



CITY COUNCIL STAFF REPORT

DATE: OCTOBER 5, 2016 LEGISLATIVE

SUBJECT: PROPOSED ORDINANCE PROHIBITING THE RENTAL OF APARTMENTS AS VACATION RENTALS AND AMENDING THE PALM SPRINGS MUNICIPAL CODE

FROM: David H. Ready, City Manager

BY: Chief of Staff/City Clerk

SUMMARY

The City Council will consider introduction of an ordinance to prohibit the conversion of apartments (2 or more units) to short-term vacation rentals. The ordinance provides that an apartment, or an apartment unit, that had a valid vacation rental certificate issued prior to April 15, 2016, may continue until January 1, 2018.

RECOMMENDATION:

Waive reading of the text and introduce by title only on first reading Ordinance No. _____, "AN ORDINANCE OF THE CITY OF PALM SPRINGS, CALIFORNIA, AMENDING SECTIONS 5.25.020 AND 5.25.030 OF, AND ADDING SECTION 5.25.075 TO, THE PALM SPRINGS MUNICIPAL CODE PROHIBITING THE RENTAL OF APARTMENTS AS VACATION RENTALS."

STAFF ANALYSIS:

The City currently allows and has adopted extensive regulations for vacation rental properties. On April 20, 2016, the City Council adopted Ordinance No. 1891, an interim ordinance that prohibited the rental of apartments as vacation rentals. Ordinance No. 1891 was scheduled to expire on July 31, 2016; however, the City Council on July 13, 2016, adopted ordinance 1897, extending the interim regulations to November 30, 2016.

The City Council Vacation Rental Subcommittee (Councilmember Kors and Councilmember Roberts) have conducted three meetings regarding vacation rentals. Two of the meetings were specifically conducted regarding apartments as vacation rentals. The Subcommittee submits the proposed regulations on apartments, as the current interim ordinance is set to expire. Further meetings are in process, for further public comment and the review of all other vacation rental regulations and enforcement.

The proposed ordinance (Attachment 1), as recommended by the Vacation Rental Subcommittee, would prohibit apartments [defined as two (2) or more dwelling units], as vacation rentals. Any existing apartment, or apartment unit, that has a current valid Vacation Rental Certificate may continue to operate as a short-term vacation rental until January 1, 2108, after which all short-term rentals must cease.

ONE-PS has recommended the City Council prohibit apartments from being used for vacation rentals. Protect our Neighborhoods is in support of this recommendation. At the Vacation Rental Subcommittee meeting, a member of the Vacation Rental Managers Association, verbally stated the Association is not necessarily opposed to the regulations regarding apartments.

The current interim regulations define apartments as five (5) or more units. The proposed regulations define apartments as two (2) or more units, and will affect properties such as a duplex or a triplex. During the interim regulations an apartment owner with five units, obtained a building permit to "eliminate" one unit, now making it four units, as a means to obtain a vacation rental certificate for the four unit building.

It is not the intent of the ordinance to prohibit properties such as an Estate property with one or more units, nor a property with a casita from being used as a vacation rental. However, Palm Springs Zoning Code Section 93.23.14(D)(4) does provide additional regulation on the accessory units as follows:

4. The following additional requirements shall apply to accessory second units in all residential districts:
 - a. The owner of the accessory second unit shall live within the primary dwelling unit or the accessory second unit, and may rent the other unit. The two units shall not be concurrently rented, excepting upon request from the property owner, the Director may grant the owner a temporary exception to the occupancy requirement for a period not to exceed twenty four (24) months.
 - b. Rental of the accessory second unit, separate from the primary unit, must be for periods of 30 days or more; however, such minimum requirement shall not apply where the entire property, including the primary unit and the accessory second dwelling unit, is rented or leased to the same person under one lease or rental agreement.
 - c. Prior to issuance of a building permit for the accessory second unit, the property owner shall record with the county recorder's office an agreement with the city setting forth the property owner's acknowledgement and agreement with the requirements of this Chapter, in a form satisfactory to the City Attorney.
 - d. An accessory second unit shall not be metered separately from the primary dwelling unit for gas, electricity, and water.

Staff has identified (Attachment 2) a list of properties that have a current vacation rental certificate or certificates that may be affected. Some of these properties will need

further investigation to determine if the property is an Estate property or single family with an accessory unit, rather than a multi-family apartment.

The City Council recently held a Strategic Planning Session and developed several one-year priorities. One priority was "Maintain and increase affordable housing." The Subcommittee and City Staff believe the proposed ordinance is consistent with the City Council's established one-year priority.

The *Desert Sun* recently reported "Millennials priced out of Palm Springs rent" (Attachment 3). The report provides an overview of housing that is affordable. For instance, the *Desert Sun* reported since 2012, the per-square-foot rents in the City of Palm Springs has jumped 17 percent from 2012 to 2015, and household incomes have fallen back to 1995 levels. The report further reports that over 50% renters in the City of Palm Springs are "cost-burdened" renters who spend more than 30 percent of their income on housing costs.

