

3 POPULATION AND HOUSING

Demographic data shows Novato to be a growing, family-oriented community. Since 2000, the city has outpaced countywide growth, a trend that is expected to slow over the next 15 years. The city also has a younger population, with slightly more children, and larger households than Marin County as a whole. This chapter discusses these and other population and household characteristics of Novato that are relevant to the General Plan Update. This chapter also provides an overview of Novato's housing stock, including a discussion of housing affordability levels.

A. Policy Framework

1. California Housing Element Law

California Government Code Article 10.6 requires that each city and county adopt a Housing Element as one of the seven required elements of the General Plan. The Housing Element is different from the other required elements of the General Plan in that it must be updated every eight years and is subject to detailed statutory requirements. Unlike other elements, the Housing Element must be submitted to the California State Department of Housing and Community Development (HCD) for review and certification. A Housing Element is certified by HCD when it is found to be in compliance with all requirements of State Housing Element law.

a. Required Housing Element Contents

State law includes a significant list of information and analysis that must be included in a Housing Element. HCD will certify a Housing Element only if it incorporates all required content, including:

- ◆ A summary of the population and housing characteristics that contribute to the present and future housing need.
- ◆ A description of constraints on the development of housing.
- ◆ An evaluation of the existing Housing Element.
- ◆ An inventory of sites to accommodate the local jurisdiction's identified housing need.
- ◆ Programs to promote housing opportunities for all residents.

◆ A statement of quantified objectives that estimates the number of housing units by income level to be constructed, rehabilitated and conserved within the planning period.

b. Regional Housing Needs Allocation

As stated above, Housing Elements must demonstrate that the local jurisdiction can accommodate the identified housing need for all income levels over the next eight years. For Novato, this “housing need” is a number assigned to the City by the Association of Bay Area Governments (ABAG) through the Regional Housing Needs Allocation (RHNA) process. For this housing element update, Novato’s RHNA is 415 total dwelling units. HCD will not certify this housing element update unless sites within Novato are identified to accommodate the RHNA over the next eight years. Table 3-1 shows Novato’s RHNA broken out by income level for the 2014-2022 housing element cycle and the prior 2007-2013 cycle. Overall, the RHNA has been reduced 66 percent.

The income levels identified in Table 3-1 are based on the Marin County Median Family Income (MFI). In 2014 the MFI in Marin County was \$103,000. Income levels for four-person families are defined as follows:

- ◆ Extremely Low Income: Families with income less than 30 percent of MFI (under \$33,950).
- ◆ Very Low Income: Families with incomes between 30 and 50 percent of MFI (\$33,951 to \$56,550).
- ◆ Low Income: Families with incomes between 51 percent and 80 percent of MFI (\$56,551 to \$90,500).
- ◆ Moderate Income: Families with incomes between 81 percent and 120 percent of MFI (\$90,501 to \$123,600).
- ◆ Above Moderate Income: Families with incomes greater than 120 percent of MFI (over \$123,600).

TABLE 3-1 REGIONAL HOUSING NEEDS ALLOCATION (RHNA), NOVATO

	Extremely Low	Very Low	Low	Moderate	Above Moderate	Total
2014-2022	55	56	65	72	167	415
2007-2013	137	138	171	221	574	1,214
Change	-60%	-59%	-62%	-67%	-71%	-66%

c. Changes to Housing Element Law since 2003

Since 2003, the California legislature has enacted numerous new laws related to Housing Elements. The Housing Element Update will need to comply with these laws. The most important new laws include:

- ◆ AB 2348: Requires a more detailed inventory of sites to accommodate projected housing needs.
- ◆ SB 520: Requires analysis of constraints to housing development, maintenance and improvement of housing for persons with disabilities.
- ◆ AB 1233: Requires, in the case that a prior element failed to identify or implement adequate sites, the local government must zone or rezone to address past and projected needs, within one year of update.
- ◆ AB 2634: Requires the quantification and analysis of existing and projected housing needs of extremely low-income households.
- ◆ SB 2: Requires local jurisdictions to strengthen provisions for addressing the housing needs of the homeless, including the identification of zones in which emergency shelters are permitted without conditional use permits.
- ◆ SB 812: Requires local governments to include an analysis of the special housing needs of persons with developmental disabilities.
- ◆ SB 375: Coordinates the regional housing needs allocation process with the regional transportation planning process and extends the housing element planning period to eight years.

2. City Policies and Regulations

a. General Plan

The existing General Plan addresses housing in its existing Housing Element, adopted in 2013. Included in the Housing Element are the following goals for housing in Novato:

1. Work together to achieve the City's housing goals.
2. Maintain and enhance existing housing and blend well-designed new housing into existing neighborhoods.
3. Use land efficiently to meet housing needs, minimize environmental impacts and maximize opportunities to use alternative transportation modes such as transit, bicycling and walking.
4. Provide housing for special needs populations that is coordinated with support services.

