



Information Item

July 14, 2011

TO: Mayor and City Council

FROM: Andy Agle, Director of Housing and Economic Development

SUBJECT: FY 09/10 Annual Report Concerning the Affordable Housing Production Program

Introduction

This Annual Report transmits information concerning the implementation of the City's Affordable Housing Production Program (AHPP) for the reporting period beginning on July 1, 2009 and ending June 30, 2010 (FY 09/10), as required by Santa Monica Municipal Code Section 9.56.150.

This report shows that, due to fluctuations in multifamily development schedules, Santa Monica did not meet the Proposition R requirement that 30 percent of all multifamily housing completed in FY 09/10 be affordable. However, when considering all residences in the development pipeline (including those completed, in construction and with planning approvals), 33 percent of the residences are affordable.

Background

Proposition R was adopted by the voters of the City of Santa Monica on November 6, 1990, added as Section 6.30 to the City Charter and implemented as the AHPP under Section 9.56 of the Municipal Code. This charter amendment specifies that, on an annual basis, not less than 30 percent of all newly constructed multifamily residential housing in the City be affordable to, and occupied by, low- and moderate-income households. Proposition R further requires that at least one-half of the newly constructed affordable residences be made available to low-income households and the remainder be affordable to moderate-income households. Low-income is defined as "at or below 60 percent of area median income" and moderate income is defined as "at or below 100 percent of area median income."

The AHPP implements Proposition R and provides various options for developers to satisfy the affordable housing obligation associated with multifamily housing development. Those options are:

- Include affordable residences onsite in the new development whereby 10 percent of the residences are affordable to very low income households, or 20 percent of the residences are affordable to low income households, or, in non-residential zones, 100 percent of the residences are affordable to moderate income households.
- Construct affordable residences offsite in another development, subject to the same minimum percentages of affordable residences detailed above, except that proposed condominium projects in residential zones, if choosing the offsite affordable option, must provide 25 percent more affordable residences than otherwise required if constructed onsite.
- Pay an affordable housing fee that is used by the City to subsidize affordable housing produced by nonprofit housing developers. This option is not allowed for condominium developments of four or more residences located in residential zones. Current fees are \$26.79 for apartment projects and \$31.28 for condominium projects. These fees were increased 2.1% by the City Council at its June 14, 2011 meeting and the new fees will become effective August 15, 2011.
- Dedicate or sell land to the City or nonprofit housing provider to be used for affordable housing.

Discussion

This report discusses the implementation of the City's AHPP for the FY2009/10 reporting period.

Completed Developments

Attachment 1 of this report indicates that 15 developments totaling 189 residences were completed during FY 09/10. One of these developments resulted in 20 residences of onsite affordable senior housing that represent 11 percent of the total multifamily residences completed. All of the residences in this senior housing development are affordable and the City provided \$5.7 million in housing trust funds that leveraged an equivalent amount in additional funding. Another two of the 15 developments elected to construct 13 offsite very low income affordable residences, one of the AHPP options

described above. At the time of project approval, the AHPP allowed these market-rate projects to be completed and occupied prior to the completion of their corresponding offsite residences. Had the 13 residences been completed during FY 09/10, at the same time as the developer's market-rate project, they would have represented an additional 7 percent of affordable residences for the FY 09/10 period. Finally, a total of \$1,226,919 in affordable housing fees was collected from the remaining 12 developments that chose to pay the affordable housing fee rather than provide affordable residences onsite or offsite. Affordable housing fees must be paid by developers prior to final completion of a project and are deposited into the Citywide Housing Trust Fund. These funds are used to subsidize the production of newly constructed affordable housing by nonprofit developers.

In the event that the provisions of Proposition R have not been met, the AHPP states that City Council shall take such action as is necessary to ensure that the provisions will be met in the future, including, but not limited to, amending the provisions of Section 9.56 or its implementation. On June 14, 2011, the Council acted to amend the AHPP Ordinance to require developers to complete off-site affordable housing concurrently with the market-rate project, thereby eliminating any delay in the construction of offsite affordable residences compared to their market-rate project counterpart. Since the total number of affordable residences relative to market-rate residences in the development pipeline exceeds the Proposition R requirement, staff does not recommend additional changes to the AHPP at this time.