The City's General Plan (Attachment 4) provides a listing of Palm Springs Subsidized Multiple-Family Housing. This is housing that meets the legal criteria of affordable housing, and indicates that 485 units are "at-risk" that could, but not necessarily will, be transferred to market rate housing once the subsidized housing obligations are met. Additionally, any subsidized affordable housing could be lost due to default or bankruptcy such as the loss of 129 units at the Desert Flower Apartments due to foreclosure.

The City may be lacking in apartment units. According to the U.S. Census Bureau, Palm Springs has the following housing characteristics.

<u>TYPE</u>	<u>NUMBER OF UNITS</u>
1 unit, detached (generally SFR)	12,989
1 unit, attached (generally condos)	10,439
2 units	482
3 or 4 units	1,497
5 to 9 units	2,477
10 to 19 units	2,622
20 or more units	3,527
Mobile Homes	2,246

According to the Building Department, since 2006-07 no new apartment building permits have been issued, with the exception of the permits issued in 2009-10 for the subsidized Rosa Gardens apartments. Additionally, some prior housing that was affordable, such as the newly opened Latitude 33, is being remodeled to higher rent properties.

The median household income in the City of Palm Springs is \$45,547. According to a recent report from the Palm Springs Regional Association of Realtors, the median price of a detached home is \$548,540 up 5% in the last 12 months, and up 63.7% from the

2011 low. The Coachella Valley Economic Partnership reports the median home value is \$353,000, thus 20% down-payment is over \$70,000, or nearly 150% of the median annual household income. Financing the remaining \$280,000 at a 30-year fixed rate at 4 percent, is \$1,750 per month with taxes and insurance, is nearly 50% of the median household income. As such, renting an apartment may be the only available housing alternative. Only 22% of City employees reside in the City of Palm Springs.

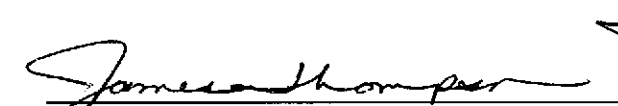
The current Zoning Code provides a process to convert a multi-unit property to a hotel which includes review by building, fire and planning to provide important consumer protections. The conversion of apartments to short-term vacation rentals, as currently allowed in the Code, avoids the review and regulatory process. The City has received one vacation rental application for a property currently with a land use of HOTEL, and has received another inquiry. The currently application is being held, pending City Council action on the proposed ordinance.

If adopted, Staff will not issue new vacation rental certificates to apartments, and current apartments may continue to operate with a valid certificate until January 1, 2018. This grace period will provide a reasonable amortization period for the owners to: rent the units for 29-days or more, rent the property under long-term lease, secure permits and approval to convert the property to a hotel, transfer the property or otherwise cease use as short-term vacation rentals.

FISCAL IMPACT:

Loss of Vacation Rental fees and Transient Occupancy Tax that could be generated by the conversion and rental of apartments to vacation rental units for less than 28-days, potentially offset by increased TOT for these stays at hotels or other vacation rental properties.

Currently, the City has 63 permitted small hotels (under 25 rooms) that may provide a similar lodging experience to the tourist.



JAMES THOMPSON
Chief of Staff/City Clerk



DAVID H. READY
City Manager



DOUGLAS C. HOLLAND
City Attorney

Attachments:

1. Proposed Ordinance
2. Property List
3. *Desert Sun* Report January 9, 2016
4. Table 3-11 Palm Springs General Plan

ATTACHMENT 1

Proposed Ordinance

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF PALM SPRINGS, CALIFORNIA, AMENDING SECTIONS 5.25.020 AND 5.25.030 OF, AND ADDING SECTION 5.25.075 TO, THE PALM SPRINGS MUNICIPAL CODE PROHIBITING THE RENTAL OF APARTMENTS AS VACATION RENTALS

City Attorney Summary

This Ordinance amends the City's Vacation Rental ordinance to prohibit the conversion of apartments (as defined) to vacation rentals in the City. Any vacation rental certificate issued prior to April 15, 2016 shall remain in effect and may be extended through January 1, 2018 and such certificate shall terminate and any vacation rental use of any apartment unit covered by such certificate shall cease.

