



City of Culver City

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Staff Report

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CC:HA - (1) Discussion of New Affordable Housing Programs and Incentives; and (2) Direction to City Manager/Executive Director as Deemed Appropriate.

Meeting Date: March 12, 2018

Contact Person/Dept: Tevis Barnes, CDD/ Housing Division
Sol Blumenfeld, CDD

Phone Number:

Fiscal Impact: Yes ☐ No ☒

General Fund: Yes ☐ No ☐

Public Hearing: ☐

Action Item: ☒

Attachments: Yes ☒ No ☐

Commission Action Required: Yes ☐ No ☒ **Date:**
Commission Name:

Public Notification: (E-Mail) Meetings and Agendas - City Council (03/06/18); St. Joseph Center (02/06/18); Upward Bound House (02/06/18); Committee on Homelessness (01/ 17/18); and Landlord Tenant Mediation Board (01/31/18).

Department Approval: Sol Blumenfeld, Community Development Director/ Assistant Executive Director, Housing Authority (02/12/18)

RECOMMENDATION

Staff recommends the City Council and Housing Authority Board (1) discuss the proposed affordable housing programs and incentives; and (2) provide direction to City Manager/Executive Director as deemed appropriate.

BACKGROUND:

With the elimination of redevelopment, the City Council has expressed interest in examining alternatives for incentivizing the production of low, moderate and workforce housing in the City in order to address the problem of housing affordability. The median home value of a two bedroom, single family home is \$1,055,100 and the median sales price of a two bedroom single family is \$825,300. The median price of a home sold five years ago (2013) was \$595,000 which reflects an increase of 38.66% over the last five years. This average price far exceeds federal and state standards for affordability which are set at \$129,700 for a low income household and \$280,000 for a

moderate income household. In Culver City, a two bedroom unit rents from \$2,500 to \$3,000 per month and a three bedroom unit rents for \$3,000, however the affordable rent for a low income household is \$875 per month and \$1,603 per month for a moderate income household. These rents are consistent with Westside housing costs in general and make it increasingly difficult to afford to live in Culver City.

The problems of housing affordability also affect the business community. In a series of recent City-hosted roundtable meetings, Culver City businesses expressed their concerns that affordable housing development should be a City priority. In Culver City, there are approximately 45,340 employees and only 16,958 housing units, which indicates the need for significant additional housing in order to satisfy potential City housing demand. According to the 2013-2021 Culver City Housing Element, the current jobs to housing ratio in Culver City is 2.67 jobs for each dwelling unit. This imbalance exacerbates housing prices since there are limited units for sale or rent.

Responding to the extraordinary costs of housing, the City Council convened a “World Café” style discussion in January 2017 to promote a “Community Conversation on affordable housing and homelessness¹ with panelists providing background and their perspective on:

- Local mechanisms to encourage affordable housing production
- Homelessness
- Expanding the role of the Landlord-Tenant Mediation Board

The event was well attended and there was spirited discussion regarding the best ways to generate and preserve affordable housing and address the problems of homelessness. The ideas expressed during the Community Conversation have informed the program recommendations describe below and in the attached Program Summary Matrix.

DISCUSSION:

The proposed affordable housing programs are intended to provide a menu of options that have been organized into five areas and range from market driven incentives to mandatory requirements as follows:

1. Land Use Planning/Policies and Zoning
2. Alternative Housing Types
3. Taxation and Financial Incentives
4. Neighborhood Revitalization and Housing Preservation

5. Homeless Prevention

6. On Going Programs

Land Use Planning/Policies and Zoning

1. Reduced Dwelling Unit Size and Parking Requirements -The Mixed Use Ordinance provides the opportunity to develop affordable housing along the City's major commercial corridors. By combining "Community Benefits" in the Mixed Use Ordinance and State Density Bonus Law it is possible to create a density incentive to produce affordable and market rate housing units in a mixed use development.¹ Staff is also proposing that the Mixed Use Density Ordinance be amended to reduce the minimum dwelling unit size and allow parking reductions for low, moderate and workforce housing units as a further development incentive. The City Council recently authorized parking reductions by City Council resolution and added affordable housing as an allowable Community Benefit density incentive for affordable housing production in the Transit Oriented Development District and these measures can be adopted citywide.²

2. Inclusionary Zoning - On September 29, 2017, the State authorized creating affordable housing units through inclusionary zoning with the adoption of AB 1505. The City Council may wish to consider new Inclusionary Housing Programs. Inclusionary Housing Programs require that a percentage of new residential housing units be reserved for low and moderate income households. Inclusionary housing is most likely to be constructed in commercially zoned mixed use developments where there is potential for higher density, though it could also be developed in multifamily residential zones.

The number of inclusionary units is established as a percentage (often between 10% to 30%) of the total units in the development. Inclusionary housing programs offer developers of small residential projects, and projects with fractional unit requirements, with the option to pay an in-lieu fee, or provide a combination of fee and units, rather than providing the units on-site. Fees collected would be deposited in a proposed Culver City Low Moderate Income Housing Fund (CCLMIHF) to fund the City's affordable housing programs.

3. Administrative Approval of Affordable Units - The Zoning Code requires discretionary approval for more than three dwelling units and commercial projects (including mixed use projects) in excess of 5,000 square feet of gross floor area. Staff recommends that administrative approval be established for affordable housing developments of up to 20 dwelling units when 25% of the units qualify as low and moderate income housing.