5. Build local government institutional capacity and monitor accomplishments to respond to housing needs effectively.

The Housing Chapter also includes many policies and implementing programs that specify how the City can realize its vision for housing in Novato.

b. Community Strategic Plan

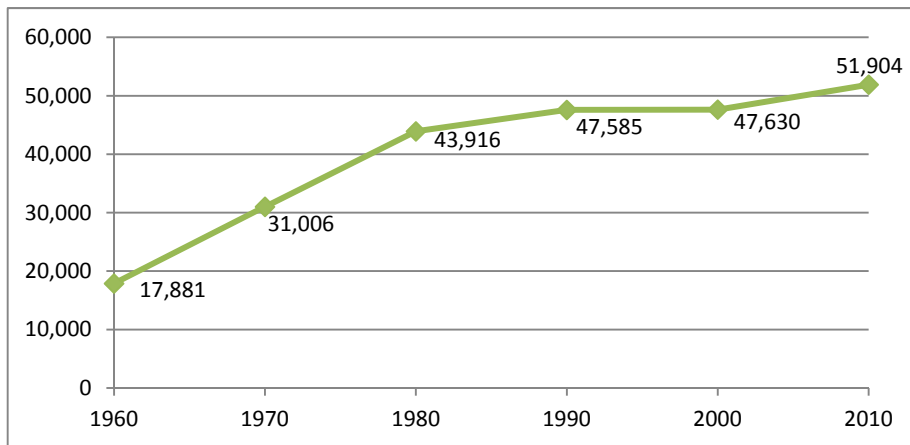
Housing is also addressed in the Sustainable Community section of the Community Strategic Plan. Social Equity Vision Statement 2 envisions “a community that offers an inclusive housing continuum.” Objectives to achieve this vision include developing a Housing Continuum Master Plan, integrating affordable housing into new and existing areas and creating an incentive program for the development of affordable housing.

B. Population Characteristics

1. Population Trends and Projections

Novato, incorporated in 1960, is a relatively young city with a more rural/suburban historical character than other cities in Marin County. From an initial population of 17,881, the City experienced a rapid rise in population between 1960 and 1980, and then settled into a slower rate of growth (see Figure 3-1). The population increased by about 8 percent between 1980 and 1990, and grew by just 45 people from 1990 to 2000. Between 2000 and 2010, the population increased by 4,247 people. Much of the increase in that last decade can be attributed to the re-use of Hamilton Air Force Base, which added over 1,170 new housing units to the city. As of 2010, the Novato population was 51,904.

FIGURE 3-1 NOVATO POPULATION, 1960-2010



As shown in Table 3-2, Novato’s population increased 9 percent between 2000 and 2010, while the number of households expanded at a slightly greater rate (9.5 percent). Marin County as a whole saw a much slower growth rate between 2000 and 2010, with population and households increasing by approximately 2 percent and 3 percent, respectively. The nine-county Bay Area grew substantially faster than Marin County but slower than Novato over the same period, with a 5 percent increase in population and a 6 percent gain in households.

TABLE 3-2 POPULATION AND HOUSEHOLD TRENDS

	1990	2000	2010	% Change 1990-2000	% Change 2000-2010
Novato					
Population	47,585	47,630	51,904	+0.1%	+9.0%
Households	18,236	18,524	20,279	+1.6%	+9.5%
Avg. Household Size	2.59	2.52	2.53		
Tenure					
Owner	62%	68%	67%		
Renter	38%	32%	33%		
Marin County					
Population	230,096	247,289	252,409	+7.5%	+2.1%
Households	95,006	100,650	103,210	+6.0%	+2.5%
Avg. Household Size	2.33	2.34	2.36		
Tenure					
Owner	62%	64%	63%		
Renter	38%	36%	37%		
Bay Area					
Population	6,023,559	6,783,760	7,150,739	+12.6%	+5.4%
Households	2,246,236	2,466,019	2,608,023	+9.8%	+5.8%
Avg. Household Size	2.61	2.69	2.69		
Tenure					
Owner	56%	58%	56%		
Renter	44%	42%	44%		

Sources: 1990 U.S. Census SF-1; 2000 U.S. Census SF-1; 2010 U.S. Census SF-1.

As shown in Table 3-3, the Association for Bay Area Governments projects Novato’s population to rise to 55,700 residents by 2035, a 7 percent increase over 25 years. By comparison, ABAG projections for the county show higher growth over the 25-year period, with the population climbing by 10 percent. Projections for the Bay Area show faster growth overall, with a 24 percent increase in population.

TABLE 3-3 POPULATION PROJECTIONS, 2010 TO 2035

	Novato	Marin County	Bay Area
2010	51,904	252,409	7,150,739
2015	52,500	256,700	7,461,400
2020	53,200	261,100	7,786,800
2025	53,900	266,600	8,134,000
2030	54,700	272,100	8,496,800
2035	55,700	278,600	8,889,000
Total Change 2010-2035	3,796	26,191	1,738,261
% Change 2010-2035	7%	10%	24%

Source: Association of Bay Area Governments, Plan Bay Area Projections 2013

2. Age Composition

With a median age of approximately 43 years, Novato residents are slightly younger than countywide residents, but older than their Bay Area counterparts (see Table 3-4). A greater share of children in Novato suggests that the city is slightly more family-oriented than Marin County as a whole. Children under the age of 20 represent 25 percent of the population, slightly higher than the county’s 22 percent.

Adults aged 25 to 34 represent 11 percent of the population in Novato, 10 percent in the county and 15 percent in the Bay Area. Almost 31 percent of Novato’s population falls into the age category of 45 to 65 years, while 33 percent and 27 percent belong to this category in the county and Bay Area, respectively. Individuals aged 65 and over represent 16 percent of the population in Novato, 17 percent in the county and 12 percent in the Bay Area.