The City Council of the City of Palm Springs finds:

- A. The City Council of the City of Palm Springs has adopted a Land Use Element and a Housing Element of its General Plan. The Land Use Element sets forth policies and goals toward the protection of land use planning that is protective of the social impacts of land uses and the Housing Element sets forth the City's policies and goals towards providing a supply and range of housing opportunities throughout the City.
- B. The City Council has expressed concern regarding the potentially adverse impacts that the conversion of rental apartment units to vacation rental uses may have on the City's rental housing stock and resident socio-economic population mix.
- C. There is a current and immediate threat to the public health, safety, and welfare because conversions of apartment units to vacation rentals could displace apartment residents and drive these residents out of Palm Springs, eroding the City's resident socio-economic population mix but also adversely impact City business that rely on residents in that mix as a valuable employee pool.
- D. The City Council specifically finds there is a reasonable relationship between the conversion of apartment units to vacation rentals and the diminution in the supply of affordable housing thereby creating undue hardships for residents displaced by the conversion to vacation rentals and will otherwise adversely affect the availability and cost of affordable housing throughout the City.
- E. The purpose of this ordinance is to (1) ensure a reasonable balance in the availability of rental and ownership housing in the City and to maintain opportunities for individual choice in the tenure, type, cost, and location of housing; (2) maintain an adequate supply of housing; and (3) avoid displacement of and undue hardship to residents of the City who may be required to move from the community due to a shortage of housing caused in part by conversions of apartment units to vacation

rentals.

F. This Ordinance supersedes and succeeds an interim moratorium ordinance that prohibited the conversion of apartments to vacation rental units and prevented the short term rental of apartments during the period of time the interim moratorium ordinance was in effect; however, any apartment unit included in a vacation rental certificate issued prior to April 15, 2016 was exempted from the interim moratorium. The Council finds that maintaining and continuing this exemption of apartment units subject to vacation rental certificates issued prior to April 15, 2016 until January 1, 2018 will provide a reasonable amortization period to owners of such apartment units within which they may recoup the costs they reasonably invested in each such apartment unit for use as a vacation rental.

The City Council of the City of Palm Springs, California, ordains:

SECTION 1. Section 5.25.020 of the Palm Springs Municipal Code is amended to read:

5.25.020 Findings.

The City Council finds and determines as follows:

- (a) The use of single-family dwelling units for Vacation Rental lodging purposes provides alternate visitor serving lodging opportunities in the City; however, such uses in certain single-family neighborhoods may have effects that can best be addressed through an appropriate city regulatory program.
- (b) The establishment of a regulatory program for Vacation Rental lodging will provide an administrative procedure to preserve existing visitor serving opportunities and increase and enhance public access to areas of the City and other visitor destinations.
- (c) Limiting Vacation Rental lodging to single-family dwelling units and prohibiting Vacation Rental lodging in apartments will preserve and protect residential housing stock in the City.
- (d) The purpose of this Chapter is to establish regulations for Vacation Rental lodging within single-family residential neighborhoods and the related use of residential property thereby enabling the City to preserve the public health, safety, and welfare.
- (e) This Chapter is not intended to regulate hotels, motels, inns, time-share units, or non-vacation type rental arrangements including, but not limited to, lodging houses, rooming houses, convalescent homes, rest homes, halfway homes, or rehabilitation homes.

SECTION 2. Section 5.25.030 of the Palm Springs Municipal Code is amended to add the following definitions and amend the definition of "Vacation Rental:"

“Apartment” means a residential unit in a multi-family development of two (2) or more dwelling units where one or more units is rented or leased for occupancy as a residence for one individual or family.

“Single-family dwelling” means a detached building designed primarily for the use of a single family and no portion which is to be rented out separately.

“Vacation Rental” means a single-family dwelling, or any portion thereof, rented for occupancy for dwelling, lodging, or sleeping purposes for a period of twenty-eight consecutive days or less, other than ongoing month-to-month tenancy granted to the same renter for the same unit, occupancy of a time-share basis, or a condominium hotel as defined in Section 91.00.10 of this Code.

SECTION 3. Section 5.25.075 is added to the Palm Springs Municipal Code to read:

5.25.075 Specific Prohibitions.

(a) No person or entity shall offer or provide an Apartment, or any portion thereof, for rent for 28 consecutive days or less to any person.

(b) No person or entity shall maintain any advertisement of a rental that is in violation of any provision of Chapter 5.25 of this Code.

(c) No person, including without limitation, an apartment owner, an apartment manager, or a representative of the apartment owner or manager, shall evict any tenant or otherwise terminate a lease for the purpose of converting an apartment to a vacation rental or in anticipation of converting an apartment to a vacation rental. In addition to any other remedy provided under the Palm Springs Municipal Code, failure to comply with this provision may be asserted as an affirmative defense in an action brought by or on behalf of the apartment owner, apartment manager, or representative to recover possession of the unit. Any attempt to recover possession of a unit in violation of this Ordinance shall render the apartment owner, apartment manager, or representative liable to the tenant for actual or punitive damages, including damages for emotional distress, in a civil action for wrongful eviction. The tenant may seek injunctive relief and money damages for wrongful eviction and the prevailing party in an action for wrongful eviction shall recover costs and reasonable attorneys’ fees.

(d) The provisions of subsection (a) of this Section shall not apply to or be enforced against any person or entity who rents an apartment or portion thereof pursuant to a valid vacation rental certificate issued prior to April 15, 2016 for the period of time between April 15, 2016 through January 1, 2018. The purpose of this deferral of the enforcement of the provisions of this Section for persons or entities issued valid vacation rental certificates prior to April 15, 2016

SECTION 4. Subsection (d) of Section 5.25.075 shall be deemed repealed and no longer in effect as of 12:01 am on January 2, 2018 and all persons and entities shall fully comply with the provisions of Subsection (a) of Section 5.25.075 of this Code.

