

As discussed in the previous section on housing affordability, recent market rate residential development in Larkspur has not provided housing that is affordable to households with incomes at or below 100 percent of AMI and for sale home prices are often three to four times higher than the prices affordable to moderate-income households.

The Bay Area Jobs-Housing Connection Strategy estimates that in 2040, 26 percent of Bay Area households will earn very low incomes, 17 percent will earn low incomes, 17 percent will earn moderate incomes, and 39 percent will earn above moderate incomes. Table 8 applies these percentages to the 2040 station area residential demand estimates to determine the estimated need for units in the station area by affordability level. These affordability levels based on the projected regional income distribution in 2040 will likely tend to somewhat overstate affordable housing needs in Larkspur and the station area, so for comparison purposes Table 8 also provides an estimate of affordable housing need based on the housing by affordability allocations provided in the Draft Regional Housing Needs Allocations (RHNA) for Larkspur for the 2014-2022 planning period. As shown below, approximately 56 to 61 percent of all new housing in the station area would

need to be affordable to households earning below 120 percent of AMI in order to provide a full range of housing choices and options for individuals and families across the income spectrum.

**Pent Up Demand for Housing**

In addition to new housing affordability that will be needed as part of future TOD in the station area, the affordability and overpayment data presented above suggest that many existing station area households have housing costs that exceed the affordability threshold, indicating that there is existing unmet demand for units affordable to very low-, low-, and moderate-income households. Moreover, lower-income households often gain significant benefits from access to public transit, making the station area an ideal location within Larkspur for affordable housing and arguably the location where most of the City’s affordable housing should be located. These factors also suggest the need for robust affordable housing production policies in the station area.

**Tenure**

At present, the mixture of rental and ownership housing in the station area mirrors the regional tenure mix, consisting of approximately half ownership and half rental units. Consequently, it is reasonable to expect that future housing development in the station area would maintain an approximately even split between rental and ownership units. However, the need for affordability among a sizable portion of new units suggests that it will be difficult to develop a large number of ownership units and simultaneously meet affordability goals, because ownership units are typically targeted to moderate-income households when developed to be affordable and are affordable mostly to households with above-moderate incomes when developed to be market-rate.

**Target Populations**

The demographic and real estate analysis presented above and in the SMART Station Area Plan Market Analysis suggest that, in addition to meeting affordability targets, housing units should be targeted to accommodate the households most likely to be in need of housing in the station area now

**Table A2.8: New Housing Unit Demand by Affordability Level, Plan Area, 2012-2040**

<b>Total Housing (Preferred Alternative)</b>	<b>948</b>			
<b>Distribution by Household Income Group</b>	<b>Scenario 1 (a)</b>		<b>Scenario 2 (b)</b>	
	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>
<b>Very Low (Less than 50% AMI)</b>	26%	246	27%	261
<b>Low (51-80% AMI)</b>	17%	165	13%	123
<b>Moderate (81-120% AMI)</b>	17%	163	15%	145
<b>Above Moderate (More than 120% AMI)</b>	39%	374	44%	420
	100%	948	100%	948

(a) Based on distribution of households by income group at the regional level in 2040 according to Plan Bay Area Jobs Housing Connection Strategy, May, 16, 2012.

(b) Reflects distribution of housing need by income level from the most recent draft RHNA allocation for Larkspur for the 2014-2022 planning period.

and in the future. In particular, the demographic analysis indicates a need for senior housing, including independent living facilities, assisted living, and skilled nursing facilities, for existing cost-burdened senior households as well as for the large number of station area and Larkspur residents that will become eligible for senior housing over the next 30 years.

Additionally, commuter households needing access to jobs that are accessible via the ferry terminal, SMART station, or local busses constitute an important potential source of station area housing demand. These households are likely to vary in size and require a range of unit types.

As discussed above, station area and Larkspur households tend to be small and have a relatively low rate of overcrowding, and the prevalence of over-

payment among large families is minimal. These factors indicate that large households do not present an immediate need for housing in the station area. However, rental property managers report that demand for large units (those with three or more bedrooms) exceeds supply, suggesting that the small average household size in the station area may be due in part to a shortage of large family units and that an increase in the number of larger units would enhance the range of housing options in the station area for future residents.

