



Information Item

May 9, 2019

TO: Mayor and City Council
FROM: Andy Agle, Director of Housing and Economic Development
SUBJECT: Affordable Housing Progress Report – Fiscal Year 2017-18

Introduction

Consistent with the Santa Monica Municipal Code and City Charter, the two attached reports regarding Propositions R and I provide information concerning the development, financing, and monitoring of affordable housing for the reporting period of July 1, 2017 through June 30, 2018 (“FY17/18”). Proposition R requires that 30 percent of new multifamily housing be affordable to low- and moderate-income households. During FY 17/18, only four percent of completed residences were affordable to low- and moderate-income households and therefore did not meet the Proposition R requirement. However, the Proposition R affordable housing production mandate continues to be met over the longer term, as 38 percent of all multifamily housing constructed pursuant to Proposition R is affordable. Additionally, staff conducted monitoring of households occupying affordable housing, revealing a 99 percent rate of compliance with the affordability requirements. Finally, the City complied with the public financing limitations for affordable housing established in Proposition I.

Discussion

Proposition R

The FY 17/18 Annual Report discussing the City’s compliance with Proposition R, as required by Municipal Code Section 9.64.150, is provided as Attachment 1. Of the multifamily housing completed during FY 17/18, four percent of the apartments are affordable to low- and moderate-income households, which did not achieve the requirements of Proposition R. See Table 1-G for data regarding the City’s production of affordable housing between Fiscal Year 1994/1995 and Fiscal Year 2017/2018.

Table 1-G shows that the City continues to exceed the minimum Proposition R requirement cumulatively, adding up the developments that have been completed over the past 24 years.

The dissolution of the Redevelopment Agency in 2012 and the associated loss of funding resulted in diminished production of affordable housing, as reflected in the results for FY 17/18. Without City funding, meeting the requirements of Proposition R has been a challenge, as nearly two-thirds of the affordable housing constructed in the past 24 years was funded with loans from City housing trust funds (see Table 1-G).

The Santa Monica Municipal Code Section 9.64.150 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." The City Council has taken several steps to replace the affordable housing funding previously provided by the Redevelopment Agency. Sources of funding include:

- Property tax revenue (\$1.2 million per year) that previously went to the redevelopment agency.
- Proceeds from City land sales and one profit participation agreement.
- The repayment of loans that were made to the former redevelopment agency (averaging \$8 million per year for Fiscal Year 2015-2016 through Fiscal Year 2021-2022).
- Ballot Measure GSH, approved by voters in November 2016, which increased the Transaction and Use Tax (TUT) by one-half percent, half of which (estimated at \$8 million per year) is dedicated to affordable housing.

The Council's actions are expected to temporarily replace the funding that was lost when the Redevelopment Agency was dissolved, until the end of Fiscal Year 2021-2022, when the loans to the former redevelopment agency will be fully repaid. Additionally, Council approved housing provisions in the Zoning Ordinance and Downtown Community Plan (DCP) that establish increased affordability requirements for multifamily housing developments that exceed the City's base-level "Tier 1"

standards for building height and floor area. The DCP also requires that new multifamily developments address a variety of affordability levels. Conversely, the AHPP, which governs affordability requirements outside Downtown, allows developers to set aside as few as five percent of residences for extremely low-income households (30 percent of area median income). The increased affordability requirements in the Zoning Ordinance and DCP are expected to play a critical role in helping the City meet the requirements of Proposition R. Council has authorized a feasibility study of amending the AHPP to require a broader array of affordability levels, which could also assist in Proposition R compliance.

The increase in funding for affordable housing has allowed the City to approve housing trust fund loans for two new developments in FY 17/18, which will add 47 affordable apartments in Santa Monica (see discussion in *Proposition I* section).

A total of 1,086 affordable residences located in 136 properties throughout Santa Monica have been created by for-profit developers as of June 2017, in support of the goals of Proposition R. During the 2017 monitoring year, 99 percent of affordable residences were in compliance with the affordability requirements of the AHPP. Owners of the remaining 1 percent, 11 residences, did not submit their annual reports, which limits the City's ability to verify whether the tenants meet the requirements associated with the residences. Housing staff and the City Attorney's Office are working to achieve full compliance by all property owners with deed-restricted housing.

Proposition I

The FY 17/18 Annual Report discussing the City's compliance with Proposition I, as required by Article XXI of the City Charter, is provided as Attachment 2. Proposition I limits the amount of affordable housing that the City can finance (see Attachment 2 for further details). The report shows that City-financed affordable housing remained within the limits of Proposition I. During FY 17/18, the City financed the construction of 47 affordable homes of the 1,053 maximum authorized by Proposition I.

