



Planning Commission Report

Planning Commission Meeting: August 7, 2013
Agenda Item: 8-B

To: Planning Commission
From: Francie Stefan, Strategic and Transportation Planning Manager
Subject: 2013-2021 Housing Element, Release of Public Review Draft

Recommended Action

Staff recommends that the Planning Commission review and provide comments to City Council on the first draft of the 2013-2021 Housing Element, and recommend transmittal of the draft to the State Department of Housing and Community Development (HCD).

Introduction

This report presents the first draft of the 2013-2021 Housing Element, required by State law to be adopted within 120 days of October 15, 2013, the beginning of the state-mandated Housing Element planning period. The draft Housing Element is essentially an update of the current Housing Element that retains the same goals and objectives that guide the City's commitment to high quality housing for a diverse community, with an emphasis on efforts to produce affordable housing units and retain affordability and access to housing for households at all income levels. The 2013 Housing Element has been updated with an enhanced format and reorganization of some components. The proposed draft (Attachment A) has been developed to meet California State legal requirements and is subject to review and certification by the State Department of Housing and Community Development (HCD).

After the first draft is reviewed by both the Planning Commission and the City Council, it will be forwarded to HCD for its initial review. The formal review process for the Final Draft Housing Element will then take place, with hearings anticipated by the end of this year.

Background

Timing

The Council adopted the City of Santa Monica's 2008-2014 Housing Element in November 2008 and it was certified by the State in January 2009. Although there is still more than one year left in the planning cycle, the State legislature advanced the next housing element period (October 10, 2013 through June 2021) in order to coincide with the timing for developing the region's long range transportation plan, the Regional Transportation Plan/Sustainable Communities Strategy (RTP/SCS). The RTP/SCS links regional land use with transportation investments throughout Southern California to address challenges of climate change, livability and mobility. The RTP/SCS that SCAG adopted on April 4, 2012, met the State requirements to show how its programs and projects would reduce

greenhouse gas emissions through integrated land use and transportation planning. SCAG followed up by adopting the Regional Housing Needs Assessment (RHNA) on October 4, 2012, based on the data input for the RTP/SCS. The RHNA was certified by HCD on November 26, 2012. State law requires that jurisdictions adopt their new Housing Elements within 12 months of SCAG's RHNA adoption, with a grace period of 120 days.

Staff began preparation of Santa Monica's Housing Element update in April 2012, retaining Karen Warner Associates, a consultant with expertise in California State housing law, as an advisor. Over the past year, the Strategic and Transportation Planning Division, assisted by a working group of City staff involved in the planning and provision of housing and housing-related services, has collected and analyzed data, reviewed the effectiveness of 2008-2014 Housing Element programs, conducted a community participation process, assessed the current state of the City's housing and housing-related programs, and prepared the draft plan.

Public Outreach

The first outreach phase for developing the Housing Element took place between July and November 2012, consisting of presentations on State housing element requirements, emerging data trends, the RHNA and the City's preparation schedule. Presentations were made to the following bodies with a request for input and comment:

- Commission for the Senior Community
- Planning Commission
- Disabilities Commission
- Commission on the Status of Women
- Rent Control
- Social Services Commission
- Housing Commission
- Stakeholders Roundtable
- Chamber Land Use Committee
- Neighborhood Councils Monthly Meeting

The issues raised by participants are summarized in Table 1-2 in Housing Element Chapter 1 (Introduction). They cover a wide range of topics, such as: unit size and variety, housing needs for senior and for persons with disabilities; women's issues, homelessness, housing subsidy vouchers, the future of affordable housing production, preserving and monitoring existing affordable housing, workforce housing, rent control, neighborhood quality of life, parking, amenities to support housing, environmental features, the RHNA, and requests for certain types of data to be included in the document. Table 1-2 in the draft plan also indicates the objectives and programs that address these issues in the document.

Previous Planning Commission Action

The Planning Commission discussed the Housing Element on [July 25, 2012](#), at the outset of the outreach process. As noted in Appendix D of the proposed draft, Commissioners brought up a number of concerns and issues related to: the preparation process, the types and sizes of units that are needed to provide for a diverse community, future sources of

funding for affordable housing, affordable housing incentives, and outreach. One member of the public spoke in regard to non-profit construction of affordable housing and prioritizing lower income households with higher affordability needs.