The success of the AHPP is reliant on two factors: the market forces of for-profit residential development and the publicly subsidized affordable housing provided by nonprofit housing developers. For-profit/market-rate developers tend to satisfy their affordable housing obligation by paying the Affordable Housing Fee (resulting in no immediately constructed residences) or electing to construct very low income residences (resulting in 10 percent to 12.5 percent of their constructed residences being affordable). Alternatively, nonprofit housing developers produce multifamily housing where all of the residences are affordable, and these developments must be publicly subsidized for financial feasibility. Nonprofit housing developments subsidized by City

housing trust funds are responsible for a significant portion of the AHPP's success, as evidenced in the fact that all of the affordable residences completed in the FY 09/10 reporting period were City-funded, as were 147 of the 159 residences that received planning approvals during the same time (see Attachments 1 and 3).

Summary of Developments in the Pipeline

To assess the AHPP's progress, in addition to the projects completed in FY 09/10, staff tracks those multifamily housing developments that are in the pipeline (in construction or received planning approvals) during the FY 09/10 reporting period. The following chart summarizes the number of multifamily residences completed and in the pipeline and identifies how many of those residences are designated as affordable. The residences "in construction" typically anticipate an 18-month construction period and are at varying stages in the process, ranging from breaking ground to nearing construction completion. Therefore, it is anticipated that only a portion of these residences in construction will be completed during FY 10/11. Developments that received planning approvals are two to three years away from completion.

FY 09/10 Affordable Housing Production Program Summary			
Development Stage	Total Residences	Affordable Residences	% Affordable
Completed	189	20	11%
In Construction	634	169	27%
Planning Approvals	231	159	69%
TOTAL	1,054	348	33%

Developments in Construction

Attachment 2 of this report utilizes information about active building permits to determine the number of multifamily residences in construction at the end of the FY 09/10 reporting period. Building permits remained active for 634 residences in 34 new multifamily developments. If all of these developments are completed during a single reporting period, then 27 percent will be affordable. However, due to varying

construction periods, it is not possible to predict how many of these developments will actually be completed in any given year.

Planning Approvals

Attachment 3 indicates that 13 multifamily developments, containing 231 residences, received planning approvals during FY 09/10. Although 69 percent of these residences will be affordable, Attachment 3 indicates that most of these residences target moderate-income households, rather than low income households. However, the affordability designations of the residences shown as moderate-income residences will shift toward low income and very low income as the City funding is finalized and deeper affordability restrictions are required as a condition of this funding.

Historical Data

Although the Proposition R mandate is measured on an annual basis, the following figures provide a historical perspective and average for the affordable housing accomplishments since the passage of Proposition R:

Cumulative Proposition R Achievements: Affordable New Multifamily Residences Completed Annually FY 94/95 to FY 09/10			
Reporting Period	Total Residences	Affordable Residences	% Affordable
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%
FY03/04	235	40	17%
FY04/05	55	26	47%
FY05/06	39	2	5%
FY06/07	272	86	32%

Cumulative Proposition R Achievements: Affordable New Multifamily Residences Completed Annually FY 94/95 to FY 09/10			
Reporting Period	Total Residences	Affordable Residences	% Affordable
FY07/08*	264	92	32%
FY08/09	537	248	46%
FY 09/10	189	20	11%
TOTAL:	3,351	1,215	37%
<i>* FY 0708 Figures are adjusted for one project with 10 residences that were not counted in last year's report.</i>			

Cumulatively, the City is exceeding Proposition R's 30 percent affordable housing mandate. From FY 94/95 to FY 09/10, the aggregate percentage of affordable residences among all new multifamily residences that were built totals 37 percent.