Finally, as suggested in the previous section, housing development in the station area over the long term might include a plan to provide replacement housing for mobile home park residents in the station area. Housing units constructed for this purpose should be ownership units that are affordable to existing mobile home park residents.

#### **Preservation of Affordable Housing**

The preservation of existing affordable housing is essential to avoid displacing existing lower-income residents in the station area. At present, existing affordable housing opportunities in the station area consist largely of Drake's Way, the inclusionary units in Larkspur Courts, and the mobile homes in the Redwood Highway area.

None of the affordable rental units in the station area are at risk of conversion to market-rate over the short or medium term. Drake's Way is deed-restricted to provide units affordable to very low-income households until 2065. Moreover, this property is owned and operated by a nonprofit organization that is committed to affordable housing and likely to maintain the affordability of these units past the current expiration date. The affordable units in Larkspur Courts were required by the City's inclusionary ordinance to remain affordable for the life of the development. Given the current high rents and low vacancy in this property, it is likely to continue to be well maintained as rental housing for the foreseeable future, preserving the units that are affordable as well as those that are market rate.

The mobile homes in the Redwood Highway Area currently provide a needed source of affordable homeownership that is not available elsewhere in the station area, and are therefore a necessary component of the local housing stock. Although the City's current General Plan includes strong policies regarding the preservation of these mobile home parks, there will be increasing pressure to convert these sites to different uses if land values rise, which could put these units at risk. Moreover, the limited life span of the mobile homes and potential future flooding issues on the sites suggest that preservation of these units through 2040 might be problematic. A long-term housing strategy for the station area could include replacement housing for mobile home residents as the existing mobile homes reach the end of their usable life and flooding problems become increasingly acute.

#### **SMALL BUSINESSES AND COMMUNITY SERVICES**

In addition to identifying and addressing housing needs, the Affordable Housing and Anti-Displacement Strategy is intended to identify small businesses and community services within the station area that are at risk of displacement, particularly those that serve lower-income residents.

A scan of the station area reveals an overall lack of community services, with no senior centers, adult education services, youth or teen centers, childcare services, libraries, or social services. This suggests a need for additional services in the station area, which will become more essential as the population ages and income diversity increases. Senior centers and other senior services are likely to be especially important given the high median age among station area residents. While services for many other groups are available elsewhere in Larkspur either through schools or City-sponsored programs, there are fewer services that are convenient for station area seniors, particularly those with transportation limitations. Moreover, the station area is accessible via multiple modes of public transit, making it accessible to seniors that live other areas as well as those that live within the station area.

With respect to businesses in the station area, there are two major distinct commercial nodes with somewhat different characteristics and needs:

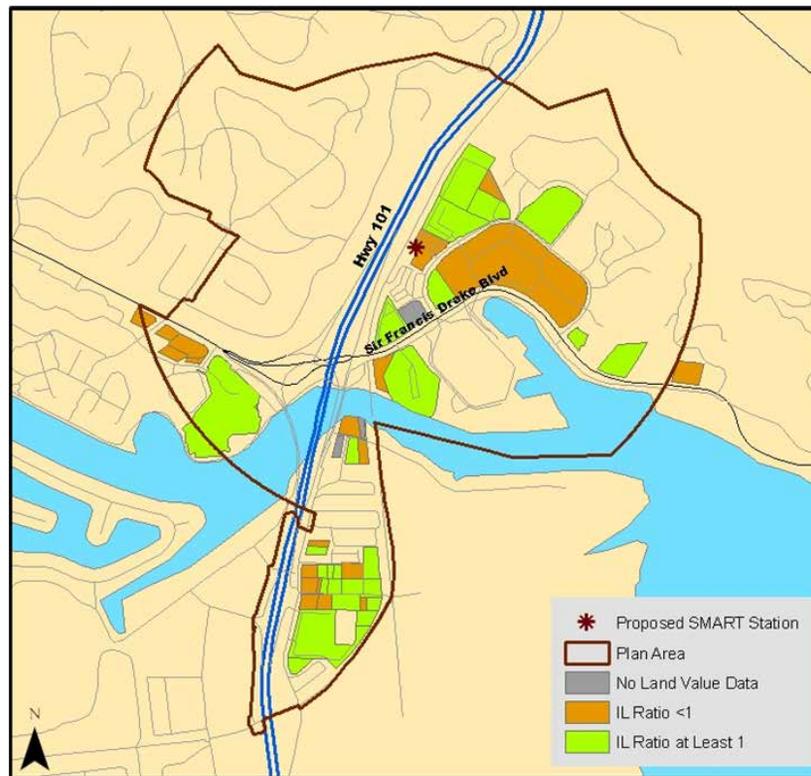
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Larkspur Landing and Redwood Highway. The majority of businesses in the Larkspur Landing area are retailers that serve a regional or subregional market. None appear to specifically serve lower-income households or specific ethnic communities. In Larkspur Landing, there are relatively few small, locally-owned businesses that are at risk of displacement.