Information about the process has been posted and updated on the project website: www.smgov.net/housingelement, which includes the proposed draft.

The Regional Housing Needs Assessment (RHNA)

A core component of the Housing Element is a response to the requirements of the Regional Housing Allocation contained in the RHNA, a State-mandated process that determines the amount of future housing growth for which each city and county must plan in order to be prepared for a fair share of statewide population change.

The RHNA process begins with the California Department of Housing and Community Development's (HCD) projection of future statewide housing need, and apportionment of this need to regional councils of government throughout the state. SCAG is the regional council for the counties of Los Angeles, Orange, Imperial, Riverside, San Bernardino and Ventura and allocates a share of affordable housing to each county and city within its region. For the 2014-2021 RHNA period, applicable to this Housing Element, the City of Santa Monica was assigned an allocation of 1,674 units. This allocation is more than 250% higher than the 2008-2014 RHNA allocation of 662 units. Of the 1,674 units, the RHNA specifies that 974 (58%) are to be affordable units targeted to households meeting defined criteria for incomes ranging from extremely low through moderate. This allocation contrasts sharply with the allocations to other Westside Cities that were lower than the previous RHNA. Santa Monica appealed the draft RHNA allocation to SCAG, but the appeal was denied.

The Housing Element is required to identify a sufficient number of sites with appropriate zoning and market potential to accommodate the construction of the RHNA allocation number of housing units in the jurisdiction. Jurisdictions are not required to actually construct all units to comply with the RHNA, but must identify "suitable sites" and demonstrate feasibility for building housing in these locations for all economic segments of the community. The tool that is used to meet this requirement is known as the "Suitable Sites Inventory," and is explained below.

The Housing Element Incorporates the LUCE

The 2010 Land Use and Circulation Element (LUCE) created a framework to integrate housing with existing and future transit investment. The anticipated completion of the Exposition Light Rail line into Santa Monica by 2016, including three Santa Monica stations, creates opportunities for developing affordable and market rate housing within walking distance of transit. The LUCE created new housing potential near the stations by re-designating former industrial areas near Bergamot Station and Memorial Park into mixed-use districts and setting housing as a priority on high-capacity transit corridors, such as Wilshire and Pico Boulevards. Income-restricted affordable housing is a high priority in transit-oriented districts because living near public transit can reduce household transportation costs and increase mobility, as well as contribute to the City's goal of no net new PM peak hour trips.

Current Housing under Consideration or Construction

Current development in the City is primarily in mixed-use, commercial districts consistent with the LUCE goals for conservation of existing neighborhoods. A review of projects in the city that have been approved, in construction or getting building permits shows that twenty projects consisting of 1,239 units (at a mix of income levels) can count toward the RHNA target for the next cycle. Ninety-three percent of these units are located in the mixed-use commercial areas, and provide 407 deed-restricted affordable units. A total of 25 applications are currently pending that propose to provide a mix of market rate and affordable units near transit, although some of these are currently inactive applications. Most of the projects require development agreements, for which additional affordable and workforce housing, beyond the level already required by the AHPP, may be included as community benefits.

The Housing Element includes a program to work with affordable housing providers and employers to explore opportunities to form partnerships and find ways to close the funding gap so that 100% affordable projects near transit can succeed. Additionally, some affordable housing is expected to be included in every new residential development through AHPP requirements, development agreements and entitlement incentives.

Organization of Document

The draft Housing Element is organized into the following chapters:

- *Introduction* (Chapter 1): provides the State and local context for the document and summaries of the community outreach process and research methods and sources.
- *Housing Plan* (Chapter 2): sets forth the goals, objectives and programs, highlighting some of the most significant goals, including the quantified objectives for housing production and rehabilitation, and the City's broad range of services that support the City's long-term commitment to making housing policy a priority.
- *Housing Needs Assessment* (Chapter 3): provides demographic and housing data that describe the characteristics and needs of the community and form the basis for analysis in the document.
- *Potential Constraints on Housing* (Chapter 4): presents the State-required analysis of governmental and non-governmental constraints to housing production and conservation.
- *Housing Resources* (Chapter 5): analyzes available resources for building and subsidizing housing and presents the required suitable sites analysis.
- *Review of Past Performance* (Chapter 6): reviews the City's implementation of the programs included in the current 2008-2014 Housing Element.

