

February 15, 2005

Santa Monica, California

## **INFORMATION ITEM**

TO: Mayor and City Council

FROM: City Staff

SUBJECT: Annual Report to the City Council Concerning the City's Affordable Housing Production Program (S.M.M.C. Sec 9.56)

### **INTRODUCTION**

This Annual Report transmits information concerning the implementation of the City's Affordable Housing Production Program, Santa Monica Municipal Code Section 9.56 et seq., and the production of affordable housing in the City during Fiscal Year 2003-2004.

### **BACKGROUND**

On November 6, 1990, the voters of the City of Santa Monica approved Proposition R, adding Section 630 to the City Charter. Proposition R specifies that not less than 30 percent of all newly constructed multifamily residential housing in the City on an annual basis should be permanently affordable to and occupied by low and moderate income households. Proposition R further requires that at least one-half of the affordable units be made available to low income households, and the remainder be affordable to moderate income households. The charter amendment defines low income as not exceeding 60 percent of area median income, and moderate income as not exceeding 100 percent of area median income. Housing is considered newly constructed when it is completed (a final sign-off on the building permit is obtained). Proposition R requires that the City

Council adopt an ordinance implementing the Proposition's requirements but does not mandate a specific approach to meeting the requirements of Proposition R.

In March 1992, the City Council adopted Ordinance 1615, the first permanent ordinance implementing Proposition R. Under Ordinance 1615, in most instances, developers of new multifamily housing were required to construct affordable units on site. On July 21, 1998, the City Council replaced Ordinance 1615 with the Affordable Housing Production Program (Ordinance 1918), codified as Chapter 9.56 of the Municipal Code. Chapter 9.56 allows developers of new multifamily housing to satisfy the affordable housing obligation through payment of a fee or through a variety of other options, including constructing affordable units on or off site, or dedicating land for affordable housing. Chapter 9.56 was effective on August 20, 1998, and is applicable to all multifamily developments with planning applications deemed complete as of March 1, 1998. Section 9.56.150 requires the Housing and Redevelopment Division to prepare an annual report which, in part, assesses whether the provisions of Proposition R have been met and whether changes to the Affordable Housing Production Program are necessary to ensure that Proposition R's provisions will be met in the future.

In conjunction with Chapter 9.56, the City Council establishes the affordable housing fees for new market rate apartment and condominium development by resolution. These fees are currently \$6.14 per square foot for apartments and \$11.01 for condominiums. Section 9.56.070(b) provides that "the affordable housing unit base fee may be established at least every two years by resolution of the City Council." The \$6.14 fee for apartment

developments has not been increased since its inception, and the current fee for condominium developments of \$11.01 was increased from \$7.13 on March 22, 2000.

Accordingly, staff provides information annually concerning the implementation of Chapter 9.56, the manner in which its affordable housing provisions have been met during Fiscal Year 2003-2004, as well as an assessment of the City's compliance with Article VI, Section 630 of the City Charter (Proposition R) during this same period. This discussion includes the following:

- Affordable Housing Fees;
- Housing developments and units that received Planning Approvals;
- Housing developments and units that were completed;
- Housing developments and units that received Building Permits.

The information is provided by fiscal year so that it coincides with the reporting period used for the City's budget and housing programs.

## DISCUSSION

### Affordable Housing Fees

Affordable housing fees must be paid in full prior to final City approval of a development permit. A total of \$324,688.13 in affordable housing fees associated with seven developments was paid to the City during FY03/04. Construction of two of the developments had not been completed by the end of this reporting period. The affordable housing fees are used to fund new affordable housing units.

### Planning Approvals

Exhibit 1 indicates that twenty-six multifamily developments containing 376 units were approved during FY03/04; 109 of these units (29%) will be affordable to very low income and low income households, and the balance (267) are market-rate units. None of the 376 units are targeted to moderate income households.

Developers of sixteen of the twenty-six developments (62%) opted to pay the Affordable Housing Fee rather than provide affordable units on-site. Seven developers will satisfy their affordable housing obligation by providing the affordable units on-site and three others will satisfy their affordable housing obligation by providing the affordable units off-site. Three of the seven developments with affordable units on-site are City-subsidized affordable housing developments with a total of ninety affordable units (of 109 total affordable units receiving Planning approval).