Prepared by: Jonathan Carr, Administrative Analyst

ATTACHMENT 1
Proposition R – FY 17/18 Annual Report

PART 1: MULTIFAMILY HOUSING CONSTRUCTION

The Affordable Housing Production Program (“AHPP”) implements a 1990 voter initiative called “Proposition R” by creating affordable housing as part of the development of market-rate apartment buildings. Developers of new multifamily buildings are required to contribute to affordable housing in Santa Monica either by setting aside residences for low- or moderate-income households or by paying a fee to the City which funds affordable housing developed by nonprofit organizations. This document is the Proposition R annual report for Fiscal Year 2017/2018 (“FY 17/18”), covering the period between July 1, 2017 and June 30, 2018, as required by Municipal Code Section 9.64.150. This report presents the state of the program as of June 30, 2018.

Background

Proposition R was added as Section 630 to the City Charter, and it is implemented by the AHPP under Section 9.64 of the Municipal Code. The AHPP is the successor to the Inclusionary Housing Program (IHP), adopted by Council on June 28, 1988 (Ordinance #1448). Proposition R requires that:

- Thirty percent of all multifamily housing completed in each fiscal year be affordable to and occupied by low- and moderate-income households¹; and
- At least one-half of the total affordable housing completed be affordable to and occupied by low-income households.

This type of housing is also called “inclusionary” housing, as it requires the development of market-rate housing to include measures to address the needs of low- and moderate-

¹ For purposes of Proposition R, “low income household” means a household with an income not exceeding sixty percent (60%) of the Los Angeles County median income, adjusted by family size, as published from time to time by the United States Department of Housing and Urban Development, and “moderate income household” means a household with an income not exceeding one hundred percent (100%) of the Los Angeles County median income, adjusted by family size, as published from time to time by the United States Department of Housing and Urban Development.

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

- Construct affordable residences onsite in a development allocating: (a) 5 percent of the residences to extremely low-income households, (b) 10 percent of the residences to very low-income households, (c) 20 percent of the residences to low-income households, or (d) 100 percent of the residences to moderate-income households. The zoning code requires higher levels of inclusionary housing for proposed residential developments that exceed the City's base-level "Tier 1" standards for building height and floor area. The Downtown Community Plan requires contains even higher inclusionary affordable housing requirements.
- 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 onsite. The market-rate development and the development fulfilling the off-site requirements must be constructed concurrently.
- Pay an affordable housing fee that is used by the City to subsidize affordable housing developments. The fees are currently \$35.70 per square foot for rental apartments and \$41.70 per square foot for condominiums. The most recent increase in fees, effective November 1, 2018, was approved by Council on August 14, 2018. Affordable housing fees must be paid by developers prior to final completion of the development and are deposited into the Citywide Housing Trust Fund. Condominium developments of four or more residences are required to provide affordable condominiums either onsite or offsite and may not elect to pay an in-lieu fee.
- Dedicate or sell land to the City or nonprofit housing provider for affordable housing. Instead of providing apartments or money, developers also have the option to provide land that can be used to build affordable housing.

Developers of deed-restricted properties are required to sign an “Agreement Imposing Restrictions on Real Property” (“deed restriction”), recorded on title, which establishes the affordability requirements of the dedicated apartments, reserving occupancy of the apartments to households with particular income levels, and requires the property owner to verify tenant eligibility pursuant to the terms of the deed restriction. Owners are required to submit annual reports regarding tenant households, including the rent level, occupancy, gross income, and household assets. The owner then submits backup documentation for staff evaluation. Staff ensures that owners comply with the requirements of the deed restrictions by clarifying protocols and auditing the tenant eligibility documentation.

In the course of implementing Proposition R, the City determines and publishes annual maximum household income levels, and maximum apartment rent levels, for low- and moderate-income families who are eligible to reside in affordable housing in Santa Monica. Table 1-A below shows the maximum allowable household incomes and rent levels as of the end of FY 2017/18.

TABLE 1-A: Maximum Allowable Incomes and Rents as of April 2018*		
2018 Maximum Income Levels by Household Size		
<u>Household Size</u>	<u>Low-Income</u>	<u>Moderate-Income</u>
One Person	\$54,250	\$58,200
Two Person	\$62,000	\$66,500
Three Person	\$69,750	\$74,850
Four Person	\$77,500	\$83,150
2018 Maximum Rent Levels by Apartment Type		
<u>Apartment Type</u>	<u>Low-Income</u>	<u>Moderate-Income</u>
Zero Bedroom	\$728	\$1,334
One Bedroom	\$832	\$1,525
Two Bedroom	\$936	\$1,715
Three Bedroom	\$1,040	\$1,906
*Maximum incomes and rents are updated annually. Maximum rents are calculated using the Los Angeles County Median Income of \$69,300.		

Discussion

This Proposition R Annual Report provides data on affordable multifamily developments that were completed, are in construction, or received planning approvals during the reporting period.

During FY 17/18, the percentage of completed affordable residences did not meet the City's minimum requirement of 30 percent and pipeline projections indicate that future production may also fall short. The following table summarizes the FY17/18 affordable housing production outcome as well as the multifamily development pipeline.