SECTION 5. In the event any term or provision of this Ordinance is to any extent invalid or incapable of being enforced, such term or provision shall be excluded to the extent such invalidity, illegality, or unenforceability and all other terms and provisions shall remain in full force and effect.

SECTION 6. The Mayor shall sign and the City Clerk shall certify to the passage and adoption of this Ordinance and shall cause the same, or the summary thereof, to be published and posted pursuant to the provisions of law and this Ordinance shall take effect thirty (30) days after passage.

PASSED, APPROVED, AND ADOPTED BY THE PALM SPRINGS CITY COUNCIL THIS __ DAY OF _____, 2016.

ROBERT MOON, MAYOR

ATTEST:

JAMES THOMPSON, CITY CLERK

CERTIFICATION

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE) ss.
CITY OF PALM SPRINGS)

I, JAMES THOMPSON, City Clerk of the City of Palm Springs, hereby certify that Ordinance No. ____ is a full, true and correct copy, and was introduced at a regular meeting of the Palm Springs City Council on the ____ day of ____, 2016, and adopted at a regular meeting of the City Council held on the ____ day of ____, 2016, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

JAMES THOMPSON, CITY CLERK
City of Palm Springs, California

ATTACHMENT 2

Property List

City of Palm Spring Vacation Rental Property List

ID #	Street Address	Unit	City	State	Zip	BOARDS	Type	Notes
400	980 E Parocela Pl		Palm Springs	CA	92264		APT	Fourplex
948	351 Cottonwood Road	1	Palm Springs	CA	92262	1	APT	Fourplex
1103	1881 S Palm Canyon Drive		Palm Springs	CA	92264	4	MFR	Duplex
1412	137 E Mesquite Ave	A	Palm Springs	CA	92262	1	MFD	Triplex
1412	137 E Mesquite Ave	B	Palm Springs	CA	92262	1	MFD	
1412	137 E Mesquite Ave	C	Palm Springs	CA	92262	2	MFD	
1674	962 E Parocela Place	1	Palm Springs	CA	92264	0	C-R2	5 unit, listed as commercial property.
1674	962 E Parocela Place	2	Palm Springs	CA	92264	2	C-R2	
1674	962 E Parocela Place	3	Palm Springs	CA	92264	1	C-R2	
1674	962 E Parocela Place	4	Palm Springs	CA	92264	1	C-R2	
1674	962 E Parocela Place	5	Palm Springs	CA	92264	2	C-R2	
1729	350 W Via Lola		Palm Springs	CA	92262	4	MFR	Duplex
1807	544 W Arenas Road		Palm Springs	CA	92262	4	MFR	Triplex
2081	140 W Via Lola		Palm Springs	CA	92262	2	APT	38 Units (17 STVR)
2177	180 E Sonora Road		Palm Springs	CA	92264	8	C-R2	Six units
2192	542 S Calle Santa Rosa		Palm Springs	CA	92264	2	MFR	Triplex
2232	525 E Cottonwood Road	1	Palm Springs	CA	92262	1	APT	Fourplex
2233	525 E Cottonwood Road	2	Palm Springs	CA	92262	1	APT	
2237	525 E Cottonwood Road	3	Palm Springs	CA	92262	1	APT	
2238	525 E Cottonwood Road	4	Palm Springs	CA	92262	1	APT	
2243	1076 E Deepwell Road		Palm Springs	CA	92264	6	MFD	Listed at MFD but single unit
2254	535 Tamarisk Road		Palm Springs	CA	92262	5	MFD	Duplex
2305	775 N Mission Road		Palm Springs	CA	92262	4	MFD	Triplex (SFR)
2425	130 E Morongo Road		Palm Springs	CA	92264	3	MFD	Duplex
2487	770 E Chuckwalla Road	2	Palm Springs	CA	92262	1	MFD	Five units
2500	2724 N Junipero Ave	D	Palm Springs	CA	92262	1	APT	Triplex
2503	1305 N Indian Canyon Drive	C1	Palm Springs	CA	92262	0	APT	Unable to determine number of total units in complex
2504	1305 N Indian Canyon Drive	C2	Palm Springs	CA	92262	0	APT	
2610	351 Cottonwood Road	2	Palm Springs	CA	92262	0	APT	Fourplex
2611	351 Cottonwood Road	3	Palm Springs	CA	92262	0	APT	
2612	351 Cottonwood Road	4	Palm Springs	CA	92262	2	APT	
2396	1821 E Amado Road	1	Palm Springs	CA	92262	1	APT	Five units
2621	1821 E Amado Road	2	Palm Springs	CA	92262	1	APT	
2622	1821 E Amado Road	3	Palm Springs	CA	92262	1	APT	
2623	1821 E Amado Road	4	Palm Springs	CA	92262	1	APT	
2624	1821 E Amado Road	5	Palm Springs	CA	92262	2	APT	
2692	1340 E Camino Amapola	A	Palm Springs	CA	92264	2	MFD	Duplex
2693	1340 E Camino Amapola	B	Palm Springs	CA	92264	1	MFD	