### Completed Developments

Exhibit 2 of this report indicates that thirteen developments totaling 235 units were completed during FY03/04. Forty of these units (17% of total units) are affordable. Fifteen affordable off-site units represent obligations of three market-rate developments completed during FY03/04. They are not included in Exhibit 2 as completed. Construction of these fifteen off-site units was not completed at close of the reporting period, but was completed in November 2004. Therefore, these fifteen off-site units are included in Exhibit 3, a list of developments in construction on June 30, 2004.

### Developments In Construction

To provide a more comprehensive assessment of housing development, Exhibit 3 of this report indicates multifamily developments that were in construction at the end of the FY03/04 reporting period. Twenty-seven new multifamily developments containing 494 units have been issued building permits. They may be completed by the next reporting period (FY04/05). Thirty-two units (6%) overall will be affordable to very low, low, and moderate income households, less than the 30 percent required by Proposition R.

### Perspective

The aggregate percentage of affordable units completed since the inception of Proposition R is thirty-seven percent (37%). The following table illustrates the cumulative achievements of Proposition R (no multifamily developments were completed during FY95/96):

<b>Previous Reporting Years Proposition R Achievements</b>			
<b>Reporting Period</b>	<b>Total Units</b>	<b>Affordable Units</b>	<b>% Affordable</b>
FY94/95	11	2	18%
FY96/97	108	86	80%
FY97/98	111	68	61%
FY98/99	172	146	85%
FY99/00	177	123	69%
FY00/01	267	64	24%
FY01/02	702	211	30%
FY02/03	212	1	0.5%
FY03/04	235	40	17%
<b>TOTAL:</b>	<b>1,995</b>	<b>741</b>	<b>37%</b>

## SUMMARY

Seventeen percent (17%) of the multifamily units completed during FY 03/04 were affordable to low and moderate income households. Of developments in the 'pipeline' (multifamily housing developments that have received building permits), only 6 percent of the units will be affordable to low and moderate income households. The Proposition R standard of 30 percent is not being met. Section 9.56.150 states, "In the event the provisions of Proposition R have not been met, the City Council shall take such action as is necessary to ensure that the provisions will be met in the future." Proposed modifications to the Affordable Housing Production Program are being developed by staff and are scheduled for the City Council consideration in April, following input from the Housing Commission and Planning Commission review during February and March, respectively.

Prepared by: Jeff Mathieu, Director of Resource Management  
Ron Barefield, Acting Housing & Redevelopment Manager  
Jim Kemper, Acting Housing Administrator

Attachments: Exhibit 1 - Multifamily Developments with Planning Approvals  
During FY 03/04  
Exhibit 2 - Multifamily Developments Completed During FY 03/04  
Exhibit 3 - Multifamily Projects In Construction

