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# Information Item

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February 11, 2015

TO: Mayor and City Council  
FROM: Andy Agle, Director of Housing and Economic Development  
SUBJECT: FY 13/14 Report Concerning the Affordable Housing Production Program

## **Introduction**

This report transmits information concerning the implementation of the City's Affordable Housing Production Program (AHPP) for the reporting period of July 1, 2013 through June 30, 2014 (FY 13/14), as required by Santa Monica Municipal Code Section 9.56.150. The report illustrates that the City met and exceeded the Proposition R requirement for FY 13/14.

Proposition R has two requirements regarding affordable housing. First, it requires that 30 percent of all multifamily housing completed in each fiscal year be affordable to low-and moderate-income households. Second, Proposition R requires that at least one-half of the total affordable housing completed be affordable for low-income households. This report shows that 56 percent of all multifamily residences that were completed in FY 13/14 (257 of 458 residences completed) were affordable to low-income households, thereby exceeding both requirements. The information detailed in this report also indicates that the multifamily housing in the development pipeline is not projected to meet the Proposition R mandate in future years, although it is not possible to predict how many developments in the pipeline will actually be completed.

## **Background**

Proposition R was adopted by the voters of the City of Santa Monica on November 6, 1990, and was added as Section 630 to the City Charter. It was then implemented as the AHPP under Section 9.56 of the Municipal Code. In the course of implementing Proposition R, the City determines and publishes maximum household income levels for low- and moderate-income families who are eligible to reside in affordable housing in Santa Monica. The following table shows the maximum allowable

incomes for low- and moderate-income households of various sizes for the period of this report.

<b>FY 13/14 Income Levels by Household Size</b>		
<b>Household Size</b>	<b>Low Income</b>	<b>Moderate Income</b>
One Person	\$47,850	\$54,420
Two Person	\$54,650	\$62,200
Three Person	\$61,500	\$70,000
Four Person	\$68,300	\$77,750

The AHPP provides various options for developers to satisfy the affordable housing requirement associated with multifamily housing development. The options are:

- Construct affordable residences onsite in the new development allocating 5 percent of the residences to extremely low-income households, 10 percent of the residences to very low-income households, 20 percent of the residences to low-income households, or, in non-residential zones, 100 percent of the residences are allocated 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 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 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, which are required to select one of the above options. Effective November 1, 2014, the Affordable Housing Fees are \$29.79 per square foot for rental apartments and \$34.80 per square foot for condominiums.
- Dedicate or sell land to the City or nonprofit housing provider for affordable housing.

### **Discussion**

Implementation of the City’s AHPP for the FY 13/14 reporting period is summarized below. The following chart indicates the number of multifamily residences completed during the fiscal year, the number in construction, the number that have received

planning approval but have not begun construction, and the number of those residences that are designated as affordable.

<b>FY 13/14 Affordable Housing Production Program Summary</b>			
<b>Development Stage</b>	<b>Total Residences</b>	<b>Affordable Residences</b>	<b>Percent Affordable</b>
Completed	458	257	56%
In Construction	366	71	19%
Planning Approvals	13	0	0%
<b>TOTAL</b>	<b>837</b>	<b>328</b>	<b>39%</b>

### **Completed Developments**

Attachment #1 of this report indicates that 9 developments totaling 458 residences were completed during FY 13/14. Four developments provided 257 affordable housing residences onsite. Two developments (the two condominium components of the Civic Center Village) fulfilled their affordable housing requirements by providing affordable apartments on a neighboring site (the affordable housing component of the Civic Center Village.) Three developments paid a total of \$451,199 in affordable housing fees rather than providing affordable residences onsite or offsite. Affordable housing fees must be paid by developers prior to final completion of the development 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.

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 extremely low- or very low-income residences (resulting in 5 or 10 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.

## **Summary of Developments in the Pipeline**

To assess the AHPP's progress, in addition to the developments completed in FY 13/14, staff tracks those multifamily housing developments that are in the pipeline (in construction or received planning approvals) during the FY 13/14 reporting period. The residences 'in construction' typically anticipate an 18-month construction period and are at various 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 14/15. Developments that receive planning approvals are generally two to three years away from completion.

## **Developments in Construction**

Attachment #2 uses information from active building permits to determine the number of multifamily residences in construction at the end of the FY 13/14 reporting period. Building permits remained active for 366 residences in 24 new multifamily developments. If all of these developments are completed during a single reporting period, then 71 residences (19 percent) will be affordable: 46 very low- and low-income residences, and 25 moderate-income residences. However, due to varying construction periods, it is not possible to predict how many of these developments will actually be completed in FY 14/15.