Prepared by: Jim Kemper, Housing Administrator

Attachments

- Attachment 1 - Multifamily Developments Completed During FY 09/10
- Attachment 2 - Multifamily Developments In Construction as of June 30, 2010
- Attachment 3 - Multifamily Developments Approved During FY 09/10

ATTACHMENT 1

Multifamily Developments Completed During FY2009-10

[July 2009- June 2010]

Address	Condos?	Total Units	Fee Option?	Fee Amount or Offsite	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		
1122 26th St.	<input checked="" type="checkbox"/>	4	<input checked="" type="checkbox"/>	\$159,951									4	07/23/2009	
1539 04th St.	<input type="checkbox"/>	62	<input type="checkbox"/>	711 Colorado Ave.		8							62	08/20/2009	
626 Broadway	<input type="checkbox"/>	48	<input type="checkbox"/>	711 Colorado Ave.		5							48	09/08/2009	
1537 16th St.	<input checked="" type="checkbox"/>	5	<input checked="" type="checkbox"/>	\$73,921									5	09/21/2009	
2222 Pico Blvd.	<input type="checkbox"/>	2	<input checked="" type="checkbox"/>	\$31,103									2	10/22/2009	
1804 10th St.	<input checked="" type="checkbox"/>	6	<input checked="" type="checkbox"/>	\$93,123									6	11/12/2009	
1027 21st St.	<input checked="" type="checkbox"/>	3	<input checked="" type="checkbox"/>	\$48,697									3	12/01/2009	
1458 14th St. (City Loan)	<input type="checkbox"/>	20	<input type="checkbox"/>				14					6	0	12/22/2009	
1445 25th St.	<input type="checkbox"/>	4	<input checked="" type="checkbox"/>	\$40,033									4	12/28/2009	
2121 Virginia Ave.	<input checked="" type="checkbox"/>	11	<input checked="" type="checkbox"/>	\$193,600									11	02/18/2010	
1127 06th St.	<input checked="" type="checkbox"/>	4	<input checked="" type="checkbox"/>	\$86,671									4	03/29/2010	
941 20th St.	<input checked="" type="checkbox"/>	8	<input checked="" type="checkbox"/>	\$169,037									8	05/06/2010	
1038 11th St.	<input checked="" type="checkbox"/>	5	<input checked="" type="checkbox"/>	\$76,685									5	06/01/2010	
851 19th St.	<input checked="" type="checkbox"/>	4	<input checked="" type="checkbox"/>	\$75,551									4	06/03/2010	
1829 11th St.	<input checked="" type="checkbox"/>	3	<input checked="" type="checkbox"/>	\$178,549									3	06/08/2010	
TOTALS:		189		\$1,226,919	0	13	14	0	0	0	0	0	6	169	

# of Developments:	<input type="text" value="15"/>								
Total Units:	<input type="text" value="189"/>								
Total Affordable Units:	<table style="width: 100%; text-align: center;"> <tr> <td></td> <td><u>V.Low</u></td> <td><u>Low</u></td> <td><u>Mod.</u></td> </tr> <tr> <td><input type="text" value="20"/></td> <td><input type="text" value="14"/></td> <td><input type="text" value="0"/></td> <td><input type="text" value="6"/></td> </tr> </table>		<u>V.Low</u>	<u>Low</u>	<u>Mod.</u>	<input type="text" value="20"/>	<input type="text" value="14"/>	<input type="text" value="0"/>	<input type="text" value="6"/>
	<u>V.Low</u>	<u>Low</u>	<u>Mod.</u>						
<input type="text" value="20"/>	<input type="text" value="14"/>	<input type="text" value="0"/>	<input type="text" value="6"/>						
% Affordable Units:	<table style="width: 100%; text-align: center;"> <tr> <td><input type="text" value="11%"/></td> <td><input type="text" value="7.4%"/></td> <td><input type="text" value="0.0%"/></td> <td><input type="text" value="3.2%"/></td> </tr> </table>	<input type="text" value="11%"/>	<input type="text" value="7.4%"/>	<input type="text" value="0.0%"/>	<input type="text" value="3.2%"/>				
<input type="text" value="11%"/>	<input type="text" value="7.4%"/>	<input type="text" value="0.0%"/>	<input type="text" value="3.2%"/>						

The offsite units shown above in this chart are identified for purposes of indicating how a particular project will satisfy its affordable housing obligation. Such offsite units are not included (or double-counted) in the totals to the left.