TABLE 1-B: FY 17/18 Affordable Housing Production Program Summary			
Development Stage	Total Residences	Affordable Residences	Percent Affordable
Completed	46	2	4%
In Construction	837	161	19%
Planning Approvals	399	24	6%
TOTAL:	1,282	187	15%

Developments Completed

Table 1-D, attached, indicates that 6 developments totaling 46 residences were completed during FY 17/18. Two developments provided two affordable housing residences onsite. Four developments paid a total of \$1,213,122 in affordable housing fees rather than providing affordable residences onsite or offsite.

Developments in Construction

Table 1-E, attached, lists active building permits to determine the number of multifamily residences in construction as of June 30, 2018. Building permits remained active for 837 residences in 24 new multifamily developments. If all the developments are completed during a single reporting period, then 162 residences (19 percent) will be affordable, including 15 extremely low, 112 very low-, 27 low-income residences, and 8 moderate-income residences. However, due to varying construction periods, it is not possible to predict how many of the developments will be completed in FY 18/19.

Ten of the 24 developments under construction have opted to pay the in-lieu fee instead of providing affordable housing, representing approximately \$3.7 million of anticipated future funding for affordable housing. It should be noted that the tables report the permits as they existed on June 30, 2018. Characteristics of the construction projects may change before the buildings are finalized.

Developments with Planning Approvals

Table 1-F, attached, identifies twelve multifamily developments containing 399 residences that received planning approvals during FY 17/18. Six of the developments will provide a total of 24 affordable apartments, including 13 extremely low- and 11 very low-income residences. Four developments will pay the in-lieu fee to satisfy their affordable housing obligations and two will provide a total of 46 off-site apartments at 711 Colorado Avenue. The fees listed are estimates based on the current year's fee schedule. The developer will pay the fees that are in effect at the time the fees are paid. Developments that receive planning approvals are generally two to three years from completion.

Historical Data

Although Proposition R mandates are measured on an annual basis, the information in Table 1-G, attached, provides aggregate data for affordable housing production since the implementation of Proposition R. Cumulatively, the City is exceeding Proposition R's 30 percent affordable housing requirement. From FY 94/95 through FY 17/18, the aggregate percentage of affordable residences among all new multifamily residences constructed totals 38 percent, with 24 percent of the residences dedicated to very low- and low-income residents.

Table 1-G also shows that over 60 percent (1,217 out of 1,966) of the affordable housing constructed within the last 24 years was created with City housing trust fund loans to nonprofit organizations to subsidize affordable housing. Of the 12 years in which the 30 percent mandate was met or exceeded, the achievement in eight of those

twelve years is directly attributed to the City-funded housing developed by nonprofit housing organizations.

Conclusion

The City did not meet the requirements of Proposition R for FY 17/18, with four percent of completed multifamily residences designated as affordable. However, cumulatively, 38 percent of all multifamily housing constructed since the implementation of Proposition R is deed-restricted affordable housing. Regarding the failure to meet the Proposition R requirement, the Santa Monica Municipal Code Section 9.64.150 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.”

As discussed earlier in this report, the City Council took action during 2016 dedicating various one-time and recurring funds to the City housing trust funds to be used by nonprofit organizations to build more affordable housing. Additionally, the November 2016 voter approval of two Council-initiated ballot measures to fund affordable housing will provide ongoing annual revenue. The funding resources enhance the City’s ability to increase affordable housing production and meet the provisions of Proposition R. Table 1-G, attached, shows that housing trust funds have been the source for the majority of the City’s affordable housing. The annual report for Proposition I below shows that the increase in funding has allowed the City to approve loans for two new developments in FY 17/18, which will add 47 affordable apartments in Santa Monica.

PART 2: AFFORDABLE HOUSING MONITORING

After the affordable housing is built, the City monitors the housing to ensure that the AHPP property owners follow the rules in the Program Guidelines, and the tenants continue to qualify for their apartments. This part of the Proposition R report provides a description of the compliance monitoring process for Santa Monica’s deed-restricted inclusionary housing and a status update regarding the program outcomes. Compliance monitoring includes a review of the annual reports submitted by owners regarding current tenant household income and rent to ensure consistency and compliance with the property deed restrictions. Staff also evaluates the documentation of tenant

household income collected by owners to ensure ongoing eligibility.

In 2017, the City monitored a total of 1,086 affordable residences located on 136 properties throughout Santa Monica that have been created by for-profit developers pursuant to the AHPP or other inclusionary requirements. Ninety-nine percent of all inclusionary housing was in compliance with their deed restrictions in 2017.

Noncompliant owners, involving eleven households over six properties, were referred to the City Attorney's Office for enforcement. The 2018 compliance monitoring process was underway at the time this report was compiled and the results will be reported with the FY 2018/19 annual report.

Discussion

The two main components of AHPP compliance monitoring are reviewing annual reports submitted by apartment owners and evaluating tenants' household financial documentation. Each May, staff sends each property owner a reminder letter regarding the annual reporting requirements. Included with the letter is a questionnaire for each tenant to describe the amount and source(s) of annual household income. The letter includes owner login information to submit reports online and a reminder to collect income documentation for all adults in the household, including tax returns, bank statements, paystubs, financial asset valuations, and statements for any other benefits the household receives. Owners analyze the collected documentation and submit their annual reports to the City. Owners also transmit tenant documentation collected as part of the annual recertification.