## **Planning Approvals**

Attachment #3 indicates that 5 condominium developments, containing 13 residences, received planning approvals during FY 13/14. None of these 13 residences will be affordable as all have elected to satisfy their affordable housing obligations by paying the Affordable Housing Fee, which is allowed for condominium developments of less than four units. The fees listed in the attachment are estimates based on the current year's fee schedule; the developers will pay the amounts in effect the year the project is completed.

## **The Future of Proposition R**

The data that the City collects regarding housing construction in Santa Monica may also warn of difficulties for the future of Proposition R. Attachment #1 shows that 98 percent

of the affordable housing that was completed during FY 13/14 (253 of 257 affordable apartments) was built by nonprofit, publicly subsidized developers. Likewise, Attachment #2 shows that 48 percent of affordable apartments in construction (34 of 71 apartments) are being built by nonprofit organizations.

Historically, the funding for subsidizing nonprofit developments, which have produced the majority of affordable housing, came from a Housing Trust Fund created by the Redevelopment Program. The dissolution of the Redevelopment Agency in February 2012 has meant the subsequent loss of funding for affordable housing. Without a new source of funding dedicated to subsidize nonprofit affordable housing, staff anticipates significantly fewer affordable apartments being built in the future. The change is expected to make it more difficult to meet the requirements of Proposition R. Indeed, Attachments #2 and #3 project a shortfall of affordable apartments based on the projects in the development pipeline.

### **Historical Data**

Although the Proposition R mandate is measured on an annual basis, the information in Attachment #4 provides a historical perspective and aggregate data for the affordable housing accomplishments since the passage of Proposition R. Cumulatively, the City is exceeding Proposition R's 30 percent affordable housing mandate. From FY 94/95 through FY 13/14, the aggregate percentage of affordable residences among all new multifamily residences that were built totals 40 percent.

Prepared by: Jonathan Carr, Administrative Analyst

### **Attachments**

Attachment #1 - Multifamily Developments Completed During FY 13/14

Attachment #2 - Multifamily Developments in Construction as of June 30, 2014

Attachment #3 - Multifamily Developments Approved During FY 13/14

Attachment #4 - Cumulative Proposition R Achievements – FY 94/95 through FY 13/14

ATTACHMENT #1

**Multifamily Developments Completed During FY2013-14**

[July 2013-June 2014]

Address	Condos?	Total Units	Fee Option?	Fee Amount or Off-site Address	Nonprofit	Onsite Affordable Units			Market	Off-site	Completed Date
						Very Low Income 50% AMI	Low Income 60% AMI	Moderate Income 100% AMI			
2301 10th St.	<input checked="" type="checkbox"/>	3	<input checked="" type="checkbox"/>	\$179,523	<input type="checkbox"/>			3		10/15/2013	
1827 09th St.	<input checked="" type="checkbox"/>	2	<input checked="" type="checkbox"/>	\$69,090	<input type="checkbox"/>			2		10/28/2013	
1253 17th St.	<input checked="" type="checkbox"/>	4	<input checked="" type="checkbox"/>	\$202,586	<input type="checkbox"/>			4		01/27/2014	
1725 Ocean Ave. (City Loan)	<input type="checkbox"/>	160	<input type="checkbox"/>		<input checked="" type="checkbox"/>	105	55			01/30/2014	
214 Santa Monica	<input type="checkbox"/>	38	<input type="checkbox"/>		<input type="checkbox"/>	4		34		04/04/2014	
1705 Ocean Ave.	<input checked="" type="checkbox"/>	65	<input type="checkbox"/>	1725 Ocean Ave	<input type="checkbox"/>			65	66	04/30/2014	
1754 19th St. (City Loan)	<input type="checkbox"/>	49	<input type="checkbox"/>		<input checked="" type="checkbox"/>	49				04/30/2014	
1755 Ocean Ave.	<input checked="" type="checkbox"/>	93	<input type="checkbox"/>	1725 Ocean Ave	<input type="checkbox"/>			93	94	06/06/2014	
2401 Virginia Ave. (City Loan)	<input type="checkbox"/>	44	<input type="checkbox"/>		<input checked="" type="checkbox"/>	5	39			07/01/2014	
<b>TOTALS</b>		<b>458</b>		<b>\$451,199</b>		<b>114</b>	<b>143</b>	<b>201</b>	<b>160</b>		

<b>Number of Developments:</b>	<b>9</b>	<b>Proposition R Summary</b>	
<b>Total Units:</b>	<b>458</b>	<b>Requirement</b>	<b>Actual</b>
<b>Total Affordable Units:</b>	<b>257</b>	<b>30%</b>	<b>56%</b>
		<b>Low Income:</b>	<b>15%</b>
			<b>56%</b>