ID #	Street Address	Unit	City	State	Zip	SDRMS	Type	Notes
2698	632 S Camino Real		Palm Springs	CA	92264	1	APT	Triplex
2705	520 E Chuckwalla Road	1	Palm Springs	CA	92262	2	MFD	Triplex
2706	520 E Chuckwalla Road	2	Palm Springs	CA	92262	2	MFD	
2707	520 E Chuckwalla Road	3	Palm Springs	CA	92262	2	MFD	
2797	267 W Overlook Road		Palm Springs	CA	92264	2	MFD	Duplex
2929	133 East Ocotillo Ave	1	Palm Springs	CA	92264	1	APT	Five units
2930	133 East Ocotillo Ave	2	Palm Springs	CA	92264	1	APT	
2931	133 East Ocotillo Ave	3	Palm Springs	CA	92264	1	APT	
2932	133 East Ocotillo Ave	4	Palm Springs	CA	92264	2	APT	
3077	2120 N Junipero		Palm Springs	CA	92262	2	APT	Main house with 3 separate units
3077	2120 N Junipero	A	Palm Springs	CA	92262	1	APT	
3077	2120 N Junipero	B	Palm Springs	CA	92262	1	APT	
3077	2120 N Junipero	C	Palm Springs	CA	92262	1	APT	
3081	821 S Avenida Evelita		Palm Springs	CA	92264	6	MFR	Per planning: Two units, legal nonconforming multi-family residence in R-1
3159	970 Parocella Place	1	Palm Springs	CA	92264	2	APT	Fourplex
3159	970 Parocella Place	2	Palm Springs	CA	92264	1	APT	
3184	777 San Lorenzo	3	Palm Springs	CA	92264	1	MFR	Five units
3185	505 W. Sepulveda		Palm Springs	CA	92262	4	MFD	
3257	111 Canyon Rock Road		Palm Springs	CA	92264	3	MFR	Duplex
3373	764 N. Palm Canyon		Palm Springs	CA	92262	1	APT	Single apartment in the Kosher Sampson building
3393	795 E Chuckwalla Rd	1	Palm Springs	CA	92262	4	MFD	Five units that were converted to three units in April 2016
3393	795 E Chuckwalla Rd	2	Palm Springs	CA	92262	1	MFD	
3393	795 E Chuckwalla Rd	3	Palm Springs	CA	92262	1	MFD	
3403	504 S Calle Encilia	1	Palm Springs	CA	92264	1	MFD	Triplex
Total:	53 Properties							143 units

ATTACHMENT 3

Desert Sun Report

January 9, 2016

Millennials priced out of Palm Springs rent

Rosalie Murphy, The Desert Sun 12:01 p.m. PST January 9, 2016



(Photo: Jay Calderon/The Desert Sun)

For renters hoping to buy their first homes, the transition has seldom been harder.

Here's the situation, according to an annual study from Harvard's Joint Center for Housing Studies: The percentage of Americans who rent their homes is at its highest level in 50 years. Nearly half of renters spend more than the recommended 30 percent of their income on housing. And between 2001 and 2014, rents rose 7 percent nationwide while inflation-adjusted incomes fell by 9 percent.

At the same time, banks tightened lending standards after the recession, which makes it harder for many young adults to qualify for mortgage loans.

"A number of factors have fueled soaring demand. The bursting of the housing bubble played an important role," wrote the authors of the study, which was released in December. "Household incomes have also fallen back to 1995 levels and access to mortgage credit has tightened, making the transition to homeownership more difficult for many who might otherwise buy homes."

In the Coachella Valley, the median renting household earns just \$30,200 per year, according to census data. Nearly 58 percent of renters break the "30 percent rule." And in November, the median home cost \$290,000, according to real estate research firm CoreLogic DataQuick — meaning a 20 percent down payment would be nearly twice as large as the median renter's annual income.

"The thing I feel really guilty about is, with rent, that money is *gone*. With a mortgage, at least I'm getting something in return," said Alexis Ortega, 28, who shares a one-bedroom apartment in Palm Springs. "But it feels almost unattainable because of the down payment. I could put a lot of savings into a down payment, but then I wouldn't have any savings."

[USA TODAY: No let-up seen in rent hikes this year \(/story/money/2016/01/04/apartment-rent-increases/78270848/\)](/story/money/2016/01/04/apartment-rent-increases/78270848/)

Palm Springs leads Coachella Valley rent growth

Ortega, a Stanford graduate who works at the Desert AIDS Project, used to rent a bedroom in her father's house. But after years of sharing the home

with four other adults, she and her partner decided to move out. They now split a \$950-per-month one-bedroom apartment.