TABLE 3-4 AGE COMPOSITION, 2010

Age Cohort	Novato		Marin County		Bay Area Region	
	Number	%	Number	%	Number	%
Under 15	9,772	18.8%	43,654	17.3%	1,319,818	18.5%
15 to 19	2,996	5.8%	12,798	5.1%	450,612	6.3%
20 to 24	2,356	4.5%	10,308	4.1%	460,251	6.4%
25 to 29	2,655	5.1%	11,960	4.7%	529,169	7.4%
30 to 34	2,856	5.5%	12,876	5.1%	523,500	7.3%
35 to 44	7,232	13.9%	36,478	14.5%	1,065,647	14.9%
45 to 54	8,256	15.9%	42,055	16.7%	1,072,222	15.0%
55 to 64	7,658	14.8%	40,088	15.9%	851,291	11.9%
65 to 74	4,506	8.7%	23,211	9.2%	467,258	6.5%
75 to 84	2,411	4.6%	12,425	4.9%	279,326	3.9%
85 +	1,206	2.3%	6,556	2.6%	131,645	1.8%
Total	51,904	100.0%	252,409	100.0%	7,150,739	100.0%
Median Age	42.6		44.5		37.8	

Sources: U.S. Census SF-1.

Population trends by age groups show a dramatic increase in the number of seniors 65 years of age over the past thirty years and a sharp decline in the number of people under 25 years (see Figures 3-2 and 3-3). The number of people under 25 decreased 2,646 people between 1980 and 2010, while this age group's share of the population declined from 40 percent to 29 percent. Over the same thirty-year period, the senior population increased 8,123 people and grew from 6 percent of the population to 16 percent – a 167 percent increase. The population of people age 25-64 years grew by 5,297 people, but held a relatively stable share of the total population.

FIGURE 3-2 AGE GROUPS, 1980-2010

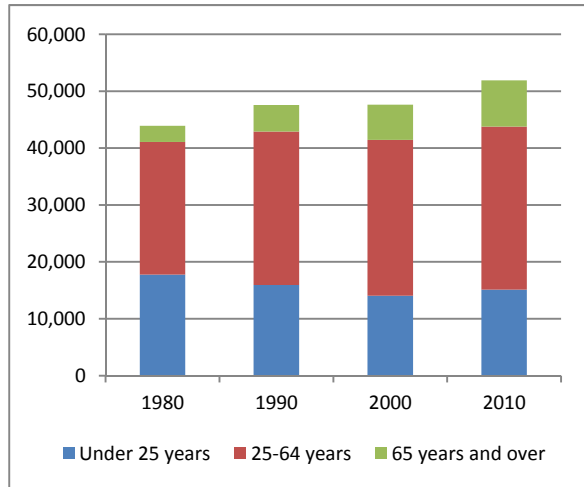
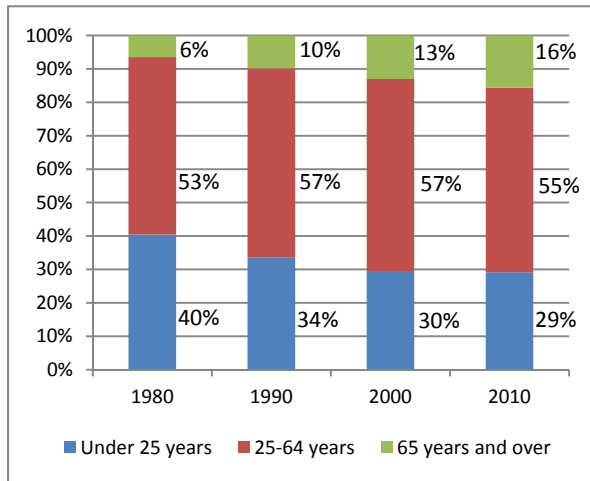


FIGURE 3-3 AGE GROUPS AS A PERCENT OF POPULATION, 1980-2010



The Novato senior population is increasing at a rate that far surpasses the national rate for this population. Over the last decade, the population of Novato residents age 65 or older grew by 31 percent, while the rest of the Novato population grew by just 6 percent. By comparison, the population of seniors in the United States grew by 15 percent, while the rest of the population grew by 9 percent.

The Department of Finance predicts significant increases in Marin’s elderly population as the baby boom generation ages. While the total population is expected to increase in Marin by just 1 percent between 2010 and 2030, the number of seniors 65 and over is projected to increase by over 57 percent.¹ By the year 2030, approximately 26 percent of the Marin population will be aged 65 or more.

3. Race and Ethnicity

As shown in Table 3-5, 76 percent of Novato’s residents are white, which is close to the countywide figure of 80 percent. Latinos comprise Novato’s second largest ethnic group, at approximately 21 percent of the population, which is higher than the countywide share of 16 percent. Latinos also represent the City’s fastest growing ethnic group; between 2000 and 2010, Novato’s Latino population rose from 6,229 to 11,046 residents, a 77 percent increase.

¹ State of California, Department of Finance, *Population Projections for California and Its Counties 2000-2050, by Age, Gender and Race/Ethnicity*, Sacramento, California, July 2007.