**Exhibit 1**

**Multifamily Developments w/Planning Approvals During FY03-04**

Address	Condos?	Total Units	In-Lieu Fee Option?	In-Lieu Fee Amount*	VERY LOW INCOME UNITS			LOW INCOME UNITS			MOD. INCOME UNITS			Mkt-Rate Units	Planning Approval Date
					On-Site	Off-Site	Non-Profit On-Site	On-Site	Off-Site	Non-Profit On-Site	On-Site	Off-Site	Non-Profit On-Site		
1032 03rd St.	<input checked="" type="checkbox"/>	5	<input checked="" type="checkbox"/>	\$94,730									5	07/09/2003	
1306 Princeton St.	<input type="checkbox"/>	2	<input checked="" type="checkbox"/>	\$30,976									2	07/09/2003	
1751 Appian Way	<input type="checkbox"/>	14	<input type="checkbox"/>				3						11	08/06/2003	
2632 Santa Monica	<input type="checkbox"/>	2	<input checked="" type="checkbox"/>	\$3,868									2	08/19/2003	
1906 Broadway	<input checked="" type="checkbox"/>	32	<input type="checkbox"/>		3								29	08/20/2003	
1349 26th St.	<input type="checkbox"/>	44	<input type="checkbox"/>				36						0	09/11/2003	
914 05th St.	<input checked="" type="checkbox"/>	4	<input checked="" type="checkbox"/>	\$85,305									4	09/17/2003	
2015 Idaho Ave.	<input checked="" type="checkbox"/>	6	<input checked="" type="checkbox"/>	\$123,378									6	09/17/2003	
1528 Princeton St.	<input checked="" type="checkbox"/>	8	<input checked="" type="checkbox"/>	\$130,777									8	09/17/2003	
1424 Broadway/15	<input type="checkbox"/>	41	<input type="checkbox"/>				34						0	10/08/2003	
1420 05th St.	<input type="checkbox"/>	50	<input type="checkbox"/>		4								46	10/29/2003	
2019 Delaware Ave	<input type="checkbox"/>	3	<input checked="" type="checkbox"/>	\$12,711									3	11/19/2003	
219 California Ave	<input checked="" type="checkbox"/>	3	<input checked="" type="checkbox"/>	\$40,214									3	11/19/2003	
2520 Virginia Ave.	<input type="checkbox"/>	2	<input checked="" type="checkbox"/>	\$15,583									2	11/21/2003	
1311 Centinela Ave	<input checked="" type="checkbox"/>	8	<input checked="" type="checkbox"/>	\$137,810									8	11/25/2003	
2702 Arizona Ave.	<input checked="" type="checkbox"/>	3	<input checked="" type="checkbox"/>	\$60,874									3	12/17/2003	
839 09th St.	<input checked="" type="checkbox"/>	5	<input checked="" type="checkbox"/>	\$86,263									5	01/21/2004	
507 Wilshire Blvd.	<input type="checkbox"/>	50	<input type="checkbox"/>		4								46	01/21/2004	
1537 16th St.	<input checked="" type="checkbox"/>	5	<input checked="" type="checkbox"/>	\$85,471									5	01/21/2004	
2121 Oak St.	<input type="checkbox"/>	2	<input type="checkbox"/>				1						1	01/22/2004	
521 Marine St.	<input type="checkbox"/>	4	<input checked="" type="checkbox"/>	\$46,179									4	01/30/2004	
1442 05th St.	<input type="checkbox"/>	50	<input type="checkbox"/>		4								46	02/22/2004	
2018 19th St.	<input checked="" type="checkbox"/>	5	<input type="checkbox"/>				5						0	03/24/2004	
1120 21st St.	<input checked="" type="checkbox"/>	5	<input checked="" type="checkbox"/>	\$88,719									5	04/14/2004	

**Exhibit 1 (continued)**

**Multifamily Developments w/Planning Approvals During FY03-04**

Address	Condos?	Total Units	In-Lieu Fee Option?	In-Lieu Fee Amount*	VERY LOW INCOME UNITS			LOW INCOME UNITS			MOD. INCOME UNITS			Mkt-Rate Units	Planning Approval Date
					On-Site	Off-Site	NonProfit On-Site	On-Site	Off-Site	NonProfit On-Site	On-Site	Off-Site	NonProfit On-Site		
947 04th St.	<input checked="" type="checkbox"/>	5	<input checked="" type="checkbox"/>		15	0	75	4	0	15	0	0	5	04/14/2004	
1754 14th St.	<input type="checkbox"/>	18	<input checked="" type="checkbox"/>	\$17,269									18	05/27/2004	
<b>TOTALS:</b>					15	0	75	4	0	15	0	0	267		

  

<b># of Developments:</b>	26
<b>Total Units :</b>	376
<b>Total Affordable Units :</b>	109
<b>% Affordable Units :</b>	29%

  

<b>V.Low</b>	<b>Low</b>	<b>Mod.</b>
90	19	0
23.9%	5.1%	0.0%

\* The In Lieu Fee Amount indicated reflects the fee that will be due by the developer prior to the City issuing a Certificate of Occupancy for the project, but which is currently not due and therefore not yet collected.