ATTACHMENT 2

Multifamily Developments In Construction as of June 30, 2010

Address	Total Condos? Units	Fee Option?	Fee or Offsite Address	VERY LOW INCOME UNITS			LOW INCOME UNITS			MOD. INCOME UNITS			Affr- Rate Units	Building Permit Issued
				On-Site	Off-Site	Non-Profit On-Site	On-Site	Off-Site	Non-Profit On-Site	On-Site	Off-Site	Non-Profit On-Site		
1442 05th St.	<input type="checkbox"/>	50	<input type="checkbox"/>	1514 7th St.		5							50	05/28/2005
1321 05th St.	<input type="checkbox"/>	18	<input checked="" type="checkbox"/>	\$40,178									18	08/09/2005
1420 05th St.	<input type="checkbox"/>	50	<input type="checkbox"/>	1514 7th St.		5							50	08/28/2005
1751 Appian Way	<input type="checkbox"/>	14	<input type="checkbox"/>					3					11	08/15/2005
1750 10th St.	<input checked="" type="checkbox"/>	8	<input checked="" type="checkbox"/>	\$68,218									8	01/23/2008
914 05th St.	<input checked="" type="checkbox"/>	4	<input checked="" type="checkbox"/>	\$85,305									4	08/05/2008
3107 Santa Monica Blvd	<input type="checkbox"/>	9	<input type="checkbox"/>		1								8	08/08/2008
1502 Broadway	<input checked="" type="checkbox"/>	32	<input type="checkbox"/>		3								29	12/12/2008
947 04th St.	<input checked="" type="checkbox"/>	5	<input checked="" type="checkbox"/>	\$104,991									5	12/28/2008
1814 12th St.	<input checked="" type="checkbox"/>	4	<input checked="" type="checkbox"/>	\$54,409									4	12/31/2008
1514 07th St.	<input type="checkbox"/>	28	<input type="checkbox"/>		20					8			0	03/18/2007
711 Colorado Ave.	<input type="checkbox"/>	28	<input type="checkbox"/>		28								0	04/04/2007
1548 08th St.	<input type="checkbox"/>	50	<input type="checkbox"/>	711 Colorado Ave.		5							50	04/20/2007
1511 15th St.	<input type="checkbox"/>	29	<input checked="" type="checkbox"/>	\$34,375									29	05/08/2007
2510 07th St.	<input checked="" type="checkbox"/>	8	<input checked="" type="checkbox"/>										8	07/12/2007
1427 07th St.	<input type="checkbox"/>	50	<input type="checkbox"/>	1437 5th St.		6							50	08/15/2007
917 18th St.	<input checked="" type="checkbox"/>	6	<input checked="" type="checkbox"/>	\$139,199									6	11/27/2007
1327 Euclid St.	<input checked="" type="checkbox"/>	5	<input checked="" type="checkbox"/>										5	12/14/2007
852 10th St.	<input checked="" type="checkbox"/>	4	<input checked="" type="checkbox"/>	\$100,311									4	12/17/2007
1437 05th St.	<input type="checkbox"/>	27	<input type="checkbox"/>		27								0	03/21/2008
1112 Pico Blvd.	<input checked="" type="checkbox"/>	18	<input checked="" type="checkbox"/>										18	04/10/2008
1007 08th St.	<input checked="" type="checkbox"/>	4	<input checked="" type="checkbox"/>										4	07/15/2008
2840 Lincoln Blvd.	<input type="checkbox"/>	2	<input checked="" type="checkbox"/>										2	08/26/2008

