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# Information Item

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June 7, 2012

TO: Mayor and City Council

FROM: Andy Agle, Director of Housing and Economic Development

SUBJECT: FY 10/11 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 of July 1, 2010 through June 30, 2011 (FY 10/11), 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 10/11 be affordable. However, when considering all residences in the development pipeline (including those completed, in construction and with planning approvals; see chart on page 4), 40 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. Moreover, Proposition R requires that at least one-half of the newly constructed affordable units be made available to low-income households and that the remainder be made 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. The options are:

- Construct affordable units onsite: For new multifamily ownership (condominium) developments in residential zones of 4-15 units, developers must construct at least 20 percent of the total units as ownership units for moderate income households or 20 percent of the total units as rental units for low income households (paying fee is not an option). For ownership projects of 16 units or more, the developer must construct at least 25 percent of the total units as moderate income ownership units or 25 percent of the total units as low income rental units. All other multi-family developments (apartments) can allocate 10 percent of the units to very low income households, 20 percent of the units to low income households, or, in non-residential zones, 100 percent of the units to moderate income households. Recommendations concerning the development incentives offered for the production of moderate income units will be presented to Council at a future meeting.
- Construct affordable residences offsite: Affordable units may be constructed in an offsite development, subject to the same minimum percentages of affordable residences detailed above, except that proposed condominium projects in residential zones must provide 25 percent more affordable residences than otherwise required if constructed offsite. The construction of the market rate development and the development fulfilling the off-site requirements must be concurrent.
- Pay an affordable housing fee: The fee 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 \$27.35 per square foot for apartment projects and \$31.94 per square foot for condominium projects.
- Dedicate or sell land: Developer may dedicate or sell land to the City or nonprofit housing provider to be used for affordable housing.

## **Discussion**

Implementation of the City’s AHPP for the FY2010/11 reporting period is summarized below.

## **Completed Developments**

Attachment 1 of this report indicates that 6 developments totaling 134 residences were completed during FY 10/11. Four developments elected to provide affordable housing units onsite or offsite. The remaining two developments paid a total of \$239,510 in affordable housing fees 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 developments usually provided by nonprofit housing developers. For-profit/market-rate developers tend to satisfy their affordable housing obligation by paying the Affordable Housing Fee when they have that option (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). However, Development Agreements generally require that affordable housing is constructed as part of development. Finally, nonprofit housing developers produce multifamily housing where all of the residences are affordable, and these developments must be publicly subsidized for financial feasibility. However, with the recent reductions of State and Federal resources and the

elimination of the Redevelopment Agency, funding these types of developments will be difficult.

### Summary of Developments in the Pipeline

To assess the AHPP’s progress, in addition to the developments completed in FY 10/11, staff tracks those multifamily housing developments that are in the pipeline (in construction or received planning approvals) during the FY 10/11 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 11/12. Developments that received planning approvals are two to three years away from completion.

<b>FY 10/11 Affordable Housing Production Program Summary</b>			
<b>Development Stage</b>	<b>Total Residences</b>	<b>Affordable Residences</b>	<b>% Affordable</b>
Completed	134	8	6%
In Construction	797	412	52%
Planning Approvals	250	55	22%
<b>TOTAL</b>	<b>1,181</b>	<b>475</b>	<b>40%</b>

### Developments in Construction

Attachment 2 utilizes information from active building permits to determine the number of multifamily residences in construction at the end of the FY 10/11 reporting period. Building permits remained active for 797 residences in 35 new multifamily developments. If all of these developments are completed during a single reporting period, then 52 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 6 multifamily developments, containing 250 residences, received planning approvals during FY 10/11. 55 of these 250 (22 percent) will be affordable at the following affordability levels: 5 moderate income, 49 low income and 1 very low income.

## 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:

<b>Cumulative Proposition R Achievements: Affordable New Multifamily Residences Completed Annually FY 94/95 to FY 10/11</b>			
<b>Reporting Period</b>	<b>Total Residences</b>	<b>Affordable Residences</b>	<b>% Affordable</b>
FY94/95	11	2	18%
FY95/96	0	0	0%
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%
FY07/08	264	92	32%
FY08/09	537	248	46%
FY 09/10	189	20	11%
FY 10/11	134	8	6%
<b>TOTAL:</b>	<b>3,485</b>	<b>1,223</b>	<b>35%</b>

Cumulatively, the City is exceeding Proposition R's 30 percent affordable housing mandate. From FY 94/95 to FY 10/11, the aggregate percentage of affordable residences among all new multifamily residences that were built totals 35 percent.