An apartment owner's annual report is compared with the relevant deed restriction for each of the 136 inclusionary properties. The deed restrictions can vary in several respects, including the affordability requirements for the apartments, the income and rent limit protocols, requirements that tenants be referred from the City's waitlist, and the tenant selection method. Any discrepancies between the owner's annual report and the deed restriction are further evaluated to determine if there is non-compliance. Staff

works closely with owners and property managers to ensure understanding and compliance with the requirements of their particular property deed restriction.

Additionally, tenant household income documentation for each of the 1,086 households in the above-mentioned 136 properties is evaluated annually to determine if the household qualifies for the deed-restricted apartment. Staff sends follow-up requests for more documents in the event that households provide incomplete information, or the documents provided show potential unreported household income. Almost all property owners and affordable housing tenants cooperate with staff to document compliance with eligibility requirements.

Table 1-C shows the outcomes of the compliance monitoring program for recent years. In 2017, the reporting rate held steady for the second year in a row at 99 percent with one percent of affordable apartments failing to report and comply.

TABLE 1-C: Compliance Monitoring Outcomes

Year	Inclusionary Buildings	Total Affordable Apartments	Apartments Reported (% Compliance)	Apartments Non-Compliant (% of Total)	Voucher Holding Households (% of Total)
2014	129	1042	998 (96%)	44 (4%)	281 (27%)
2015	133	1070	1046 (98%)	24 (2%)	296 (28%)
2016	135	1077	1069 (99%)	8 (<1%)	292 (27%)
2017	136	1086	1075 (99%)	11 (1%)	314 (29%)

The AHPP anticipates that tenant household income will increase over the years of a tenancy. When household income increases beyond 140 percent of the income limit for the affordable apartment, owners are required to issue the household a one-year notice to move if there are no vacant apartments available for which the tenants qualify.

In 2017, the incomes of 31 households outgrew the income limits for their apartments. This is lower than past years: 44 households in 2016, 41 households in 2015 and 42 households in 2014 outgrew their income maximums.

To help offset staff costs for the above-described compliance monitoring, City Council adopted Ordinance 2385 (CCS) on [December 13, 2011](#) which requires an annual fee for compliance monitoring. Each November, property owners are invoiced for the monitoring fee based upon the number of affordable apartments on the property. Current annual fees are approximately \$153.07 per deed-restricted apartment.

Inclusionary housing monitoring is a year-round process that is continually being refined. Deed restrictions vary based on the date the apartments were constructed and have been improved upon over time to remove ambiguities. Continually improving the process and the required legal documents lessens the burden on owners and residents and protects and preserves the City's limited and valuable affordable housing resources.

Multifamily Developments Completed During FY2017-18

[July 2017-June 2018]

Address	Condos?	Total Units	Fee Option?	Fee Amount or Off-site Address	Non-profit	Onsite Affordable Apartments				Market	Offsite Affordable Apartments	Completed Date
						Extremely Low Income	Very Low Income	Low Income	Moderate Income			
1433 14th St.	<input checked="" type="checkbox"/>	19	<input checked="" type="checkbox"/>	\$891,115	<input type="checkbox"/>					19		11/13/2017
1455 04th St.	<input type="checkbox"/>	2	<input checked="" type="checkbox"/>	\$32,380	<input type="checkbox"/>					2		12/20/2017
1803 16th St.	<input checked="" type="checkbox"/>	10	<input checked="" type="checkbox"/>	\$166,669	<input type="checkbox"/>					10		3/12/2018
1750 10th St.	<input type="checkbox"/>	7	<input type="checkbox"/>		<input type="checkbox"/>			1		6		3/15/2018
1211 09th St.	<input checked="" type="checkbox"/>	5	<input type="checkbox"/>		<input type="checkbox"/>				1	4		3/26/2018
2316 03rd St.	<input checked="" type="checkbox"/>	3	<input checked="" type="checkbox"/>	\$122,958	<input type="checkbox"/>					3		6/19/2018
TOTALS		46		\$1,213,122		0	0	1	1	44	0	

<i>Number of Developments:</i>	6								
<i>Total Units:</i>	46								
<i>Total Affordable Units:</i>	2								
	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;">Extremely Low Income</td> <td style="text-align: center;">Very Low Income</td> <td style="text-align: center;">Low Income</td> <td style="text-align: center;">Moderate Income</td> </tr> <tr> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">1</td> <td style="text-align: center;">1</td> </tr> </table>	Extremely Low Income	Very Low Income	Low Income	Moderate Income	0	0	1	1
Extremely Low Income	Very Low Income	Low Income	Moderate Income						
0	0	1	1						

Proposition R Summary		
	<u>Requirement</u>	<u>Actual</u>
<i>Overall Affordability:</i>	30%	4%
<i>Low Income:</i>	15%	2%

*Moderate Income = Apartments reserved for households with incomes at 100% or 120% of the Area Median Income for Los Angeles County.
 Low Income = Apartments reserved for households with incomes at 55%, 60% or 80% of the Area Median Income for Los Angeles County.
 Very Low Income = Apartments reserved for households with incomes at 35%, 40%, 45% or 50% of the Area Median Income for Los Angeles County.
 Extremely Low Income = Apartments reserved for households with incomes at or below 30% of the Area Median Income for Los Angeles County.*

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.