TABLE 3-5 RACE AND ETHNICITY, 2000 AND 2010

Race and Ethnicity	Novato				Marin County				Bay Area			
	2000	2010	% Change	% of Total, 2010	2000	2010	% Change	% of Total, 2010	2000	2010	% Change	% of Total, 2010
<i>Population of one race:</i>	45,756	49,386	7.9%	95.1%	238,710	241,716	1.3%	95.8%	6,449,470	6,765,267	4.9%	94.6%
White	39,414	39,443	0.1%	76.0%	207,800	201,963	-2.8%	80.0%	3,941,687	3,755,823	-4.7%	52.5%
Black or African American	948	1,419	49.7%	2.7%	7,142	6,987	-2.2%	2.8%	511,084	481,361	-5.8%	6.7%
American Indian and Alaska Native	246	286	16.3%	0.6%	1,061	1,523	43.5%	0.6%	43,529	48,493	11.4%	0.7%
Asian	2,479	3,428	38.3%	6.6%	11,203	13,761	22.8%	5.5%	1,289,849	1,664,384	29.0%	23.3%
Native Hawaiian and Other Pacific Islander	82	117	42.7%	0.2%	388	509	31.2%	0.2%	36,317	44,386	22.2%	0.6%
Other Race	2,587	4,693	81.4%	9.0%	11,116	16,973	52.7%	6.7%	627,004	770,820	22.9%	10.8%
<i>Population of two or more races:</i>	1,874	2,518	34.4%	4.9%	8,579	10,693	24.6%	4.2%	334,290	385,472	15.3%	5.4%
Total Population	47,630	51,904	9.0%	100.0%	247,289	252,409	2.1%	100.0%	6,783,760	7,150,739	5.4%	100.0%
Hispanic or Latino	6,229	11,046	77.3%	21.3%	27,351	39,069	42.8%	15.5%	1,315,175	1,681,800	27.9%	23.5%

Source: 2000 and 2010 U.S. Census SF-1:DP1

4. Educational Attainment

Novato residents show a lower educational attainment than the county as a whole, but a level comparable to Bay Area residents. As shown in Table 3-6, 43 percent of Novato adults have earned a bachelor's degree or higher. In comparison, 55 percent of the adult population in the county, and 42 percent in the Bay Area, have a bachelor's or higher level education.

TABLE 3-6 EDUCATIONAL ATTAINMENT FOR POPULATION 25+ YEARS OF AGE, 2010

Education Level	Novato		Marin County		Bay Area Region	
	Number	%	Number	%	Number	%
Less than 9th Grade	1,713	5%	7,563	4%	349,710	7%
9th to 12th Grade, No Diploma	1,567	4%	7,378	4%	298,001	6%
High School Graduate	6,270	17%	22,503	12%	863,341	18%
Some College, No Degree	8,530	23%	34,862	19%	961,459	20%
Associate Degree	2,588	7%	11,252	6%	355,610	7%
Bachelor's Degree	10,316	28%	58,656	32%	1,226,917	25%
Graduate or Professional Degree	5,468	15%	42,424	23%	809,094	17%

Source: U.S. Census, American Community Survey 2008-2010 3-Year Estimates, S1501.

C. Household Characteristics

1. Tenure

Over the last two decades, Novato has experienced a significant gain in homeownership. Between 1990 and 2000, the percentage of homeowners increased from 62 percent to 68 percent, then fell back a percentage point in the next decade. Novato's homeownership rate remains above countywide and regional levels. As of 2010, 63 percent of county households and 56 percent of Bay Area households own their home (see Table 3-2).

2. Household Income

Novato households are slightly more affluent than their counterparts in the Bay Area, but less affluent than countywide households. As shown in Table 3-7, Novato households earned a median income of \$77,554 in 2010, 2 percent more than the median income in the Bay Area and 16 percent less than the county median.

TABLE 3-7 HOUSEHOLD INCOME DISTRIBUTION, 2010

Household Income	Novato		Marin County		Bay Area	
	Number	%	Number	%	Number	%
Less than \$15,000	1,637	8.1%	7,236	7.0%	226,400	8.8%
\$15,000-\$24,999	1,496	7.4%	6,616	6.4%	189,366	7.4%
\$25,000-\$34,999	1,476	7.3%	6,926	6.7%	179,823	7.0%
\$35,000-\$49,999	2,082	10.3%	9,614	9.3%	269,371	10.5%
\$50,000-\$74,999	3,113	15.4%	14,472	14.0%	410,231	16.0%
\$75,000-\$99,999	2,385	11.8%	11,164	10.8%	324,004	12.6%
\$100,000-\$149,999	4,184	20.7%	19,951	19.3%	457,644	17.8%
\$150,000-\$199,999	1,819	9.0%	10,441	10.1%	235,795	9.2%
\$200,000 or more	2,021	10.0%	16,850	16.3%	277,044	10.8%
Total	20,213	100.0%	103,373	100.0%	2,569,869	100.0%
Median Annual Household Income	\$77,554		\$89,948		\$76,256	

Source: U.S. Census American Community Survey 2008-2010 3-Year Estimates, S1901.