Prepared by: Lori Khajadourian, Administrative Analyst

Attachments:

Attachment 1 - Multifamily Developments Completed During FY 10/11

Attachment 2 - Multifamily Developments In Construction as of June 30, 2011

Attachment 3 - Multifamily Developments Approved During FY 10/11

ATTACHMENT 1

**Multifamily Developments Completed During FY2010-11**

[July 2010 - June 2011]

Address	Condos?	Total Fee Units Option?	Fee Amount or Offsite Address	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		
3107 Santa Monica	<input type="checkbox"/>	9	<input type="checkbox"/>	1									8	07/22/2010
1548 06th St.	<input type="checkbox"/>	50	<input type="checkbox"/>	13									50	08/26/2010
1241 05th St.	<input type="checkbox"/>	49	<input type="checkbox"/>	4									45	09/22/2010
852 10th St.	<input checked="" type="checkbox"/>	4	<input checked="" type="checkbox"/>	\$100,311									4	11/16/2010
1751 Appian Way	<input type="checkbox"/>	14	<input type="checkbox"/>		3								11	03/15/2011
917 19th St.	<input checked="" type="checkbox"/>	8	<input checked="" type="checkbox"/>	\$139,199									8	05/25/2011
<b>TOTALS:</b>		<b>134</b>		<b>\$239,510</b>	<b>5</b>	<b>13</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>126</b>	

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.

# of Developments:	<input type="checkbox"/>	6
Total Units:	<input type="checkbox"/>	134
Total Affordable Units:	<input type="checkbox"/>	8
% Affordable Units:	<input type="checkbox"/>	6%
V.Low	<input type="checkbox"/>	5
Low	<input type="checkbox"/>	3
Mod.	<input type="checkbox"/>	0
% V.Low	<input type="checkbox"/>	3.7%
% Low	<input type="checkbox"/>	2.2%
% Mod.	<input type="checkbox"/>	0.0%

ATTACHMENT 2

Multifamily Developments In Construction as of June 30, 2011

Address	Condos?	Total Units	Fee Option?	Fee Offsite Address	VERY LOW INCOME UNITS		LOW INCOME UNITS		MOD. INCOME UNITS		Mkt- Rate Units	Building Permit Issued
					On-Site	Off-Site	On-Site	Off-Site	On-Site	Off-Site		
1442 05th St.	<input type="checkbox"/>	50	<input type="checkbox"/>	1514 7th St.		5					50	05/26/2005
1321 05th St.	<input type="checkbox"/>	16	<input checked="" type="checkbox"/>	\$40,178							16	06/09/2005
1420 05th St.	<input type="checkbox"/>	50	<input type="checkbox"/>	1514 7th St.		5					50	06/29/2005
1750 10th St.	<input checked="" type="checkbox"/>	8	<input checked="" type="checkbox"/>	\$68,218							8	01/23/2006
914 05th St.	<input checked="" type="checkbox"/>	4	<input checked="" type="checkbox"/>	\$85,305							4	06/05/2006
1502 Broadway	<input checked="" type="checkbox"/>	32	<input type="checkbox"/>		3						29	12/12/2006
947 04th St.	<input checked="" type="checkbox"/>	5	<input checked="" type="checkbox"/>	\$104,991							5	12/26/2006
1514 07th St.	<input type="checkbox"/>	26	<input type="checkbox"/>		20				6		0	03/16/2007
711 Colorado Ave.	<input type="checkbox"/>	26	<input type="checkbox"/>		26						0	04/04/2007
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.		5					50	08/15/2007
1327 Euclid St.	<input checked="" type="checkbox"/>	5	<input checked="" type="checkbox"/>								5	12/14/2007
1437 05th St.	<input type="checkbox"/>	27	<input type="checkbox"/>		27						0	03/21/2008
1007 06th St.	<input checked="" type="checkbox"/>	4	<input checked="" type="checkbox"/>	\$146,631							4	07/15/2008
2640 Lincoln Blvd.	<input type="checkbox"/>	2	<input checked="" type="checkbox"/>	\$21,459							2	08/26/2008
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
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"/>	\$145,309							5	02/08/2009
907 18th St.	<input checked="" type="checkbox"/>	4	<input checked="" type="checkbox"/>	\$136,568							4	04/02/2009
1253 17th St.	<input checked="" type="checkbox"/>	4	<input checked="" type="checkbox"/>	\$162,295							4	11/04/2009