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TABLE 1-D

Multifamily Developments In Construction as of June 30, 2018

Address	Condos?	Total Units	Fee Option?	Estimated Fee or Offsite Address	Non-Profit?	Onsite Affordable Units				Market	Offsite Affordable Apartments	Building Permit Issued
						Extremely Low Income	Very Low Income	Low Income	Moderate Income			
1621 Franklin St.	<input checked="" type="checkbox"/>	4	<input type="checkbox"/>		<input type="checkbox"/>				1	3		11/26/2013
2930 Colorado Ave.	<input type="checkbox"/>	356	<input type="checkbox"/>		<input type="checkbox"/>	3	35			318		4/26/2015
1038 Bay St.	<input checked="" type="checkbox"/>	2	<input checked="" type="checkbox"/>	\$201,388	<input type="checkbox"/>					2		12/22/2015
1423 Franklin St.	<input type="checkbox"/>	3	<input checked="" type="checkbox"/>	\$109,670	<input type="checkbox"/>					3		4/13/2016
2913 10th St.	<input checked="" type="checkbox"/>	3	<input checked="" type="checkbox"/>	\$219,832	<input type="checkbox"/>					3		6/28/2016
2919 Lincoln Blvd.	<input type="checkbox"/>	10	<input type="checkbox"/>		<input type="checkbox"/>		1			9		10/18/2016
2300 Wilshire Blvd.	<input checked="" type="checkbox"/>	30	<input checked="" type="checkbox"/>	\$1,397,792	<input type="checkbox"/>					30		12/15/2016
954 05th St.	<input checked="" type="checkbox"/>	3	<input checked="" type="checkbox"/>	\$274,011	<input type="checkbox"/>					3		12/21/2016
2323 28th St.	<input checked="" type="checkbox"/>	8	<input type="checkbox"/>		<input type="checkbox"/>				1	7		3/10/2017
1112 Pico Blvd.	<input type="checkbox"/>	32	<input type="checkbox"/>		<input type="checkbox"/>		4			28		3/16/2017
1626 Lincoln Blvd.	<input type="checkbox"/>	64	<input type="checkbox"/>		<input checked="" type="checkbox"/>	7	39	18				3/20/2017
1444 11th St.	<input checked="" type="checkbox"/>	8	<input type="checkbox"/>		<input type="checkbox"/>				2	6		3/21/2017
1533 11th St.	<input checked="" type="checkbox"/>	5	<input type="checkbox"/>		<input type="checkbox"/>				1	4		3/30/2017
723 Pier Ave.	<input checked="" type="checkbox"/>	2	<input checked="" type="checkbox"/>	\$171,208	<input type="checkbox"/>					2		5/2/2017
1329 California Ave.	<input checked="" type="checkbox"/>	3	<input checked="" type="checkbox"/>	\$335,643	<input type="checkbox"/>					3		6/1/2017
1927 18th St.	<input checked="" type="checkbox"/>	3	<input checked="" type="checkbox"/>	\$282,309	<input type="checkbox"/>					3		6/6/2017
1541 Franklin St.	<input type="checkbox"/>	5	<input type="checkbox"/>		<input type="checkbox"/>				1	4		7/31/2017

Multifamily Developments In Construction as of June 30, 2018

Address	Condos?	Total Units	Fee Option?	Estimated Fee or Offsite Address	Non-Profit?	Onsite Affordable Units				Market	Offsite Affordable Apartments	Building Permit Issued
						Extremely Low Income	Very Low Income	Low Income	Moderate Income			
1807 17th St.	<input checked="" type="checkbox"/>	6	<input type="checkbox"/>		<input type="checkbox"/>				1	5		9/12/2017
3008 Santa Monica Blvd	<input type="checkbox"/>	26	<input type="checkbox"/>		<input type="checkbox"/>		4			22		10/24/2017
1601 Lincoln Blvd.	<input type="checkbox"/>	90	<input type="checkbox"/>		<input type="checkbox"/>		14	4	1	71		1/18/2018
1641 Lincoln Blvd.	<input type="checkbox"/>	66	<input type="checkbox"/>		<input type="checkbox"/>	5				61		3/5/2018
1025 Euclid St.	<input checked="" type="checkbox"/>	5	<input checked="" type="checkbox"/>	\$348,570	<input type="checkbox"/>					5		3/27/2018
1560 Lincoln Blvd.	<input type="checkbox"/>	100	<input type="checkbox"/>		<input type="checkbox"/>		15	5		80		4/16/2018
212 Bay St.	<input checked="" type="checkbox"/>	3	<input checked="" type="checkbox"/>	\$321,590	<input type="checkbox"/>					3		6/12/2018
TOTALS:		837		\$3,662,012		15	112	27	8	675	0	