## Exhibit 2

### Multifamily Developments Completed During FY2003-04

[July 2003 - June 2004]

Address	Condos?	Total Units	In-Lieu Fee Option?	In-Lieu Fee Amount	VERY LOW INCOME UNITS			LOW INCOME UNITS			MOD. INCOME UNITS			Mkt-Rate Units	Completed Date
					On-Site	Off-Site	NonProfit On-Site	On-Site	Off-Site	NonProfit On-Site	On-Site	Off-Site	NonProfit On-Site		
938 Lincoln Blvd.	<input checked="" type="checkbox"/>	9	<input checked="" type="checkbox"/>	\$116,112										9	07/01/2003
1531 06th St.	<input type="checkbox"/>	48	<input type="checkbox"/>			[see footnote]								48	07/03/2003
931 10th St.	<input checked="" type="checkbox"/>	4	<input checked="" type="checkbox"/>	\$46,316										4	08/21/2003
1927 Cloverfield Blvd.	<input type="checkbox"/>	5	<input checked="" type="checkbox"/>	\$22,509										5	10/02/2003
1525 Euclid St. <small>[City Loan]</small>	<input type="checkbox"/>	13	<input type="checkbox"/>				13							0	10/09/2003
1540 06th St.	<input type="checkbox"/>	48	<input type="checkbox"/>			[see footnote]								48	11/13/2003
1537 07th St.	<input type="checkbox"/>	26	<input type="checkbox"/>			15				11				0	11/13/2003
1513 Berkeley St.	<input checked="" type="checkbox"/>	10	<input checked="" type="checkbox"/>	\$124,533										10	11/17/2003
1315 26th St.	<input type="checkbox"/>	10	<input type="checkbox"/>			1								9	11/18/2003
1528 06th St.	<input type="checkbox"/>	48	<input type="checkbox"/>			[see footnote]								48	12/23/2003
1027 Pearl St.	<input type="checkbox"/>	3	<input checked="" type="checkbox"/>	\$28,891										3	04/22/2004
838 19th St.	<input checked="" type="checkbox"/>	5	<input checked="" type="checkbox"/>	\$53,532										5	04/27/2004
1544 Euclid St.	<input type="checkbox"/>	6	<input checked="" type="checkbox"/>	\$50,041										6	06/30/2004
<b>TOTALS:</b>		<b>235</b>		<b>\$441,734</b>	<b>16</b>	<b>0</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>195</b>	

**# of Developments:**

**Total Units:**

**Total Affordable Units:**  **V. Low**  **Low**  **Mod.**

**% Affordable Units:**  **12.3%** **0.0%** **4.7%**

Please note that the 1531 6th Street, 1540 6th Street, and 1528 6th Street developments will meet their respective affordable housing obligations by each constructing five very low income units [for a total of 15 units] 'offsite' at 1522 6th Street. That 1522 6th Street development was not completed during the FY03-04 reporting period, so it is not included in the totals listed in this report.

**Exhibit 3**

**Multifamily Developments In Construction**

(as of June 30, 2004)

Address	Condos?	Total Units	In-Lieu Fee Option?	In-Lieu Fee Amount*	VERY LOW INCOME UNITS			LOW INCOME UNITS			MOD. INCOME UNITS			Mkt-Rate Units	Building Permit Issued
					On-Site	Off-Site	NonProfit On-Site	On-Site	Off-Site	NonProfit On-Site	On-Site	Off-Site	NonProfit On-Site		
1254 24th St.	<input checked="" type="checkbox"/>	4	<input checked="" type="checkbox"/>	\$42,174									4	08/18/2000	
1513 09th St.	<input checked="" type="checkbox"/>	6	<input checked="" type="checkbox"/>	\$36,785									6	03/02/2001	
2216 Main St.	<input type="checkbox"/>	2	<input checked="" type="checkbox"/>	\$13,775									2	03/19/2001	
915 12th St.	<input checked="" type="checkbox"/>	5	<input checked="" type="checkbox"/>	\$57,618									5	06/12/2002	
837 18th St.	<input checked="" type="checkbox"/>	5	<input checked="" type="checkbox"/>	\$86,814									5	06/13/2002	
235 Ocean Park Blvd.	<input checked="" type="checkbox"/>	3	<input checked="" type="checkbox"/>	\$64,936									3	06/19/2002	
639 Pacific St.	<input checked="" type="checkbox"/>	3	<input checked="" type="checkbox"/>	\$43,058									3	08/07/2002	
2623 Main St.	<input type="checkbox"/>	4	<input checked="" type="checkbox"/>	\$10,364									4	10/15/2002	
1522 06th St.	<input type="checkbox"/>	26	<input type="checkbox"/>		15						11		0	02/19/2003	
1212 Euclid St.	<input type="checkbox"/>	13	<input checked="" type="checkbox"/>	\$70,831									13	04/23/2003	
713 Ashland Ave.	<input type="checkbox"/>	2	<input checked="" type="checkbox"/>	\$15,049									2	08/16/2003	
1514 Maple St.	<input type="checkbox"/>	2	<input checked="" type="checkbox"/>	\$12,329									2	08/19/2003	
1719 Ocean Front Walk	<input checked="" type="checkbox"/>	5	<input checked="" type="checkbox"/>	\$70,758									5	09/29/2003	
1448 05th St.	<input type="checkbox"/>	56	<input checked="" type="checkbox"/>	\$149,905									56	10/07/2003	
1410 05th St.	<input type="checkbox"/>	57	<input checked="" type="checkbox"/>	\$146,694									57	11/24/2003	
1411 07th St.	<input type="checkbox"/>	59	<input checked="" type="checkbox"/>	\$130,204									59	12/01/2003	
944 05th St.	<input checked="" type="checkbox"/>	5	<input checked="" type="checkbox"/>	\$85,757									5	12/18/2003	
525 Marine St.	<input type="checkbox"/>	4	<input checked="" type="checkbox"/>	\$46,148									4	02/13/2004	
212 Marine St.	<input checked="" type="checkbox"/>	21	<input checked="" type="checkbox"/>	\$186,702							2		19	02/19/2004	
2012 Main St.	<input type="checkbox"/>	107	<input checked="" type="checkbox"/>	\$379,133									107	02/23/2004	
2021 Main St.	<input type="checkbox"/>	26	<input checked="" type="checkbox"/>	\$86,132									26	02/23/2004	

