

DATE ISSUED: March 11, 2005 REPORT NO. PC-05-123

ATTENTION: Planning Commission  
Agenda of March 17, 2005

SUBJECT: Apartment Vacancy Rate Determination - Relating to  
Condominium Conversion Relocation Payment Eligibility

SUMMARY:

Issue – Was the citywide average apartment vacancy rate below seven percent during 2004?

Planning Department Recommendation – The Planning Commission should find that the citywide apartment vacancy rate was below seven percent throughout calendar year 2004, averaging 3.4 percent and ranging from 2.44 to 4.3 percent, based on published vacancy rate surveys.

Environmental Impact – None associated with this action.

Housing Affordability Impact – A Planning Commission determination that the vacancy rate was below seven percent during calendar year 2004 will result in the City continuing to require relocation payments for eligible tenants displaced due to condominium conversions during the period April 1, 2005-April 1, 2006.

BACKGROUND

The San Diego Municipal Code Section 144.0504, which was adopted on March 8, 2004, states that: 1) “On or before April 1, 2005, and each year thereafter, the Planning Commission shall determine that if the average vacancy rate for residential rental units exceeded seven percent on a citywide basis for the previous calendar year, then the payment of relocation benefits pursuant to Municipal Code Section 144.0504(a) shall not apply to condominium conversions in the calendar year starting April 1 of that year, and 2) Planning Department staff shall submit to the Planning Commission in March of each year a report identifying the vacancy rates for the residential rental units in the City as of January 1 of that year and July 1 of the preceding year. The report should also include an annual average. The report is to be based on the results of a survey taken during January and July of each year, plus any other information regarding vacancy rates submitted to the Planning Commission by governmental agencies and other interested parties.”

DISCUSSION

Two sources have published detailed and reliable rental vacancy rate surveys in San Diego since the 1980s. These are the San Diego County Apartment Association (Apartment Association) and MarketPointe Realty Advisors (MarketPointe). The Apartment Association survey is a mail survey that is sent to owners of apartment complexes of all sizes throughout San Diego City and County. The number of owners responding to this survey varies somewhat, usually covering approximately 20,000 units within the City. The MarketPointe survey only includes developments with 25 units or more and covers the same projects during each reporting period. Approximately 55,000 units within the City are covered by this survey. The vacancy rates reported by MarketPointe have been consistently lower than those reported by the Apartment Association for a number of years. However, for the past few years, including the most recent reporting periods, both surveys found the vacancy rate to be well below seven percent.

Both surveys are taken during the spring and fall of each year. The MarketPointe survey found the City’s vacancy rate to be 2.93 percent in March of 2004 and 2.44 percent in September of 2004. In each of the previous several years, the vacancy rate was always somewhat lower in the September survey than in the March survey. The Apartment Association survey found the City’s vacancy rate to be 3.9 percent in spring of 2004 and 4.3 percent in fall of 2004. The year 2004 was the first year since 1994 in which this survey found the vacancy rate in the fall to be higher than in the spring, possibly indicating that a gradual increase in vacancy rates is currently underway. The results are summarized in the table below.

**Estimated Rental Vacancy Rates**

SOURCE	Spring 2004	Fall 2004
MarketPointe	2.93%	2.44%
Apartment Association	3.9%	4.3%
Average of two estimates	3.42%	3.37%

Spokespersons for both MarketPointe and the Apartment Association believe that the vacancy rates on July 1, 2004 and January 1, 2005 were little changed from those reported in the spring and fall surveys. They suggest that vacancy rates are currently stable or perhaps slightly increasing. The survey results, which are attached to this report, provide historical data on vacancy rates for the past decade.

Staff recommends that following a review of this information, the Planning Commission find that the citywide average apartment vacancy rate for the year 2004 was less than seven percent, averaging approximately 3.4 percent during that year. If the Planning Commission makes this determination, the City will continue to require relocation payments to qualifying tenants displaced by condominium conversions.

Note: Staff is pursuing a modification to Municipal Code Section 144.0504 to state that the January 1 and July 1 vacancy rate determinations should be based on spring and fall surveys. The current language in the Municipal Code calling for vacancy rate determinations on January 1 and July 1 based on surveys in January and July appears to be an error because the vacancy rate determinations cannot be made until after the surveys. Typically it takes several weeks to tabulate the survey results.

Respectfully submitted,

---

William Levin, Senior Planner  
Planning Department

---

Coleen Clementson, Program Manager  
Planning Department

CC/WL/je

Attachments:

1. MarketPointe Realty Advisors Survey
2. San Diego County Apartment Association Survey