<p>Number of Developments: 24</p> <p>Total Units: 837</p> <p>Total Affordable Units: 162</p>	<p style="text-align: center;">Proposition R Summary</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;"><u>Requirement</u></th> <th style="text-align: center;"><u>Actual</u></th> </tr> </thead> <tbody> <tr> <td>Overall Affordability:</td> <td style="text-align: center;">30%</td> <td style="text-align: center;">19%</td> </tr> <tr> <td>Low Income:</td> <td style="text-align: center;">15%</td> <td style="text-align: center;">18%</td> </tr> </tbody> </table>		<u>Requirement</u>	<u>Actual</u>	Overall Affordability:	30%	19%	Low Income:	15%	18%
	<u>Requirement</u>	<u>Actual</u>								
Overall Affordability:	30%	19%								
Low Income:	15%	18%								

Moderate Income = Apartments reserved for households with incomes at 100% or 120% of the Area Median Income for Los Angeles County.
Low Income = Apartments reserved for households with incomes at 55%, 60% or 80% of the Area Median Income for Los Angeles County.
Very Low Income = Apartments reserved for households with incomes at 35%, 40%, 45% or 50% of the Area Median Income for Los Angeles County.
Extremely Low Income = Apartments reserved for households with incomes at or below 30% of the Area Median Income for Los Angeles County.

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.

Multifamily Developments w/Planning Approvals During FY2017-2018

Address	Condos?	Total Units	Fee Option?	Estimated Fee or Offsite Address	Non-profit	Onsite Affordable Units				Market	Off-site Affordable Apartments	Planning Approval Date
						Extremely Low Income	Very Low Income	Low Income	Moderate Income			
1900 20th St.	<input checked="" type="checkbox"/>	3	<input checked="" type="checkbox"/>	\$254,954	<input type="checkbox"/>					3		10/18/2017
2215 05th St.	<input checked="" type="checkbox"/>	2	<input checked="" type="checkbox"/>	\$184,189	<input type="checkbox"/>					2		10/30/2017
1325 06th St.	<input type="checkbox"/>	64	<input type="checkbox"/>	711 Colorado Ave.	<input type="checkbox"/>					64	16	12/12/2017
1430 Lincoln Blvd.	<input type="checkbox"/>	100	<input type="checkbox"/>	711 Colorado Ave.	<input type="checkbox"/>					100	30	12/12/2017
1441 Lincoln Blvd.	<input type="checkbox"/>	40	<input type="checkbox"/>		<input type="checkbox"/>		6			34		12/13/2017
601 Wilshire Blvd.	<input type="checkbox"/>	40	<input type="checkbox"/>		<input type="checkbox"/>		5			35		12/13/2017
2225 Broadway	<input type="checkbox"/>	16	<input type="checkbox"/>		<input type="checkbox"/>	2				14		1/10/2018
1450 Cloverfield Blvd.	<input type="checkbox"/>	34	<input type="checkbox"/>		<input type="checkbox"/>	3				31		1/10/2018
2903 Lincoln Blvd.	<input type="checkbox"/>	47	<input type="checkbox"/>		<input type="checkbox"/>	4				43		1/10/2018
1318 Lincoln Blvd.	<input type="checkbox"/>	43	<input type="checkbox"/>		<input type="checkbox"/>	4				39		2/7/2018
1244 14th St.	<input checked="" type="checkbox"/>	5	<input checked="" type="checkbox"/>	\$325,343	<input type="checkbox"/>					5		2/21/2018
401 Ocean Ave.	<input checked="" type="checkbox"/>	5	<input checked="" type="checkbox"/>	\$457,157	<input type="checkbox"/>					5		3/7/2018
TOTALS:		399		\$1,221,643		13	11	0	0	375	46	

<i>Number of Developments:</i>	<input type="text" value="12"/>										
<i>Total Units:</i>	<input type="text" value="399"/>										
<i>Total Affordable Units:</i>	<input type="text" value="24"/>										
	<table border="0"> <tr> <td></td> <td>Extremely Low Income</td> <td>Very Low Income</td> <td>Low Income</td> <td>Moderate Income</td> </tr> <tr> <td></td> <td><input type="text" value="13"/></td> <td><input type="text" value="11"/></td> <td><input type="text" value="0"/></td> <td><input type="text" value="0"/></td> </tr> </table>		Extremely Low Income	Very Low Income	Low Income	Moderate Income		<input type="text" value="13"/>	<input type="text" value="11"/>	<input type="text" value="0"/>	<input type="text" value="0"/>
	Extremely Low Income	Very Low Income	Low Income	Moderate Income							
	<input type="text" value="13"/>	<input type="text" value="11"/>	<input type="text" value="0"/>	<input type="text" value="0"/>							

Proposition R Summary:		
	<u>Requirement</u>	<u>Actual</u>
Overall Affordability	30%	<input type="text" value="6%"/>
Low Income	15%	<input type="text" value="6%"/>

Moderate Income = Apartments reserved for households with incomes at 100% or 120% of the Area Median Income for Los Angeles County.
 Low Income = Apartments reserved for households with incomes at 55%, 60% or 80% of the Area Median Income for Los Angeles County.
 Very Low Income = Apartments reserved for households with incomes at 35%, 40%, 45% or 50% of the Area Median Income for Los Angeles County.
 Extremely Low Income = Apartments reserved for households with incomes at or below 30% of the Area Median Income for Los Angeles County.