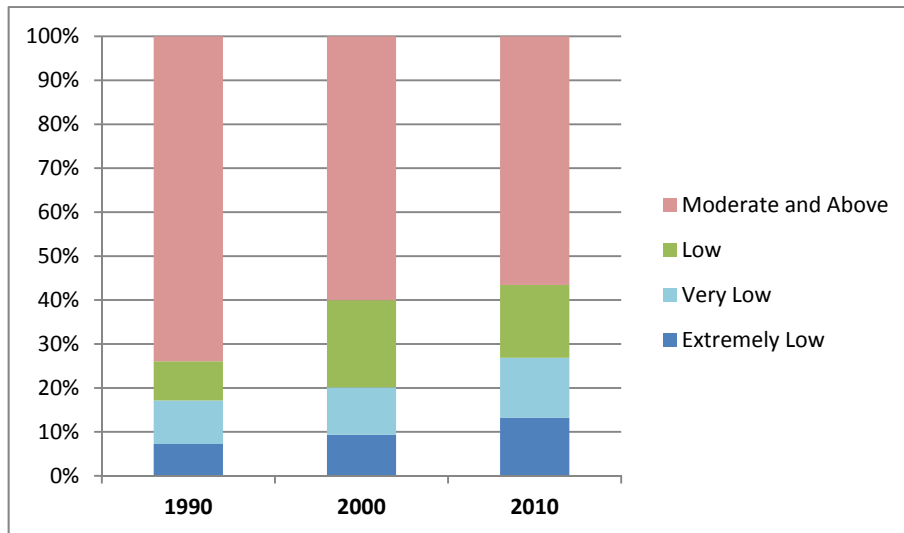
As shown in Table 3-8 and Figure 3-4, the number of lower-income households in Novato has increased over the past 20 years. Lower-income households comprised 26 percent of total households in 1990, 40 percent of households in 2000, and 43 percent of households in 2010. Between 2000 and 2010, the number of extremely low and very low income households increased 44 percent, while the number of low income households decreased 10 percent. The number of moderate and above moderate income households has been decreasing over time. In 1990, these households represented about 74 percent of all households. By 2010, moderate and above moderate income households comprised 57 percent of total households.

TABLE 3-8 HOUSEHOLD INCOME TRENDS, 1990-2010

Household Income	1990		2000		2010	
	Number	%	Number	%	Number	%
Extremely Low	1,330	7.2%	1,728	9.4%	2,640	13.3%
Very Low	1,821	9.9%	1,992	10.8%	2,710	13.6%
Low	1,634	8.9%	3,662	19.8%	3,290	16.5%
<i>Lower Income Subtotal</i>	<i>4,785</i>	<i>26.1%</i>	<i>7,382</i>	<i>40.0%</i>	<i>8,640</i>	<i>43.4%</i>
Moderate and Above	13,574	73.9%	11,087	60.0%	11,260	56.6%
Total	18,359	100.0%	18,469	100.0%	19,900	100.0%

Source: HUD, Comprehensive Housing Affordability Strategy data.

FIGURE 3-4 HOUSEHOLD INCOME TRENDS, 1990-2010



3. Household Types

Novato has slightly more families than the county and Bay Area. Novato's families comprised 66 percent of households, compared to 61 percent in the county and 65 percent in the Bay Area (see Table 3-9).

Among Novato households, 23 percent were married couples with children. Single-person households represent 26 percent of Novato's households and non-family households of two or more people represent 34 percent. As shown in Table 3-10, household types have been changing since 1990, with a shift toward a greater percentage of single person households and a smaller percentage of family households. Most of the change occurred between 1990 and 2000, however, and the trend appears to be slowing.

4. Household Size

The average household size in Novato was 2.53 in 2010, similar to the average household size in 2000 (2.52) and slightly less than 1990 (2.59). This decrease in household size is consistent with the finding that the number of households in Novato is increasing at a faster rate than the population. Novato's average household size is slightly larger than the county's average of 2.36, but smaller than the Bay Area average of 2.69.

TABLE 3-9 HOUSEHOLD CHARACTERISTICS, 2010

Household Type	Novato		Marin County		Bay Area	
	Number	% of Total	Number	% of Total	Number	% of Total
1-Person household	5,358	26%	31,746	31%	680,925	26%
Male householder	1,941	10%	11,939	12%	302,059	12%
Female householder	3,417	17%	19,807	19%	378,866	15%
2 or More Person Household	14,921	74%	71,464	69%	1,927,098	74%
<i>Family Households:</i>	13,484	66%	62,653	61%	1,685,972	65%
Married-couple family	10,393	51%	49,567	48%	1,264,782	49%
With own children under 18 years	4,632	23%	21,412	21%	610,289	24%
<i>Non-Family Households:</i>	6,795	34%	40,557	39%	922,051	35%
Male householder	2,712	13%	16,442	16%	437,159	17%
Female householder	4,083	20%	24,115	23%	484,892	19%
Total Households	20,279		103,210		2,608,023	
Average Household Size	2.53		2.36		2.69	

Source: 2010 U.S. Census, SF-1: QT-P11

TABLE 3-10 HOUSEHOLD CHARACTERISTICS, 1990-2010

Household Type	1990		2000		2010	
	Number	% of Total	Number	% of Total	Number	% of Total
1-Person household	3,884	21%	4,661	25%	5,358	26%
Male householder	1,459	8%	1,747	9%	1,941	10%
Female householder	2,425	13%	2,914	16%	3,417	17%
2 or More Person Household	14,352	79%	13,875	75%	14,921	74%
<i>Family Households:</i>	12,929	71%	12,419	67%	13,484	66%
Married-couple family	10,559	58%	9,770	53%	10,393	51%
With own children under 18 years	5,197	29%	4,435	24%	4,632	23%
<i>Non-Family Households:</i>	5,307	29%	6,105	33%	6,795	34%
Total Households	18,236		18,524		20,279	
Average Household Size	2.59		2.52		2.53	

Sources: 1990, 2000 and 2010 Census.

D. Housing Stock Characteristics

This section discusses Novato’s housing stock characteristics, sales prices, rental trends and housing affordability. A discussion of projections of Novato’s future housing market can be found in Chapter 4, Economics.