AMLI = area median income, the income level that divides the income distribution into two equal groups

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

**NOTES:**

- The 49 apartments listed for 1754 19th Street also include 18 apartments built at 1753 18th Street and 24 apartments built at 1924 Euclid Street in Santa Monica as part of a scatter-site development.
- The 44 apartments listed for 2401 Virginia Avenue was previously known as 1959 High Place during the construction period.
- The new buildings at 1705, 1725, and 1755 Ocean Avenue are part of the Civic Center Village development. Two of the buildings, 1705 and 1755 Ocean, have 158 market-rate condominiums and one of the buildings, 1725 Ocean, has 160 affordable apartments. The affordable apartments were credited proportionally to the two market-rate buildings as off-site affordable housing.

ATTACHMENT #2

**Multifamily Developments In Construction as of June 30, 2014**

Address	Condos?	Total Units	Fee Option?	Fee (Est.) or Offsite Address		Onsite Affordable Units				Market	Off-site	Building Permit Issued
				Nonprofit?	Address	Very Low Income 50% AMI	Low Income 60% AMI	Moderate Income 100% AMI				
914 05th St.	<input checked="" type="checkbox"/>	4	<input checked="" type="checkbox"/>		\$87,166	<input type="checkbox"/>				4		06/05/2006
947 04th St.	<input checked="" type="checkbox"/>	5	<input checked="" type="checkbox"/>		\$95,886	<input type="checkbox"/>				5		12/19/2006
1236 25th St.	<input checked="" type="checkbox"/>	3	<input checked="" type="checkbox"/>		\$64,648	<input type="checkbox"/>				3		08/19/2008
2640 Lincoln Blvd.	<input type="checkbox"/>	2	<input checked="" type="checkbox"/>		\$21,459	<input type="checkbox"/>				2		08/26/2008
1837 12th St.	<input checked="" type="checkbox"/>	8	<input checked="" type="checkbox"/>		\$452,877	<input type="checkbox"/>				8		05/19/2010
1319 Yale St.	<input checked="" type="checkbox"/>	6	<input type="checkbox"/>			<input type="checkbox"/>	1			5		05/28/2010
1127 Princeton St.	<input checked="" type="checkbox"/>	3	<input checked="" type="checkbox"/>		\$237,023	<input type="checkbox"/>				3		07/12/2010
1171 Franklin St.	<input checked="" type="checkbox"/>	6	<input type="checkbox"/>			<input type="checkbox"/>		1		5		04/04/2011
1012 02nd St.	<input checked="" type="checkbox"/>	4	<input checked="" type="checkbox"/>		\$212,678	<input type="checkbox"/>				4		12/07/2011
908 05th St.	<input checked="" type="checkbox"/>	3	<input checked="" type="checkbox"/>		\$222,824	<input type="checkbox"/>				3		01/20/2012
612 Lincoln Blvd.	<input checked="" type="checkbox"/>	4	<input checked="" type="checkbox"/>		\$245,631	<input type="checkbox"/>				4		09/28/2012
1317 07th St.	<input type="checkbox"/>	57	<input type="checkbox"/>			<input type="checkbox"/>	6			51		10/18/2012
702 Arizona Ave.	<input type="checkbox"/>	49	<input type="checkbox"/>			<input type="checkbox"/>	5			44		10/18/2012
1919 04th St.	<input checked="" type="checkbox"/>	3	<input checked="" type="checkbox"/>		\$228,161	<input type="checkbox"/>				3		10/22/2012
525 Broadway	<input checked="" type="checkbox"/>	125	<input type="checkbox"/>		1437 5th St.	<input type="checkbox"/>				125	5	11/30/2012
2438 Ocean Park Blvd	<input checked="" type="checkbox"/>	2	<input checked="" type="checkbox"/>		\$91,289	<input type="checkbox"/>				2		12/17/2012
1959 20th St.	<input type="checkbox"/>	2	<input checked="" type="checkbox"/>		\$104,503	<input type="checkbox"/>				2		07/17/2013
943 16th St.	<input checked="" type="checkbox"/>	5	<input type="checkbox"/>			<input type="checkbox"/>		1		4		08/08/2013
829 Broadway II	<input type="checkbox"/>	19	<input type="checkbox"/>			<input type="checkbox"/>		19				10/03/2013