The Housing Element includes four appendices: (A) the Suitable Sites Inventory; (B) a list of permitted projects in process; (C) a complete list of housing-related goals in the LUCE and (D) meeting summary notes from the Housing Element public outreach process.

Discussion

Housing policy in the City of Santa Monica has long focused on the goals of maintaining affordability, protecting renters and producing additional affordable housing units to meet the needs of a diverse community. This fundamental direction has not shifted. In a variety of actions over the past few years, Council has consistently directed staff to prioritize affordable housing and address issues such as homelessness, tenants' rights, housing that is affordable to the next generation of Santa Monicans and to those that work in the City, and the special housing needs of populations such as persons with disabilities and seniors. This staff report discusses some of the key additions and clarifications due to City initiatives and the funding environment within the overall continuity of existing policies.

While commitment to continue providing affordable housing has not waived, the circumstances in which the City of Santa Monica must now operate its housing programs have changed. A change impacting the viability of City programs that help produce and subsidize housing for lower income households is the elimination of Redevelopment Agency (RDA) funds. The City will continue to work with the State and other municipalities to set in place new opportunities for funding in the future, but the Housing Element must respond to the current environment with realistic objectives that reflects what is considered feasible. For instance, the draft proposal sets an objective to rehabilitate or assist with minor repairs for a total of 100 units for low income households, compared with the program objectives in the current housing element to rehabilitate 350 units and assist 250 low income households with minor repairs. The previous objective reflected an assessment in 2008 that the goal was feasible and realistic based on available RDA funding.

The programs proposed in the draft Housing Element place more emphasis on exploring and advocating for new funding sources in partnership with non-profit housing developers. The elimination of RDA funds for housing is a statewide concern, and many communities face the same situation as Santa Monica as they try to meet housing needs for lower income households that require generous subsidies. To date, bills to enable alternative funding strategies like infrastructure finance districts or to create State housing funds that would prioritize urban infill and transit-oriented neighborhoods (TOD) have been introduced but ultimately not signed into law. It is widely expected that these efforts will continue, buoyed by the recovering economy, and Santa Monica's smart growth policies may help to make funding applications more competitive. Additionally, the State remits back to the City a portion of the property taxes formerly allocated to the RDA, and the City could choose to direct some of these funds toward affordable housing development. Over the period of the Housing Element, the City will work to fund and rebuild a robust affordable housing production program.

In the meantime, proposed new market-rate development will yield some affordable housing in the City, as developers comply with the Affordable Housing Production Program (AHPP) or build additional units as negotiated through a development agreement. Most of these units will be in mixed-use, walkable neighborhoods as the City implements its 2010 Land Use and Circulation Element (LUCE), which has a strong transit-oriented direction.

The draft Housing Element provides the community with a fresh perspective offered by the 2010 Census data, including insight into demographic trends in terms of age, economic status, racial diversity, household types and other indicators. The data demonstrate the importance of planning for more housing options for seniors and lower and middle income families.

Key Components of the 2013-2021 Draft Housing Element

While goals and objectives largely remain the same in the draft Housing Element, the following summarizes components of the plan that have been modified from the current housing element:

- All of the 2008-2014 goals have been retained; however, two were consolidated to eliminate redundancy, and objectives moved. The document has been formatted to include improved data presentation and readability.
- LUCE housing-related goals and objectives are incorporated, reflected by adjustments in program language that is more specific regarding housing in transit-oriented environments and potential incentives that may be explored to encourage workforce housing.
- Sites Inventory for RHNA compliance is based on identification of properties in mixed-use districts near transit rather than potential capacity in residential districts.
- The Housing Element provides suitable sites for the RHNA allocation of 1,674 units, which is 250% higher than the previous 2008-2014 RHNA allocation of 662 units); a quantified objective of 1,346 new housing units is proposed.
- A lowered quantified objective for rehabilitation/minor repair assistance (100 units compared to 600 units in 2008-2014) is proposed based on available resources.
- Updates reflect Measure RR, the 2011 tenant protection ordinance, City sustainability initiatives, and AHPP amendments since 2008. This includes Council's recent AHPP revision of income and rent levels and inclusion of an "extremely low income households" category.
- The draft identifies 12 existing affordable housing projects totaling 1,014 units that have affordability covenants with pending expiration dates within the next ten years, making them potentially "at risk" of converting to market rate rents. (The previous planning period included only two such projects.) The proposed draft discusses that the City employs other tools to avoid loss of affordability, such as through extension of covenants and loan conditions.
- The following objectives and programs have been removed or revised:
 - Homebuyers Assistance Program (removed)
 - Senior Homeless Prevention Program (consolidated into housing voucher program)
 - TORCA (removed)
 - Office Mitigation Program (replaced with other mitigation fee consideration)
- The following objectives and programs have been added:
 - Quantified objective added for conservation of at-risk affordable units
 - Programs for persons with disabilities, including: intent to pursue specialized housing vouchers, support for developing appropriate housing to meet needs, and intent to consider supportive action for State legislation.

Methodology for demonstrating compliance with the RHNA

Demonstrating the availability of suitable sites for the RHNA (1,674 units) relies on two tools. The primary tool, as required by State Law, is the Suitable Sites Inventory, a list of specific properties with appropriate zoning and market potential for construction of new

housing units. The methodology of the Inventory must be clearly shown and explained. The entire inventory is included as Housing Element Appendix A, and the methodology is explained both in the appendix and in Chapter 5 (Housing Resources).

The Suitable Sites Inventory must include sufficient properties to satisfy the State requirement, but should not be interpreted as a definitive list locating all properties on which housing might be developed. In order to be consistent with the LUCE principle of locating housing near transit, the areas chosen for analysis to create the inventory include Downtown, the Bergamot Plan area, the Memorial Park plan area, and key activity centers on commercial corridors. Within these areas, the properties chosen for inclusion were based on objective criteria including:

- Sufficient lot size
- The potential for housing development based on the area's maximum permitted floor area ratio
- Properties for which an application that includes housing units is currently pending, but not yet approved.

In order to determine the potential for development on the listed properties, some assumptions were made including:

- A likely potential residential component was assumed, varying from 40% to 80% depending on the district, based on the characteristics of recent projects and pipeline proposals.
- The potential number of units was calculated based on an average unit size of 1,000 square feet (gross).
- For pending projects, in order to avoid overestimating the potential number of units for the Inventory, the proposed numbers of units in pipeline projects were reduced, since it is not uncommon that the number of units is reduced between the time of original application and the actual construction.

The second tool for RHNA compliance is an analysis of projects that have already received discretionary permit approval and as such are already considered to be entitled. These projects are either in the process of receiving building permits or have begun construction. There are 1,239 such units identified (Housing Element Appendix B), with the most recent approval being in the Downtown area at 1318 Second Street. These projects can be reasonably expected to complete construction by 2021, the end of the Housing Element period and count toward meeting the RHNA target. Some of the more significant entitled projects include the Civic Center Village, High Place II, and Step up on Colorado. Altogether, currently entitled projects are anticipated to deliver 33 extremely low, 210 very low, 205 low income and 11 moderate income units, (459 affordable units total), in addition to market rate units.

After consideration of the units in entitled projects, the Suitable Sites Inventory must demonstrate capacity for the remaining 521 units. As detailed in Appendix A of the draft

Housing Element, there is sufficient potential within mixed-use areas for this number of units based on the above criteria and assumptions.

