



THE CITY OF SAN DIEGO

REPORT TO THE PLANNING COMMISSION

DATE ISSUED: February 10, 2006 REPORT NO. PC-06-052

ATTENTION: Planning Commission
Agenda of February 16, 2006

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

SUMMARY:

Issue – Was the citywide average apartment vacancy rate below 7 percent during 2005?

Planning Department Recommendation – The Planning Commission should find that the citywide apartment vacancy rate was below 7 percent throughout the calendar year 2005 ranging from 2.25 percent 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 7 percent during calendar year 2005 will result in the City continuing to require relocation payments for eligible tenants displaced due to condominium conversions during the period March 1, 2006-March 1, 2007.

BACKGROUND

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 7 percent on a citywide basis for the previous calendar year, then the payment of relocation benefits pursuant to section 144.0504(a) shall not apply to condominium conversions in the calendar year starting April 1 of that year, (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.”

Modifications to Municipal Code 144.0504 scheduled for City Council consideration on February 24, 2006 include a slight modification to the vacancy rate reporting requirements. The revised code states that the annual report to Planning Commission should occur on or before March 1 of each year in 2006 and subsequent years. This change, moving the reporting forward by one month, reflects the reality that the twice annual surveys occur in spring and fall of each year and reports summarizing the results are published by January of each calendar year.

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 and MarketPointe Realty Advisors. The San Diego County Apartment Association's 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 projects responding to this survey varies somewhat, usually covering approximately 20,000 units within the City. The MarketPointe Realty Advisors' survey only covers 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 Realty Advisors have been consistently lower than those reported by the San Diego County Apartment Association for a number of years. However, for the past few years, including the most recent reporting periods, both surveys have found the vacancy rate to be well below 7 percent.

Both surveys are taken during the spring and fall of each year. The MarketPointe Realty Advisors' survey found San Diego County's (County) vacancy rate to be 3.26 percent in March 2005 and 2.25 percent in September 2005. These vacancy rates are slightly higher than those reported by this survey from 2000 to 2003. Rates for the City were not available for this reporting period but in past years have been nearly identical to the County rates. The San Diego County Apartment Association's survey found the City's vacancy rate to be 3.9 percent in spring 2005 and 4.3 percent in fall 2005. These rates were identical to those found by this survey in spring and fall 2004. This survey also found County vacancy rates to be nearly identical to those found in the City.

Given that the vacancy rate in the City and County are roughly equivalent, the average vacancy rate shown by the two surveys was 3.58 percent in March 2005 and 3.28 percent in September 2005. The MarketPointe Realtor Advisors' survey showed a lower vacancy rate in September than in March while the San Diego County Apartment Association's survey showed a higher vacancy rate in September than in March. Therefore, nothing definitive about the vacancy rate trend in the past few months can be discerned. Both MarketPointe Realtor Advisors and the San Diego County Apartment Association, as well as other industry experts, believe that the vacancy rates on January 1, 2006 were little changed from the spring and fall surveys. They suggest that vacancy rates are currently fairly stable, albeit at a low level, and have changed little during the past three years.

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 7 percent, averaging approximately 3.43 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.

Respectfully submitted,

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