The businesses located in the industrial portion of the Redwood Highway area, which include a mix of artist studios, automobile repair shops, taxi services, and self-storage, however, could be at potential risk of displacement if land values change and redevelopment pressures increase over time. This portion of the station area is relatively unique within Southern Marin County, which has few other locations, if any, where this mix of uses could be accommodated. In order to preserve this area largely intact, the Preferred Plan Alternative recommends no land use changes for the Redwood Highway Area but improved infrastructure to serve existing uses.

By 2040, some of the commercial structures in the station area will reach obsolescence, and are likely to be redeveloped to accommodate new uses. Figure 1 shows the commercial parcels in the station area and identifies the ratio of the value of improvements to the value of the land (the I/L ratio). In general, properties for which the value of the improvements is less than the value of the land (i.e. the I/L ratio is less than one) are considered to be potential sites for future development. While some of sites in the station area with an I/L ratio less than one could retain the existing uses and add additional structures and uses to the site, other properties are more likely to be redeveloped entirely. In either case, redeveloped properties can be used to provide spaces for a senior center or additional community services, enabling the station area to meet the needs of a diverse range of households.

**Figure A2.1:** Improvement to Land Value Ratio of Commercial Properties in the Plan Area



**Table A2.9:** Local Housing Resources Needed in Plan Area, 2012-2040

Local Housing Subsidy per Unit (a)	\$100,000	
	Local Housing Subsidy (b)	
	Scenario 1	Scenario 2
<b>Very Low (Less than 50% AMI)</b>	\$24,648,000	\$26,051,908
<b>Low (51-80% AMI)</b>	\$16,495,200	\$12,302,290
<b>Moderate (81-120% AMI)</b>	\$16,305,600	\$14,473,282
<b>Total</b>	\$57,448,800	\$41,972,519

(a) Based on low end of gap financing required to leverage State, Federal and private resources to develop affordable housing in the Bay Area.

(b) Scenario 1 reflects the high end of housing need in the Plan Area under the Preferred Alternative as reflective of the projected household income distribution in the Bay Area in 2040. Scenario 2 is reflective of the housing need distribution as contained in the Draft 2014-2022 RHNA for Larkspur.

## FEASIBILITY

Given the high price of land and existing housing in Larkspur, new market rate housing in the station area is likely to be affordable only to households earning at least 120 percent of AMI. Federal, state, and local financing sources will be needed to develop housing that is affordable to households with lower incomes. Affordable housing is typically financed through the assembly of a variety of sources, including low-income housing tax credits or bond financing. The gap between these sources and construction costs, typically in excess of \$100,000 per unit in Marin County, is filled by local financing sources, including HOME and CDBG funds, housing trust funds and in-lieu fees.

Ongoing cuts to federal, state, and local funding sources have made affordable housing finance more difficult in recent years. In the face of these challenges, jurisdictions throughout the State have begun to explore new funding mechanisms to support affordable housing production. Potential sources of financing are discussed in more detail in the implementation section below.

Based on the area's high land and development costs, it is unlikely that the market will provide any new housing in Larkspur during the Plan period that is affordable to households earning less than 120% of AMI. This market reality is reflected in the high cost of housing overall in the station area as well as in the lack of new market-rate housing production in well over two decades that serves households earning below 120% of AMI. Assuming the need for additional local resources to provide gap financing to support affordable housing production in the station area in order to implement the Preferred Alternative Plan, Table 9 estimates the total additional funding that will be needed over the Plan period. As shown, this would likely range from \$42 to \$57 million depending on the specific range of new affordable housing produced.