Quantified Objective

The quantified objective is the City’s statement of the number of housing units that it anticipates will be constructed within its borders during the Housing Element period. This number does not have to be equivalent to the RHNA, but should be explained and justified if it differs. State law recognizes that the RHNA target can exceed available resources and cities’ ability to satisfy the need. The proposed draft Quantitative Objective (QO) is 1,346 units; it incorporates the RHNA objectives for very low (214), low (263) and market rate (700) units, and proposes lower objectives for the moderate and extremely low income categories. The table below shows the RHNA allocations and QOs by income category:

Quantified Objective: Units in Construction and Units Remaining through 2021			
Household income category	2014 – 2021 RHNA	Proposed Quantified Objective	Units With Planning Permits OR IN CONSTRUCTION*
Extremely Low	214	58	33
Very Low	214	214	210
Low	263	263	205
Moderate	283	111	11
Above Moderate	700	700	780
Total	1,674	1,346	1239
<small>*SOURCE: City of Santa Monica Strategic & Transportation Planning Division</small>			

To put the proposed QO into perspective, the fluctuation in the RHNA allocation between the previous and current cycles must be understood. For the 2008-2014 Housing Element, the RHNA allocation was a total of 662 units and was well within the projected range of anticipated housing production during the relevant period. The City accepted the RHNA as its QO, including all affordable housing units. However, Santa Monica has now been tasked with considering a RHNA allocation of 1,674 housing units, 250% more than the last RHNA, during a time of dwindling resources for assisting affordable housing production. The proposed QO of 1,346 is approximately twice that of the 2008-14 Housing Element, even though it is less than the current RHNA, representing a substantial commitment to providing housing at all affordability levels and ensures that Santa Monica contributes its fair share toward meeting the region’s housing needs.

The primary consideration in setting the QO for extremely low income units (58) is the anticipation that, at least for the next few years, resources necessary to achieve the high level of subsidy required for constructing these units will be very limited. At the same time, the City aspires to find funding for extremely low income housing, so a reasonably realistic goal of one small-scale project in the next eight years, in addition to the 33-unit project currently under construction, was established.

The moderate income housing objective is proposed to reflect Planning Commission and Council direction to pursue incentives to develop housing that is affordable to the City's workforce, and particularly for larger households. Providing housing options at the moderate income level is a component of the larger strategy to reduce commuting trips by providing housing near employment. The proposed QO for moderate units (111) anticipates that it is reasonable to expect that City policies and incentives may result in 100 more units being constructed in the next eight years, in addition to the 11 currently under construction.

Analysis of Potential Constraints

State law requires local jurisdictions to assess whether there are any constraints imposed by local government on the maintenance, improvement or development of housing and to consider removing any such constraints that impede a jurisdiction from achieving its fair share of regional housing need. Constraints caused by non-governmental factors, for instance the cost of land, must also be identified. Draft Housing Element Chapter 4 discusses these potential constraints, concluding that the City's regulatory structure and housing programs do not operate as constraints as demonstrated by the construction of units that met the 2008-14 quantitative objective and 1,239 more approved units in the pipeline.

Programs to accommodate persons with disabilities including developmental disabilities

State Housing Element law [Government Code Section 65583(a)(7)] requires an analysis of special housing needs for persons with disabilities. The Government Code was amended effective January 2011 by SB 812 to require jurisdictions to consider also specifically the needs of persons with developmental disabilities. Data on the City's population that experiences developmental disabilities was received from the Westside Regional Center and objectives and programs specifically reference supporting their needs.

Based on State law and input from Commissioners and members of the public, the policies regarding issues related to housing for persons with disabilities have been re-examined and strengthened. The proposed draft includes objectives and programs to support and encourage construction of appropriate housing to foster more independent living, provide housing vouchers for persons with disabilities, and ensure reasonable accommodations both for adaptation of homes and for tenants to request from their landlords.

The draft Housing Element also includes a policy to explore ways to match the units that have been designed for persons with disabilities with households that include a member who needs those accommodations. This is not necessarily a straightforward issue, as there are many legal and administrative regulations governing the distribution of affordable housing, but the policy is proposed to explore and examine ways to connect more people with the housing that they require.

Next Steps

Following the Planning Commission's discussion and comments, the draft Housing Element will be presented to the City Council, and the draft will be transmitted to the State Department of Housing and Community Development (HCD). HCD is required by law to reply with comments within 60 days. Staff will revise as necessary and bring forward a Final Draft Housing Element for Commission recommendation and Council adoption by the end of the year. Additional outreach is planned during the HCD/CEQA review period. This is anticipated to include presentations to Commissions and community groups.

The Housing Element is then required to be resubmitted to HCD for certification following adoption by the Council.

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Attachment

A. Housing Element 2013-2021 Public Review Draft, July 2013