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

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

TABLE 1-G

Table 1: Cumulative Proposition R Achievements - Affordable New Multifamily Residences Completed Annually FY 94/95 through FY 17/18								
Reporting Period	Total	Market Rate	Affordable	Percent Affordable	Percent Very-Low and Low-Income Residences	City Funded Affordable	Percent Affordable City Funded	Prop R Compliance Achieved Due to City Funding
FY94/95	11	9	2	18%	18%	0	0%	No
FY95/96	0	0	0	0%	0%	0	N/A	No
FY96/97	108	10	98	91%	36%	95	97%	Yes
FY97/98	111	43	68	61%	40%	60	88%	Yes
FY98/99	168	22	146	87%	33%	91	62%	No
FY99/00	166	43	123	74%	72%	120	98%	Yes
FY00/01	420	311	109	26%	14%	20	18%	No
FY01/02	702	491	211	30%	22%	110	52%	Yes
FY02/03	212	211	1	0%	0%	0	0%	No
FY03/04	235	195	40	17%	12%	13	33%	No
FY04/05	55	29	26	47%	27%	0	0%	No
FY05/06	39	37	2	5%	0%	0	0%	No
FY06/07	272	186	86	32%	32%	85	99%	Yes
FY07/08	296	201	95	32%	32%	91	96%	Yes
FY08/09	537	289	248	46%	15%	82	33%	No
FY09/10	189	169	20	11%	7%	20	100%	No
FY10/11	134	126	8	6%	6%	0	0%	No
FY11/12	156	55	101	65%	2%	0	0%	No
FY12/13	483	237	246	51%	31%	145	59%	Yes
FY13/14	458	201	257	56%	56%	253	98%	Yes
FY14/15	157	127	30	19%	7%	0	0%	No
FY15/16	175	141	34	19%	19%	32	94%	No
FY16/17	100	87	13	13%	12%	0	0%	No
FY17/18	46	44	2	4%	2%	0	0%	No
TOTAL:	5,230	3,220	1,966	38%	24%	1,217	62%	Yes

* There were 1,270 apartments affordable to low- and very low-income households that were completed during the 24 years covered by this report, which is 24% of the 5,230 total apartments completed.

** Shaded blocks are years where requirements of Proposition R were met: 1) At least 30% percent of all multifamily housing completed be affordable to and occupied by low- and moderate-income households; and 2) at least one-half of the total affordable housing completed be affordable to and occupied by low-income households. Both requirements were met in 11 of 24 years.

*** The table may display updated results that were not reflected in previous annual reports.

ATTACHMENT 2:
Proposition I – FY 17/18 Annual Report

In 1998, Santa Monica voters approved Proposition I, which limits to the amount of affordable housing that the City government can finance. The limit equates to one half of one percent (1/2 of 1%) of the number of all homes in Santa Monica at the end of the previous year (plus carryover authority from previous years). Staff report to the City Council every year showing that the City has not funded more affordable housing than is allowed under Proposition I. This attachment is the Annual Report for Fiscal Year 2017/2018 (“FY 17/18”), covering the period between July 1, 2017 and June 30, 2018.

Background

Proposition I added Article XXI to the City Charter. Article XXI determines the number of affordable residences that the City is authorized to acquire, develop, or construct each year (Section 2110 of the City Charter). The formula for determining the annual authority, as mentioned above, is equal to one-half of one percent (1/2 of 1%) of the total number of residences in Santa Monica that existed on the last day of the prior fiscal year. The City has four years to use that authority, so the total authority is one half of one percent of the number of homes existing at the end of the previous year, plus any unused authority carried over from the three previous fiscal years. Authority is used when the City makes a funding commitment or approves plans for affordable housing using City funds. Expired authority represents authority unused within a four-year period (the initial year, plus three years of ‘rollover’.)

Discussion

Proposition I Compliance

The City was authorized to finance the creation of 1,053 affordable apartments in FY 17/18. The City used housing trust funds to finance 47 affordable apartments at 1342 Berkeley Street and 1820 14th Street. The City is therefore in compliance with Proposition I for FY 17/18.

Calculating the Proposition I Limitation

The first step in determining the City's limit for financing new affordable housing in FY 18/19 involves the number of Santa Monica homes that existed on June 30, 2018.

On June 30, 2017, there were 52,817 residences in Santa Monica. During FY 17/18, 47 residences were demolished and 101 residences were constructed. As a result, there were 52,871 residences in Santa Monica on June 30, 2018.