**Exhibit 3 (continued)**

**Multifamily Developments In Construction**

(as of June 30, 2004)

Address	Condos?	Total Units	In-Lieu Fee Option?	In-Lieu Fee Amount*	VERY LOW INCOME UNITS			LOW INCOME UNITS			MOD. INCOME UNITS			Mkt-Rate Units	Building Permit Issued
					On-Site	Off-Site	NonProfit On-Site	On-Site	Off-Site	NonProfit On-Site	On-Site	Off-Site	NonProfit On-Site		
834 16th St	<input checked="" type="checkbox"/>	10	<input checked="" type="checkbox"/>	\$154,085									10	02/27/2004	
1520 16th St.	<input checked="" type="checkbox"/>	5	<input checked="" type="checkbox"/>	\$86,500									5	03/16/2004	
923 20th St.	<input checked="" type="checkbox"/>	5	<input checked="" type="checkbox"/>	\$82,344									5	04/19/2004	
1027 10th St.	<input checked="" type="checkbox"/>	5	<input checked="" type="checkbox"/>	\$81,595									5	04/23/2004	
1455 Berkeley St.	<input checked="" type="checkbox"/>	4	<input checked="" type="checkbox"/>	\$70,233									4	05/11/2004	
606 Broadway	<input type="checkbox"/>	50	<input type="checkbox"/>		4								46	06/04/2004	
<b>TOTALS:</b>		<b>494</b>		<b>\$2,209,922</b>	<b>19</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13</b>	<b>0</b>	<b>462</b>	

<b># of Developments:</b>	<b>27</b>
<b>Total Units:</b>	<b>494</b>
<b>Total Affordable Units:</b>	<b>32</b>
<b>% Affordable Units:</b>	<b>6%</b>
<b>V. Low</b>	<b>19</b>
<b>Low</b>	<b>0</b>
<b>Mod.</b>	<b>13</b>
<b>% V. Low</b>	<b>3.8%</b>
<b>% Low</b>	<b>0.0%</b>
<b>% Mod.</b>	<b>2.6%</b>

Please note that the 1531 6th Street, 1540 6th Street, and 1528 6th Street developments will meet their respective affordable housing obligations by each constructing five very low income units [for a total of 15 units] 'offsite' at 1522 6th Street [also included in this report]. Therefore, credit for these 15 very low income units is shown with the 1522 6th Street development.

\* The In Lieu Fee Amount indicated reflects the fee that will be due by the developer prior to the City issuing a Certificate of Occupancy for the development, but which is currently not due and therefore not yet collected.