“As soon as you move out, all that money just dwindles,” said Ortega, who said the best part of living at home was the money she saved.

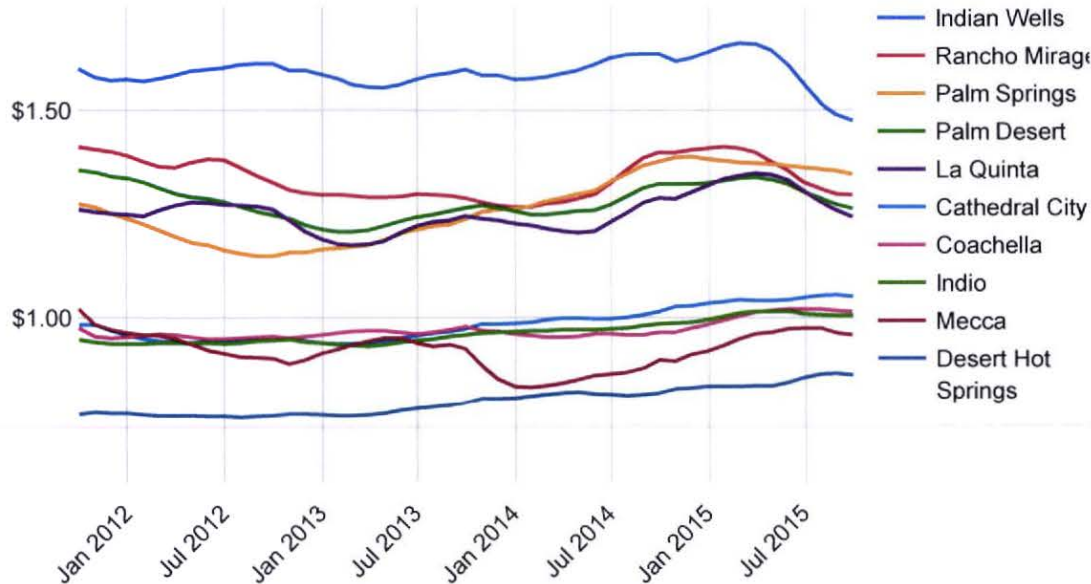
Roxanne Terwelp, 26, has already been renting in Palm Springs for five years. When she and a roommate moved into their two-bedroom unit near downtown five years ago, rent was just \$875. It's crept up to \$1,000, and Terwelp said units on the market now ask \$1,200. And since their staircase overlooks the cranes rising over downtown, she's worried about continuing increases.

According to data from real estate research firm Real Answers, rental prices in Riverside and San Bernardino Counties increased 8.5 percent from the third quarter of 2014 to the same period in 2015. Across the state, rents increased by 9.1 percent on average.

Since 2012, rents per square foot in the Inland Empire have increased by 14 percent, according to Real Answers. Zillow data shows that Palm Springs outpaced that: per-square-foot rental prices jumped 17 percent from 2012 to 2015.

Rent per square foot, by city

Rental prices in many Coachella Valley cities fell during the recession, then began to rise again in 2013. Since then, Palm Springs, Cathedral City and Desert Hot Springs have seen the steadiest growth in per-square-foot prices. In mid-valley cities, rents are similar to what they were five years ago.



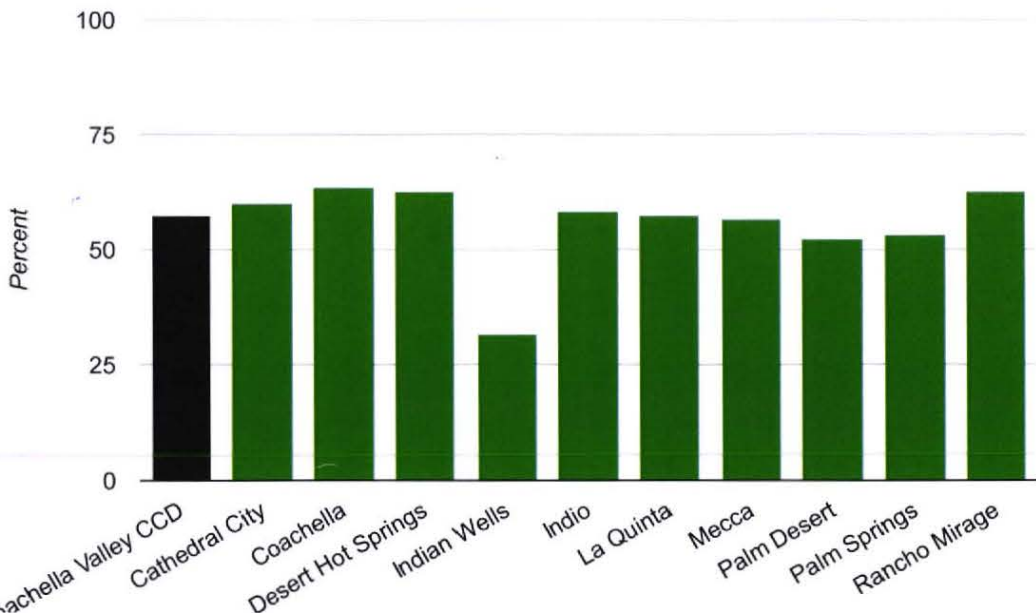
Conventional financial wisdom says a household should spend no more than a third of its income on housing costs, including rent, utilities and insurance. Even with a roommate, Terwelp said that's "impossible" for her. The Banning native works four different jobs downtown, earning \$13 per hour on average.