Number of Residences on 6/30/2017:	52,817
Minus Residences Demolished in FY 17/18:	- 47
Plus Residences Constructed in FY 17/18:	+ 101
Number of Residences on 6/30/2018:	52,871

Proposition I Financing Limitation for FY 18/19

The 52,871 residences that existed on 6/30/2018 give the City new authority to finance 264 additional affordable apartments in FY 18/19 (1/2 of 1% of 52,871 = 264).

The City's total authority for FY 18/19, shown in Table 2-A below, is determined by:

1. Beginning with the City's previous authority to finance 1,053 affordable residences in FY 17/18,
2. Subtracting the 47 apartments funded by the City in FY 17/18,
3. Further subtracting the 215 additional units of authority that rolled over into FY 17/18 but then expired at the end of that year, and then
4. Adding the 264 units of new authority for FY 18/19. As a result, the City's maximum FY 18/19 authorization for the acquisition, development, or construction of affordable residences is 1,055 residences (1,053 – 47 – 215 + 264).

TABLE 2-A

Prop. I Annual Authority Calculation

[per Section 2120 of City Charter]

FY 2017-18

<i>FY17/18 Total Authority:</i>	1,053
<i>Authority Used During FY17/18:</i>	(47)
<i>Expired Unused Authority at June 2018:</i>	(215)
<i>Carryover Authority FY15/16-17/18:</i>	791
<i>Plus FY 18/19 New Authority:</i>	264
<i>Grand Total FY 18/19 Authority:</i>	1,055

List of Developments Utilizing Prop. I Authority for FY 17/18

Affordable Housing Address	Project Type	# of Units	Date of Commitment or Planning Approval *
1342 Berkeley St. (new)	New Construction	8	10/23/2017
1820 14th St.	New Construction	39	11/9/2017
Total # of Units:		47	

* Whichever occurred first, per Section 2110 of the City Charter.

Proposition I reporting involves only those affordable housing developments in which the City's direct financial participation was initiated during the previous fiscal year. However, affordable housing finance and development is a multi-year process, and a one-year snapshot does not reflect the full scope of the pipeline of City-financed affordable housing. Tables 2-B and 2-C below show the status of 85 affordable apartments that have been counted toward Proposition I in the past few years which are in various stages of development.

Summary of Annual Authority Used and their Development Status

From FY 01/02 through FY 17/18, the City funded the acquisition, development, or construction of 1,127 affordable apartments. A total of 1,042 apartments were completed and 85 are in various stages of development. The following table shows the annual authority utilized each year and the current status of those affordable housing developments.

TABLE 2-B Summary of Annual Authority Used FY 01/02 to FY 17/18						
<i>Year of Authority</i>	<i>Total Authority</i>	<i>Authority Used</i>	<i>Authority Expired</i>	<i>Authority Remaining</i>	<i>Units In Progress as of June 2018</i>	<i>Units Completed as of June 2018</i>
FY 01/02	498	159	0	339	0	159
FY 02/03	589	175	0	414	0	175
FY 03/04	664	47	0	617	0	47
FY 04/05	869	46	71	752	0	46
FY 05/06	976	28	117	831	0	28
FY 06/07	965	41	222	702	0	41
FY 07/08	821	188	209	424	0	188
FY 08/09	769	225	64	463	0	225
FY 09/10	1003	13	10	980	0	13
FY 10/11	975	46	239	690	0	46
FY 11/12	962	64	161	737	0	64
FY 12/13	1031	0	126	905	0	0
FY 13/14	1035	0	257	778	0	0
FY 14/15	1040	10	257	773	0	10
FY 15/16	1045	12	248	785	12	0
FY 16/17	1050	26	247	777	26	0
FY 17/18	1053	47	235	771	47	0
Totals		1,127			85	1,042

The following table lists the City-financed affordable housing properties in progress.

TABLE 2-C: Pipeline of City-Financed Affordable Housing				
<i>Year of Prop. I Authority</i>	<i>Development</i>	<i>Number of Units</i>	<i>Status</i>	<i>City Funding Source</i>
FY 15/16	2621 26 th Street 2622 26 th Street 2627 26 th Street	12	In Rehabilitation	Citywide Housing Trust Fund
FY 16/17	1616 Ocean Avenue 419 Ocean Avenue	26	In Rehabilitation	TORCA Housing Trust Fund
FY 17/18	1342 Berkeley Street	8	Predevelopment	Citywide Housing Trust Fund
FY 17/18	1820 14 th Street	39	Predevelopment	Citywide Housing Trust Fund
Total Units in Pipeline		85		

Footnote for Tables 2-B and 2-C:

- * A commitment from Fiscal Year 08/09 to rehabilitate 17 apartments at 1616 Ocean Avenue has been removed. The project has been combined with a rehabilitation of 419 Ocean Avenue under a new commitment for Fiscal Year 16/17 to rehabilitate a combined 26 apartments on the two properties.