## IMPLEMENTATION STRATEGIES

The SMART Station station area consists primarily of a mix of attractive residential neighborhoods and distinct local- and regional-serving commercial nodes. With the exception of Drake's Way and the two Redwood Highway mobile home parks which collectively make up less than 13 percent of the Area's housing stock, most of the station area's for-sale and rental housing is only affordable to households earning above 120 percent of the Area Median Income (AMI). With the development of a new light rail station and associated increases in land values within ½ mile of the station area, there will be an opportunity to encourage new housing development which serves a broader range of incomes and communities in the station area. In particular, long-term demographic trends in Larkspur suggest the need for more senior housing opportunities of all types, including housing for lower-income seniors and those on fixed incomes. Smaller families and single-person households will also benefit from a location near transit, and affordable housing serving these populations will be crucial to creating a vibrant, diverse and economically sustainable community in the station area. Finally, the creation of the SMART station will also present the opportunity to improve and revitalize the Area's existing commercial nodes and community gathering places for the benefit of both existing and future businesses and residents.

The following implementation strategies provide a mix of policies and programs that can be adopted by the City to address affordable housing, business revitalization and community development needs in the station area. These suggested strategies are also summarized in an attached matrix which presents the major topic areas as goals with supporting policies for potential inclusion in the draft and final plan documents for the SMART Area Plan.

## Affordable Housing Preservation and Production

The City of Larkspur can take the following actions to support an adequate supply of high-quality, affordable housing in the station area:

### *Preservation Strategies*

- Monitor the status of the two Redwood Highway mobile home parks and engage property owners and residents in discussions as necessary to explore options for replacing this vital housing resource with new affordable development at comparable AMI levels on the existing sites or at other location in the station area.
- As necessary and appropriate, work with a nonprofit organization to plan for the provision of housing to replace the mobile home units in the Redwood Highway area as the existing units begin to become inhabitable and flooding issues become more acute.

### *Funding Strategies*

- Update the City's existing Inclusionary Housing ordinance and conduct a new nexus study to implement an affordable housing in-lieu fee in the station area. The fee will generate revenue for an affordable housing trust fund that provides gap financing for affordable housing projects.
- Conduct a study to assess the feasibility of creating new commercial and residential linkage fee that would generate revenues for an affordable housing trust fund. Linkage fees have been successfully adopted by communities across California to provide a steady source of funding for housing and community services linked to the increased demand for workforce housing generated by new commercial and high-end residential development. The exact formula for determining a commercial linkage fee will vary from community to community and must be based on a rigorous nexus study that shows clearly the connection between new development and increased demand for workforce housing and new community infrastructure. Linkage fees are one of the most common and successful types of "value capture" strategies used by growing communities.

*Land Use, Zoning and Regulatory Strategies*

- Lower-income households and senior households typically have low rates of car ownership, making reduced parking ratios feasible, particularly in areas accessible to transit. Based on this, allow for reduced parking ratios in the station area to decrease development costs.
- The demographic analysis indicates a need for senior housing, including independent living facilities, assisted living, and skilled nursing facilities, for existing cost-burdened senior households as well as for the large number of station area and Larkspur residents that will become eligible for senior housing over the next 30 years. Based on this, provide land use and zoning designations that permit a broad range of senior housing types in the station area and provide density bonuses and other incentives for projects including a senior housing
- The City of Larkspur and neighboring communities have a small population of homeless individuals and families. The station area would be an appropriate location for a new transitional permanent supportive housing development to serve those transitioning from homelessness.

*Community Acceptance Strategies*

- Work with the Marin Community Housing Action Coalition and other local and regional partners to conduct outreach to station area residents to engage the community in an open and constructive dialogue about affordable housing in its many forms.

**Business Preservation and Community Services**

- Conduct a study to explore the feasibility of implementing one or more Business Improvement Districts (BIDs) in the station area.
- Work with businesses in the Redwood Highway area to assess their long-term locational needs and explore strategies for improving the area through new infrastructure investments.
- Work with developers of new commercial and mixed-use projects to provide space for community services such as senior centers, day care facilities, youth services centers and other types of services and amenities not currently available in the station area.