"My entire rental history, that (30 percent rule) has never been true," she said. "With air conditioning bills and the cost of rent here, that's never happened for me."

According to census data, 58 percent of Coachella Valley renters spend more than 30 percent of their income on housing, including rent and utility payments. For comparison, only 43 percent of the valley's homeowners spend the same amount of their earnings on housing.

Percentage of renters who are cost-burdened

"Cost-burdened" renters are those who spend more than 30 percent of their income on housing costs, as defined by the U.S. Census Bureau. In every Coachella Valley city except Indian Wells, more than half of renters are at least moderately cost-burdened.



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Experts: High rents can slow homebuying

Rather than pushing renters to buy homes faster, experts say high rents can actually slow the homebuying process. The more renters spend, the less they can save for a down payment.

"Rent is really high — you're talking \$1,500, \$1,600 in rent. To say, 'stop doing that and buy a house' — that's easier said than done, because you've got to have a down payment," said Beverly Fitzgerald, outgoing president of the California Desert Association of Realtors.

Fitzgerald said lenders prefer buyers who can make the largest down payments possible, ideally 20 percent of the purchase price.

"I think the down payment is quite sizeable as a barrier," added Rodney Ramcharan, director of research at the University of Southern California's Lusk Center for Real Estate. Ramcharan pointed to strict lending laws imposed by the Consumer Financial Protection Bureau, which forbid banks from loaning to people with too much debt or too little income. For securing a loan, he said, a 20 percent down payment "is pretty necessary these days."

Juliana Marroquin, 22, is saving for a down payment now. She and her husband talked to a lender last summer and learned they could only get approved for a \$100,000 loan. So they're leaving their two-bedroom apartment — \$900 per month in Palm Springs — and moving back in with her in-laws.

"I've been looking at the math," Marroquin said. "If we really stick to our budget, we can do it in two years" — save for a down payment, that is.

A December 2015 survey by the National Association of Realtors found that 94 percent of renters younger than 35 want to eventually buy a home.

Agencies like the Federal Housing Administration, Fannie Mae and Freddie Mac and California Housing Finance Agency offer programs for first-time buyers that can [lower down payments \(/story/money/personalfinance/2015/02/15/3-down-payments-lure-first-time-homebuyers/23424759/\)](/story/money/personalfinance/2015/02/15/3-down-payments-lure-first-time-homebuyers/23424759/). In Riverside County in 2014, the average down payment was 15.6 percent, according to real estate research firm RealtyTrac. More than a quarter of all down payments were less than three percent of the purchase price.

USC's Ramcharan explained that, while some buyers qualify for special programs like these, banks remain reluctant to lend to people with little savings or poor credit.

"I think it's hugely different. I think it's fundamentally different," said Ramcharan, comparing today's market to that of the bubble years ago. "During the boom, what we saw was lending standards falling quite sharply, because people tended to be very optimistic about... the path of house prices. Those expectations are no longer there."

[THE DESERT SUN: Affordable housing: Little funding to meet great need \(/story/money/real-estate/2015/08/21/affordable-housing-little-funding-meet-great-need/32157599/\)](http://www.desertsun.com/story/money/real-estate/2015/08/21/affordable-housing-little-funding-meet-great-need/32157599/)

Generation rent?

In that National Association of Realtors survey, 53 percent of young adults said they couldn't afford to buy homes. But the second most common answer, given by 19 percent of respondents, was that they simply weren't ready to commit to a house. Facing job and family changes, they needed flexibility.

And builders are starting to respond to demand. Between 2004 and 2006, around 12 percent of all units that received building permits in Riverside County were in duplexes or apartment buildings, according to census records. Between 2012 and 2014, these units made up 25 percent of the county's new housing.

Steve Huffman renovated two Palm Springs apartment complexes in 2015: Deepwell Apartments and Latitude 33, formerly Whispering Palms Apartments. The second property, which sits just a block from downtown's Indian Canyon Drive and has been largely gutted and rebuilt, asks \$905 for studio units and \$1,275 for two-bedrooms.

They're among the priciest rentals in Palm Springs, Huffman acknowledges. But he thinks the 121 units will be full in February.