1. Housing Stock Characteristics

Novato’s housing stock has expanded rapidly over the last decade. The number of housing units in Novato grew by 11 percent from 2000 and 2010, faster than the rate of growth in the county and the Bay Area (see Table 3-12). Table 3-11 illustrates that Novato has a relatively new housing stock, with 94 percent of units built in 1950 or later. Sixty-four percent of homes were built after 1970.

Detached single-family units comprise the majority of Novato’s homes, representing 58 percent of the city’s housing stock. As a comparison, 61 percent of the county’s units and 53 percent of the Bay Area’s units are single-family homes (see Table 3-13).

TABLE 3-11 HOUSING STRUCTURES BY YEAR BUILT, NOVATO

Year Built	Number	Percentage
2005 or later	767	4%
2000 to 2004	1,410	7%
1990 to 1999	1,924	9%
1980 to 1989	2,913	14%
1970 to 1979	6,392	30%
1960 to 1969	3,372	16%
1950 to 1959	3,256	15%
1940 to 1949	579	3%
1939 or earlier	603	3%
Total	21,216	100%

Source: American Community Survey 2008-2010 3-Year Estimates

TABLE 3-12 HOUSING UNITS, 2000-2010

	2000	2010	% Change 2000-2010
Novato	18,994	21,158	11%
Marin County	104,990	111,214	6%
Bay Area	2,552,402	2,785,948	9%

Sources: 2000 and 2010 U.S. Census

TABLE 3-13 HOUSING UNITS BY TYPE, 2010

	Number	% of Total
Novato		
Single-Family Detached	12,365	58%
Single-Family Attached	3,707	17%
Multi-Family 2-4 Units	1,379	6%
Multi-Family 5+ Units	3,155	15%
Mobile Home	610	3%
Total	21,216	100%
Marin County		
Single-Family Detached	67,641	61%
Single-Family Attached	11,749	11%
Multi-Family 2-4 Units	7,606	7%
Multi-Family 5+ Units	22,173	20%
Mobile Home	1,817	2%
Total	110,986	6%
Bay Area		
Single-Family Detached	1,481,510	53%
Single-Family Attached	256,327	9%
Multi-Family 2-4 Units	282,321	6%
Multi-Family 5+ Units	699,019	25%
Mobile Home	58,881	2%
Total	2,778,733	100%

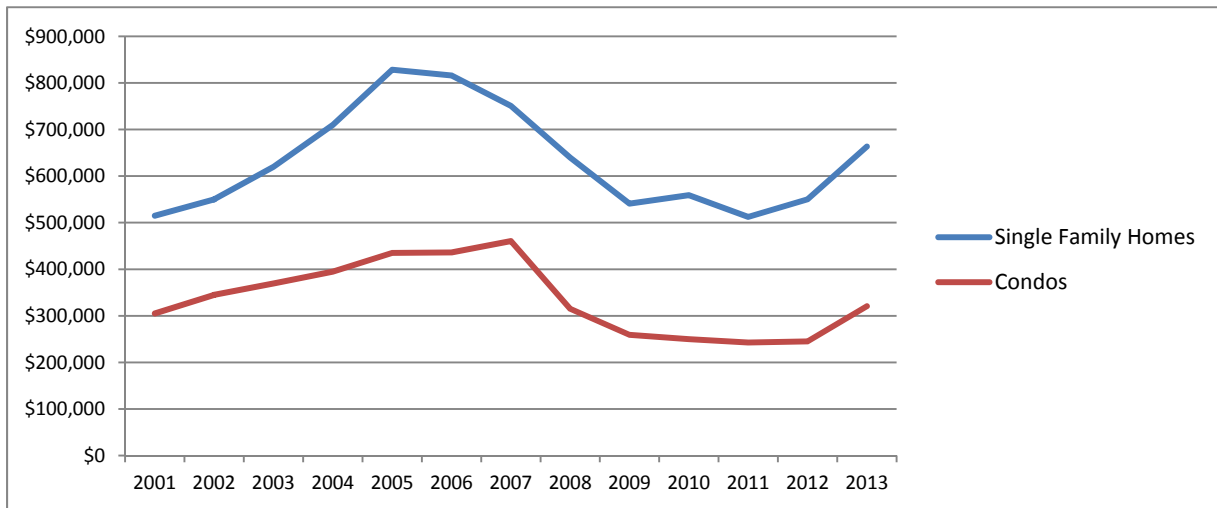
Source: U.S. Census American Community Survey 2008-2010 3-Year Estimates

• **Home Value**

Home values rose significantly in Novato during the first half of the decade, leading to peak prices for single-family homes in 2005 and for condominiums in 2007, before bottoming out between 2009 and 2011. By the end of 2013, single family home and condominium sale prices rose dramatically, increasing 21 percent and 31 percent year-over-year, respectively. Nonetheless, single family home prices were still about 19 percent below their peak and condominiums were 30 percent below their peak.

As shown in Figure 3-5, the median sales price for single-family homes in Novato rose from \$515,000 in 2001 to a peak of \$828,375 in 2005, according to the Marin County Assessor. The median sales price bottomed in 2011 at \$512,500 and then rebounded to \$663,500 in 2013. Condominium median sales prices rose from \$305,000 in 2001 to a peak of \$460,500 in 2007, and then settled at about \$250,000 for a four-year period. By 2013, the median price has increased to \$320,500.

