



# Information Item

Date: January 19, 2012

To: Mayor and City Council  
From: Andy Agle, Director of Housing and Economic Development  
Subject: Affordable Housing Compliance Audit of the Plaza at the Arboretum

## Introduction

The Plaza at the Arboretum is a mixed-use development located at 2200 Colorado Avenue which includes 350 multifamily rental housing units, 97 of which are deed-restricted for affordable housing. These 97 units are part of the City's Affordable Housing Production Program and must be affordable to low- and moderate-income households. In 2008, the City identified compliance violations at the Arboretum. This report explains the process associated with bringing the development into compliance with its Deed Restriction Agreement and Settlement Agreement.

## Background

In April 2008, City Council directed staff to look into resident concerns about leasing practices at the Arboretum. The City's Housing Division began investigating allegations from residents regarding violations of deed restrictions. Using a random selection of 15 affordable apartments, staff conducted an audit and discovered that there were compliance violations. The audit concentrated on rent limits, tenant selection practices, and income eligibility. Of the 15 households audited, the findings revealed that:

- Only eight were eligible for the "living or working in Santa Monica" preference;
- Two households exceeded allowable income limits;
- Four households lacked documentation of income eligibility; and,
- One tenant was overcharged for rent.

Subsequently, staff launched a more comprehensive audit of all 97 deed-restricted affordable apartments. The full audit concluded that the development was not in compliance with its Deed Restriction Agreement. City staff worked with the property management company to correct compliance violations while the matter was turned over to the City Attorney's Office.

### **Discussion**

In December 2010, the City and the Arboretum executed a Settlement Agreement which required the Arboretum to take certain measures to achieve compliance. The Settlement Agreement required the Arboretum to begin listing vacant units with the City's Housing Authority pursuant to Section 5 of the Administrative Guidelines of the Affordable Housing Production Program. The listing of units with the City's Housing Authority led to 77 of the 97 deed-restricted units becoming occupied by Section 8 households, which are inspected and income-certified annually by Housing Authority staff. Additionally, in accordance with the Settlement Agreement, the Arboretum hired a third-party consultant to assist its property management with bringing the 20 remaining deed-restricted units into compliance, including issuing one-year notices to vacate to six ineligible households. The additional efforts have resulted in successfully housing 20 income-eligible households in the remaining units.

### **Summary**

The Arboretum is now 100 percent compliant with both its Deed Restriction Agreement and the Settlement Agreement. All 97 units are occupied by low-and moderate-income individuals.

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