**Multifamily Developments In Construction as of June 30, 2014**

Address	Condos?	Total Units	Fee Option?	Fee (Est.) or Offsite Address		Onsite Affordable Units			Market	Off-site	Building Permit Issued
				Nonprofit?	Address	Very Low Income 50% AMI	Low Income 60% AMI	Moderate Income 100% AMI			
1621 Franklin St	<input checked="" type="checkbox"/>	4	<input type="checkbox"/>	<input type="checkbox"/>			1	3			11/26/2013
520 Colorado Ave.	<input type="checkbox"/>	34	<input type="checkbox"/>	<input checked="" type="checkbox"/>		33	1				12/06/2013
1750 10th St.	<input checked="" type="checkbox"/>	7	<input type="checkbox"/>	<input type="checkbox"/>			1	6			01/16/2014
1433 18th St.	<input checked="" type="checkbox"/>	6	<input type="checkbox"/>	<input type="checkbox"/>			1	5			05/12/2014
1211 09th St.	<input checked="" type="checkbox"/>	5	<input type="checkbox"/>	<input type="checkbox"/>			1	4			06/06/2014
TOTALS:		366		\$2,064,127		45	1	25	295		5

Number of Developments:	24
Total Units:	366
Total Affordable Units:	71

  

Very Low	45	Low	1	Moderate	25
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Proposition R Summary	Requirement	Actual
Overall Affordability:	30%	19%
Low Income:	15%	13%

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

AMI = area median income, the income level that divides the income distribution into two equal groups.

ATTACHMENT #3

**Multifamily Developments w/Planning Approvals During FY13-14**

Address	Condos?	Total Units	In-Lieu Fee or Offsite Option?	Fee (est.) or Offsite Address	Nonprofit	Onsite Affordable Units			Market	Off-site	Planning Approval Date
						Very Low Income 50%AMI	Low Income 60%AMI	Moderate Income 100%AMI			
1329 California Ave.	<input checked="" type="checkbox"/>	3	<input checked="" type="checkbox"/>	\$280,105	<input type="checkbox"/>				3		10/16/2013
1136 18th St.	<input checked="" type="checkbox"/>	3	<input checked="" type="checkbox"/>	\$237,788	<input type="checkbox"/>				3		11/13/2013
919 Broadway	<input checked="" type="checkbox"/>	2	<input checked="" type="checkbox"/>	\$107,010	<input type="checkbox"/>				2		02/18/2014
1347 19th St.	<input checked="" type="checkbox"/>	3	<input checked="" type="checkbox"/>	\$65,842	<input type="checkbox"/>				3		04/15/2014
1038 Bay St.	<input checked="" type="checkbox"/>	2	<input checked="" type="checkbox"/>	\$201,388	<input type="checkbox"/>				2		05/28/2014
<b>TOTALS:</b>		<b>13</b>		<b>\$892,133</b>					<b>13</b>		

<b>Number of Developments:</b>	<input type="text" value="5"/>
<b>Total Units:</b>	<input type="text" value="13"/>
<b>Total Affordable Units:</b>	<input type="text" value="0"/>

<b>Very Low</b>	<input type="text" value="0"/>	<b>Low</b>	<input type="text" value="0"/>	<b>Moderate</b>	<input type="text" value="0"/>
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<b>Proposition R Summary</b>	<b>Requirement</b>	<b>Actual</b>
Overall Affordability	30%	<input type="text" value="0%"/>
Low Income	15%	<input type="text" value="0%"/>

AMI = area median income, the income level that divides the income distribution into two equal groups.

Estimated in-lieu fees are based on current projected information and are subject to change.

ATTACHMENT #4

<b>Cumulative Proposition R Achievements:                      Affordable New Multifamily Residences Completed Annually                      FY 94/95 through FY 13/14</b>				
<b>Reporting Period</b>	<b>Total Residences</b>	<b>Affordable Residences</b>	<b>Percent Affordable</b>	<b>Percent Very-Low and Low-Income Residences</b>
FY94/95	11	2	18%	18%
FY95/96	0	0	0%	0%
FY96/97	108	98	91%	36%
FY97/98	111	68	61%	40%
FY98/99	168	146	87%	33%
FY99/00	166	123	74%	72%
FY00/01	420	109	26%	14%
FY01/02	702	211	30%	22%
FY02/03	212	1	0%	0%
FY03/04	235	40	17%	12%
FY04/05	55	26	47%	27%
FY05/06	39	2	5%	0%
FY06/07	272	86	32%	32%
FY07/08	254	92	36%	18%
FY08/09	537	248	46%	15%
FY09/10	189	20	11%	7%
FY10/11	134	8	6%	6%
FY11/12	156	101	65%	2%
FY12/13	483	246	51%	31%
FY13/14	458	257	56%	56%
<b>TOTAL:</b>	<b>4,710</b>	<b>1,884</b>	<b>40%</b>	<b>25%</b>