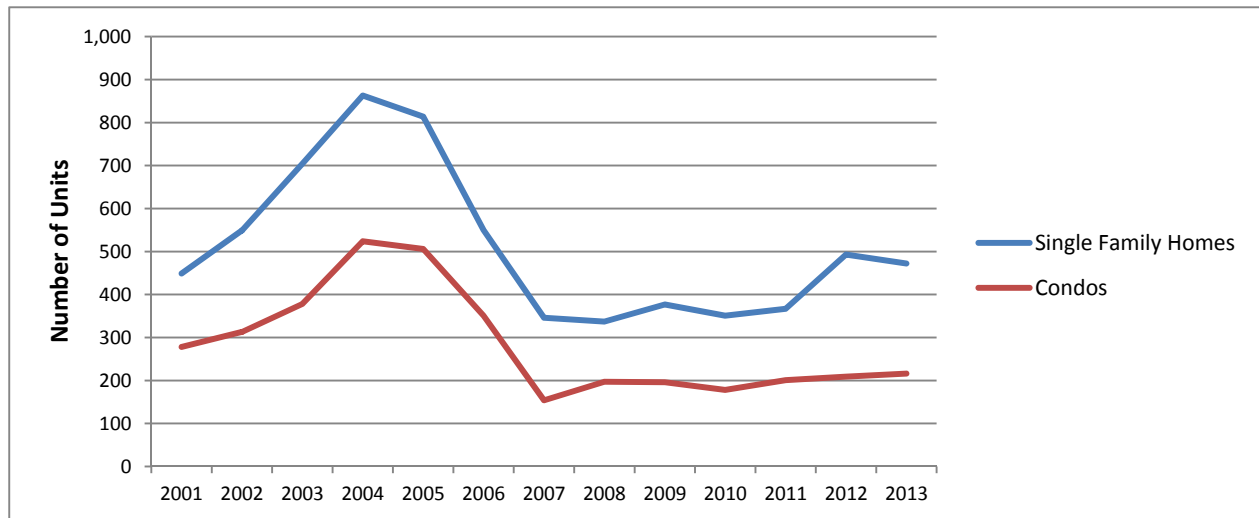
FIGURE 3-5 ANNUAL MEDIAN SALES PRICE FOR SINGLE-FAMILY HOMES AND CONDOS, NOVATO, 2001-2013



Source: Marin County Assessor.

Sales volume generally corresponds with the rise and fall of sale prices. In 2004, the annual number of sales of both single-family homes and condominiums was at a 10-year high, with 1,387 properties sold. Since that peak to 2013, Novato has seen a 45 percent drop in the number of single-family homes sold and a 59 percent drop in the number of condominiums sold (see Figure 3-6). As of the end of 2007, home sales in Novato were at their lowest point over the decade, with a total of only 500 homes sold (346 single-family homes and 154 condominiums). Single family sales volume picked up in 2012, while condominium sales volume remained flat. However, sales volume has not increased since 2013, suggesting that the recent rise in prices may be the result of a relatively limited supply of residential properties on the market.

FIGURE 3-6 SALES VOLUME FOR SINGLE-FAMILY HOMES AND CONDOS, NOVATO, 2001-2013



Source: Marin County Assessor

3. Rental Trends

The RealFacts database of rental properties with 50 or more units identifies 14 multi-family rental communities in Novato, with a total of 1,510 units. Although this dataset does not include smaller, multi-family complexes or single-family homes, it is the most readily available data on the local rental market and provides a basic overview of current conditions. Table 3-14 shows a current average rent of \$1,734 in Novato, or \$1.96/square foot. As a comparison, San Rafael and Marin County as a whole have average rents of \$2,075 and \$2,120, respectively.

TABLE 3-14 OVERVIEW OF RENTAL HOUSING MARKET, NOVATO, 4Q 2013

	Number	% of Mix	Avg. Sq. Ft.	\$ Avg. Rent	Avg. Rent/\$ Sq. Ft.
Studio	10	1%	529	\$1,150	\$2.17
1 BR/1 BA	409	27%	706	\$1,538	\$2.18
2 BR/1 BA	316	21%	868	\$1,532	\$1.76
2BR/1.5 BA	123	8%	896	\$1,624	\$1.81
2 BR/2 BA	406	27%	983	\$1,938	\$1.97
2 BR TH	172	11%	1,167	\$2,099	\$1.80
3 BR/2 BA	34	2%	1,139	\$2,023	\$1.78
3 BR/3 BA	2	<1%	1,900	\$3,559	\$1.87
3 BR Townhouse	38	3%	1,173	\$1,867	\$1.59
Totals	1,510	100%	904	\$1,734	\$1.92

Source: RealFacts.

Between 2005 and 2013 rental rates rose an average of 4 percent annually, and increased 6 percent over the past year (Table 3-15). Novato’s 97.3 percent occupancy rate (Table 3-16) is an indicator of a relatively constrained rental market, with demand slightly outpacing supply. Real estate economists generally consider a 95 percent occupancy rate as a sign of a “balanced” market that allows adequate rents for landlords and mobility for tenants.