Multifamily Developments In Construction as of June 30, 2010

Address	Condos?	Total Units	Fee Option?	Fee or Offsite Address	VERY LOW INCOME UNITS			LOW INCOME UNITS			MOD. INCOME UNITS			Mkt-Rate Units	Building Permit Issued
					On-Site	Off-Site	Non-Profit On-Site	On-Site	Off-Site	Non-Profit On-Site	On-Site	Off-Site	Non-Profit On-Site		
1236 25th St.	<input checked="" type="checkbox"/>	3	<input checked="" type="checkbox"/>	\$64,648									3	09/05/2008	
954 05th St.	<input checked="" type="checkbox"/>	3	<input checked="" type="checkbox"/>	\$184,974									3	09/24/2008	
853 21st St.	<input checked="" type="checkbox"/>	6	<input type="checkbox"/>					1					5	11/18/2008	
2301 10th St.	<input checked="" type="checkbox"/>	3	<input checked="" type="checkbox"/>	\$34,390									3	11/21/2008	
1337 23rd St.	<input type="checkbox"/>	4	<input checked="" type="checkbox"/>										4	01/30/2009	
811 19th St.	<input checked="" type="checkbox"/>	5	<input checked="" type="checkbox"/>										5	02/08/2009	
907 18th St.	<input checked="" type="checkbox"/>	4	<input checked="" type="checkbox"/>										4	04/02/2009	
1241 05th St.	<input type="checkbox"/>	49	<input type="checkbox"/>	1437 5th St.		5							49	04/24/2009	
1253 17th St.	<input checked="" type="checkbox"/>	4	<input checked="" type="checkbox"/>										4	11/04/2009	
125 Pacific St.	<input checked="" type="checkbox"/>	9	<input checked="" type="checkbox"/>										9	11/25/2009	
829 Broadway	<input type="checkbox"/>	87	<input type="checkbox"/>								82		0	04/28/2010	
TOTALS:		634		\$920,988	77	25	0	4	0	0	88	0	0	450	

ATTACHMENT 3

# of Developments:	34
Total Units:	634
Total Affordable Units:	189
% Affordable Units:	27%
	12.1%
	0.6%
	13.9%

The offsite units shown above in this chart are identified for purposes of indicating how a particular project will satisfy its affordable housing obligation. Such offsite units are not included (or double-counted) in the figures to the left.

Multifamily Developments w/Planning Approvals During FY09-10

Address	Condos?	Total Units	In-Lieu Fee Option?	Fee or Offsite	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		
1754 19th	<input type="checkbox"/>	49	<input type="checkbox"/>								49			0	08/03/2009
2323 28th Street	<input type="checkbox"/>	8	<input checked="" type="checkbox"/>								1			7	08/19/2009
3214 Highland	<input type="checkbox"/>	6	<input checked="" type="checkbox"/>								1			5	08/19/2009
851 20th St.	<input type="checkbox"/>	2	<input checked="" type="checkbox"/>											2	08/19/2009
1028 21st St.	<input type="checkbox"/>	5	<input type="checkbox"/>		1									4	10/21/2009
1531 10th Street	<input type="checkbox"/>	14	<input checked="" type="checkbox"/>								2			12	10/21/2009
430 Pico Blvd.	<input type="checkbox"/>	32	<input type="checkbox"/>								32			0	11/10/2009
2602 Broadway	<input type="checkbox"/>	33	<input type="checkbox"/>								33			0	11/16/2009
603 Arizona Ave	<input type="checkbox"/>	39	<input type="checkbox"/>					7						32	12/07/2009
2462 Oak St.	<input type="checkbox"/>	4	<input checked="" type="checkbox"/>											4	01/21/2010
2802 Pico Blvd.	<input type="checkbox"/>	33	<input type="checkbox"/>								33			0	02/05/2010
1919 04th St.	<input checked="" type="checkbox"/>	3	<input checked="" type="checkbox"/>											3	03/17/2010
2919 Wilshire Blvd.	<input type="checkbox"/>	3	<input checked="" type="checkbox"/>											3	06/16/2010
TOTALS:					1	0	0	7	0	0	151	0	0	72	

# of Developments:	13									
Total Units :	231									
Total Affordable Units :	159									
% Affordable Units :	69%									
	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="text-align: center;"><u>V.Low</u></td> <td style="text-align: center;"><u>Low</u></td> <td style="text-align: center;"><u>Mod.</u></td> </tr> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">7</td> <td style="text-align: center;">151</td> </tr> <tr> <td style="text-align: center;">0.4%</td> <td style="text-align: center;">3.0%</td> <td style="text-align: center;">65.4%</td> </tr> </table>	<u>V.Low</u>	<u>Low</u>	<u>Mod.</u>	1	7	151	0.4%	3.0%	65.4%
<u>V.Low</u>	<u>Low</u>	<u>Mod.</u>								
1	7	151								
0.4%	3.0%	65.4%								