"One thing Palm Springs lacked was multi-family housing that matched the new job base (brought in by) higher-end hotels," Huffman said. "The housing stock for renters is extremely old. We're not targeting vacation rentals, we're targeting people that live and work and call Palm Springs their home."

Included in this market are people Huffman calls "dual renters by choice" — professionals who rent apartments as weekend homes rather than buying condos. People who prefer to rent but still want a luxury feel "is a new phenomenon that, frankly, I think we're creating," Huffman said.

How many people rent?

Renting is most common on the edges of the Coachella Valley — more than half of households in Desert Hot Springs rent, as do 47 percent of households in Mecca and 43 percent in Palm Springs. In Indian Wells and Rancho Mirage, less than a quarter of the population rents.

Indeed, households earning \$75,000 or more per year accounted for about 60 percent of growth in the renter population since 2011, according to Harvard's study.

In Alexis Ortega's eight-unit apartment complex, most renters are weekenders or snowbirds. Ortega said she doesn't want to rent forever, and a friend who's a real estate agent is trying to talk her into buying a condo. But she's worried about tying herself to an investment as large as a home, especially because she's not sure she wants to stay in Palm Springs long-term.

"For a while, the idea of buying a home didn't really appeal to me," Ortega said. "But then, as you grow older, the idea of buying a home, if it's well-priced... And there's the reality of being a person with a partner," she continued, trailing off.

"(Renting) works now," Ortega said. "I think the time when I start to think about other possibilities (will come), but I'm not able to make certain investments,

'like in real estate, now.'

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(Photo: Jay Calderon/The Desert Sun)

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ATTACHMENT 4

Palm Springs General Plan

Table 3-11

HOUSING ELEMENT

**Table 3-11
Palm Springs Subsidized Multiple-Family Housing**

Development Name	Type of Unit	Form of Assistance	Total Units	Subsidy Terminates	Status
Sunnyview Villas 2950 N. Indian Canyon	Family	Section 221(d)(4) – Section 8	44	2065	Not at Risk
Palos Verdes Villas 392 E. Stevens Road	Family	LIHTC, CalHFA, & RDA funds	98 (20% VLI)	2025	At Risk
Racquet Club 2383 E. Racquet Club	Family	Mortgage Revenue Bond	9 units	2018	Not at Risk*
Calle de Carlos I & II 3721-3989 E. Calle de Carlos	Family	Mortgage Revenue Bond	8 units	2018	Not at Risk*
Nightengale Manor 2951 De Anza Road	Family	Mortgage Revenue Bond	10 units	2068	Not at Risk*
Pacific Palms Apartments 423 S. Calle El Segundo	Family, Senior	MRB, LIHTC, Section 8	140	2020	At Risk
Tahquitz Court Apartments 2890 E. Tahquitz Canyon	Family	Tax Exempt Bond	107 (LI)	2023	At Risk
Coyote Run I Apartments 3601 N. Sunrise Way	Family	LIHTC/RDA	140	2023	At Risk
Coyote Run II Apartments 3401 N Sunrise Way	Family	LIHTC/RDA	66 (LI)	2067	Not at risk
Vista Del Monte 1207 E Vista Chino	Senior	HUD Section 202	52	2026	Not at Risk
La Ventana Heritage Apartments 300 S Calle El Segundo	Seniors (rental)	RDA Funds	136 (68 LI & MI)	2026	Not at Risk
Vista Serena 1210 E Vista Chino	Senior	Section 202	97	2026	Not at Risk
Palm Springs Pointe Senior Apartments 3200 Baristo Rd	Senior	CalHFA, Section 8 (voucher)	115	2024 – Just ext. to 2061	Not at Risk
Rosa Gardens Apartments	Family	LIHTC/RDA/CalH FA	55	2066	Not at Risk
Rancheria del Sol 303 S. Calle El Segundo	Family	Section 236(d)(1) Project-Based Section 8; Title VI	76	2006 – Just ext. to 2044	Not at Risk
Seminole Garden Apartments 2607 S. Linden Way	Family	Section 221(d)(3) LIHTC in 2002	60	2042 – Just ext. to 2057	Not at Risk
Vista Sunrise - New 1201 Vista Chino	Individuals	HOME; LIHTC; City; CalHFA	80 (VLI & LI)	2061	Not at Risk
Sahara Mobile Homes 1955 S. Camino Real	Seniors, Families	RDA	254 (127 VLI & LI)	2050+	Not at Risk
La Ventana 300 S. Calle El Segundo	Family	_RDA; MPROP	68 (LI & MI)	2026	Not at risk

*Housing Authority Owned. It is the City's intent to renew income restrictions on these projects.

Source: City of Palm Springs, 201307.; California Housing Partnership, Revised May 2006.

485 units "at Risk"

Notations:

- CalHFA: California Housing Finance Authority
- LIHTC: Low Income Housing Tax Credits
- RDA: Palm Springs Redevelopment Agency
- MPROP: Mobile Home Park Resident Ownership Program
- MRB: Mortgage Revenue Bond