TABLE 3-15 AVERAGE RENT HISTORY, NOVATO, 2005-2013

Unit Type	2005	2006	2007	2008	2009	2010	2011	2012	2013	Average Annual % Increase
Studio	\$908	\$925	\$925	\$945	\$941	\$933	\$933	\$1,000	\$1,075	2.1%
1 BR/1 BA	\$1,077	\$1,081	\$1,143	\$1,200	\$1,194	\$1,270	\$1,327	\$1,386	\$1,490	4.1%
2 BD/1 BA	\$1,220	\$1,184	\$1,297	\$1,353	\$1,335	\$1,362	\$1,395	\$1,456	\$1,505	2.7%
2BD/2 BA	\$1,324	\$1,336	\$1,425	\$1,510	\$1,521	\$1,606	\$1,723	\$1,826	\$1,921	4.8%
2 BD TH	\$1,341	\$1,361	\$1,434	\$1,502	\$1,465	\$1,462	\$1,548	\$1,596	\$1,886	4.4%
3 BR/2 BA	\$1,680	\$1,613	\$1,605	\$1,702	\$1,738	\$1,800	\$1,868	\$1,891	\$1,972	2.0%
All Units	\$1,228	\$1,240	\$1,318	\$1,381	\$1,379	\$1,434	\$1,518	\$1,589	\$1,685	4.0%
Year over Year Increase		1.0%	6.3%	4.8%	-0.1%	4.0%	5.9%	4.7%	6.0%	

Source: RealFacts

TABLE 3-16 RESIDENTIAL OCCUPANCY RATE, NOVATO, 2004-2013

Year	Average Occupancy
2004	93.5%
2005	95.9%
2006	95.9%
2007	97.7%
2008	97.8%
2009	96.9%
2010	96.6%
2011	96.1%
2012	97.1%
2013	97.3%

Source: RealFacts

4. Housing Affordability

Table 3-17 shows affordability scenarios for four-person very low-, low- and moderate-income households in Novato.³ The analysis compares the maximum affordable sales price for each of these households to market-rate prices as of July 2013. The affordable sales prices were calculated using household income limits published by the California State Department of Housing and Community Development (HCD) and conventional financing terms. It was assumed that households spend 30 percent of gross income on housing costs.

As shown in Table 3-17, very low-income households could afford 4 percent of single-family homes listed for sale in Novato on July 30, 2013, and low-income households 9 percent. Moderate-income households could afford 25 percent of single-family homes. It is important to note that 7 of the 141 single family homes were manufactured or mobile homes.

Condominiums were much more affordable. Very low-income and low-income households could afford 21 percent and 68 percent of condominiums, respectively, while moderate-income households could afford 100 percent of condominiums on the market.

This analysis indicates that very low and low income households will likely encounter difficulty in purchasing an affordable single-family home in Novato. These families will have to direct a larger share of income towards principal, interest, taxes, and insurance, or assemble a larger down payment to reduce mortgage costs. Very low households will also likely have trouble finding an affordable rental in Novato.

It is also important to note that this analysis assumes a 20 percent down payment, a conservative assumption reflecting today's tighter underwriting standards. Many households cannot provide this level of equity, and would therefore have even greater difficulty buying a home in the area.

For rental housing, the analysis suggests that very low-income households would encounter difficulty finding an affordable home in Novato. These households can afford a monthly rent of \$1,414, compared to an average market rate rent of \$1,505 for a two-bedroom, one-bathroom apartment that would accommodate a four-person family (Table 3-17). Low- and moderate-income households can afford monthly rents that exceed average market rate rents. As such, these households would have less difficulty finding an affordable rental unit in Novato.

³ The California Department of Housing and Community Development (HCD) sets the following definitions: Very Low-Income: Up to 50 percent of Area Median Income (AMI) as established by HCD; Low-Income: Up to 80 percent of AMI; Moderate-Income: Up to 120 percent of AMI.

TABLE 3-17 AFFORDABILITY OF MARKET RATE HOUSING, NOVATO^a

<u>Income Level</u>	<u>For-Sale</u>			<u>Rental</u>	
	<u>Maximum Affordable Sale Price^b</u>	<u>Percent of SFRs on Market w/in Price Range^c</u>	<u>Percent of Condos on Market w/in Price Range^c</u>	<u>Maximum Affordable Monthly Rent^d</u>	<u>Average 2BR/1BA Market Rent^e</u>
Very Low-Income (Up to 50% AMI)	\$265,000	4%	21%	\$1,414	\$1,505
Low-Income (Up to 80% AMI)	\$425,000	9%	68%	\$2,263	\$1,505
Moderate-Income (Up to 120% AMI)	\$580,000	25%	100%	\$3,090	\$1,505

	<u>Single-Family Residence^f</u>	<u>Condominiums^f</u>
Median Sale Price	\$663,500	\$320,500

^a Affordable sale price and rent based on a four-person household income, as defined by CA HCD for Marin County.

^b Assumptions used to calculate affordable sale price.

Annual Interest Rate (Fixed):	4.5%	Wells Fargo rate on 7/30/13
Term of mortgage (Years):	30	
Percent of sale price as down payment:	20%	
Initial property tax (annual):	1.10%	
Homeowner's insurance (annual):	0.43%	
Mortgage insurance as percent of loan amount:	0.00%	
Percent of household income available for Principal, Interest, Tax & Insurance (PITI):	30%	

^c Based on sales of units in Novato in 2013. Single family homes include manufactured/mobile homes.

^d Assumes 30 percent of household income spent on rent and utilities.

^e For two-bedroom, one-bath units in Novato, per RealFacts. Based on average rent for 2013.

^f Based on sales of units in Novato in 2013.

Sources: Realtor.com, accessed 7/30/13; Wells Fargo, accessed 7/30/13; RealFacts, 2014; CA HCD, 2014; Marin County Assessor, 2014