ATTACHMENT 2 (continued)

# Multifamily Developments In Construction as of June 30, 2011

Address	Condos? <input type="checkbox"/>	Total Units	Fee Option? <input type="checkbox"/>	Fee or Offsite Address	VERY LOW INCOME UNITS		LOW INCOME UNITS		MOD. INCOME UNITS		Mkt-Rate Units	Building Permit Issued
					On-Site	Off-Site	On-Site	Off-Site	On-Site	Off-Site		
125 Pacific St.	<input checked="" type="checkbox"/>	9	<input checked="" type="checkbox"/>	\$190,825							9	11/25/2009
829 Broadway	<input type="checkbox"/>	97	<input type="checkbox"/>						97		0	04/28/2010
2301 10th St.	<input checked="" type="checkbox"/>	3	<input checked="" type="checkbox"/>	\$34,390							3	07/07/2010
1048 10th St.	<input checked="" type="checkbox"/>	4	<input checked="" type="checkbox"/>	\$167,110							4	07/30/2010
519 Santa Monica Blvd	<input type="checkbox"/>	40	<input type="checkbox"/>			3					37	11/12/2010
1447 Lincoln Blvd.	<input type="checkbox"/>	97	<input type="checkbox"/>						97		0	11/23/2010
1837 12th St.	<input checked="" type="checkbox"/>	8	<input checked="" type="checkbox"/>	\$452,877							8	12/07/2010
2602 Broadway	<input type="checkbox"/>	33	<input type="checkbox"/>	[City Loan]		27				6	0	01/27/2011
1942 High Place	<input type="checkbox"/>	47	<input type="checkbox"/>	[City Loan]						47	0	03/04/2011
1959 High Place	<input checked="" type="checkbox"/>	45	<input type="checkbox"/>	[City Loan]						45	0	03/06/2011
1814 12th St.	<input checked="" type="checkbox"/>	4	<input checked="" type="checkbox"/>	\$64,409							4	05/19/2011
603 Arizona Ave	<input type="checkbox"/>	39	<input type="checkbox"/>			7					32	06/07/2011
<b>TOTALS:</b>		<b>797</b>		<b>\$2,040,231</b>	<b>76</b>	<b>15</b>	<b>27</b>	<b>11</b>	<b>0</b>	<b>98</b>	<b>200</b>	<b>385</b>

<b># of Developments:</b>	35
<b>Total Units :</b>	797
<b>Total Affordable Units :</b>	412
<b>% Affordable Units :</b>	52%
	V.Low 103    Low 109    Mod. 200
	12.9%    13.7%    25.1%

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 FY10-11

Address	Condos?	Total Units	In-Lieu Fee Option?	Fee or Offsite Address	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		
301 Ocean Ave	<input checked="" type="checkbox"/>	20	<input type="checkbox"/>											15	11/09/2010
1427 07th St	<input type="checkbox"/>	50	<input type="checkbox"/>	1650 Lincoln		5								50	01/20/2011
2438 Ocean Park Blvd	<input type="checkbox"/>	2	<input checked="" type="checkbox"/>	\$91,269										2	02/16/2011
525 Broadway	<input checked="" type="checkbox"/>	125	<input type="checkbox"/>	1650 Lincoln		10								125	04/20/2011
1621 Franklin St	<input type="checkbox"/>	4	<input type="checkbox"/>		1									3	04/20/2011
1754 19th St	<input type="checkbox"/>	49	<input type="checkbox"/>								49			0	06/20/2011
TOTALS:					1	15	0	0	0	0	0	5	0	195	

**# of Developments:**   
**Total Units:**   
**Total Affordable Units:**   
**% Affordable Units:**

**V.Low**  **Low**  **Mod.**   
**0.4%**  **2.0%**

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.