Alternative Housing Types

4. Manufactured Housing, Motel Reuse, Shipping Container Housing Studies- Study alternative housing types to create new affordable housing units. The studies can be prepared over a one year period and look at alternative housing costs, siting potential and implementation measures for each type.
5. Alternative Regional Homeless Sheltering- Investigate the use of temporary canopy tensile structures that can be installed on public open space and provide seasonal protection from inclement weather at a fraction of the cost and time to produce a permanent building. Westside cities would need to agree to study potential locations in their respective cities and provide the temporary sheltering on a rotating basis and jointly share the cost to purchase, install and maintain and operate the structures annually.

Financial Incentives

6. Employer Affordable Housing “Tax Credit” Study - Larger employers have a vested interest in attracting and retaining employees by ensuring they have affordable housing close to their workplace. The City may want to study how to advance business interests in providing affordable housing by offering a tax credit incentive to construct or subsidize affordable units. The tax credit would be offered to employers who agree to contribute the tax credit proceeds into the proposed Culver City Low Moderate Income Housing Fund (CCLMIHF). The City can offer this program to larger companies that want to invest in the construction, acquisition/rehabilitation or subsidy of workforce housing. The Housing Authority can administer deposits into the CCLMIHF and use them to subsidize affordable unit construction or provide affordable housing rental subsidies. The employer can have the option to specify projects it chooses to subsidize subject to Housing Authority approval. The establishment of the tax credit program must be more fully vetted by the City’s Finance Department and the City Attorney.
7. Enhanced Infrastructure Financing District (EIFD)/SB628 - SB 628 (Beall) authorizes the creation of a new governmental entity called an Enhanced Infrastructure Financing District (EIFD). One or more of these districts may be created within a city or county and used to finance the construction or rehabilitation of a wide variety of public infrastructure and private facilities including affordable housing units. For example, in San Francisco an EIFD was used to construct a light rail station and related transit oriented development (TOD) affordable and market rate housing. Additionally, just recently the City of La Verne took 18 months to establish an EIFD to support infrastructure for the Gold Line Station and a mixed-used development that includes both market-rate and affordable housing units. The City of Carson is also in the process of forming an EIFD for infrastructure improvements.

As detailed above, an EIFD may fund these facilities and development with the net property

tax increment proceeds and any taxing agencies (cities, counties, special districts, but not schools) must consent to the transfer of the funds. To establish an EIFD, a city does not have to conduct a blight study and the district is not required to be contiguous. Once a city determines the areas of the EIFD and develops a list of capital improvement projects, a submission is made to the county entity of that jurisdiction. The county entity functions as a partner with the city entity and affirms the EIFD. The average timeframe to develop an EIFD is 18 months which include both the county and city approval process and a public noticing/review requirement of 60 days. The state has not shown opposition to the formation of EIFDs and finds them consistent with sustainability and affordable housing.

8. Establishment of New Culver City Low/Mod Income Housing Fund - Establish a new Culver City Low/Moderate Income Housing Fund (CCLMIHF) to assist affordable housing projects and/or to provide rental subsidies in newly constructed affordable housing projects. The initial CCLMIHF funds are comprised of the Educational Revenue Augmentation Funds (ERAF) loan to the former Culver City Redevelopment Agency which is being reimbursed by the State over the next 5 fiscal years ending in 2022/23 and must be used for affordable housing purposes. These funds total \$30 million and can be supplemented with in lieu inclusionary housing fees or Employer Affordable Housing Tax Credits, if approved.
9. Waiving Permit Fees for Affordable Units - This program would waive the permit fees of affordable housing units. Fees waived by the City may range from \$12,000 to \$19,000 per door. A similar program was approved by resolution for the Globe Affordable Ownership Housing Project in an amount of \$200,000.

Neighborhood Revitalization / Housing Preservation

10. Neighborhood Preservation Grants/Senior Health and Safety Grants - The City/Housing Authority has previously offered small grants to assist low and moderate income residents with deferred maintenance work on their homes. The grants are offered at up to \$5000 per property. \$2000 grants can be offered to low/moderate income seniors and disabled to address health and safety issues to support aging in place.
11. Jackson Building Rehabilitation - Funding for deferred building maintenance for the CCHA's Jackson Building. The maintenance costs are funded from property rental proceeds.
12. Braddock Building Rehabilitation- The Housing Authority leases to Home Ownership Made Easy (HOME) a series of bungalow style-homes on Lafayette/Braddock for persons with

developmental disabilities. Due to deferred maintenance and a need to modify the bathrooms to ADA standards, funds will be provided for rehabilitation.

Homeless Prevention/Measure H Funds

13. Utility/Rent Catch-up Grants, Security Deposits, Signing Bonus, Damage Claims - Many households are one paycheck away from homelessness. This program is designed to assist household experiencing a temporary economic hardship to prevent eviction and loss of housing through the provision of rent and utility catch-up grants. These one-time grants would assist up to 10 households with up to \$1,000 for rent and \$500 for utility payments. Payment will be made directly to the property owner or utility company. The Housing Division will work with Upward Bound House and St. Joseph Center to identify participants and to connect with supportive services.

For homeless and rental assistance households, competing in the open market for housing units is extremely difficult, the program will also assist with security deposit of up to \$1,500, damage claims up to \$1,500 and provide a signing bonus to property owners who agree to rent to homeless and rental assistance participants.

14. Measure H/Homeless Planning Grant - As part of Measure H funding which is designed to enhance supportive services to the homeless throughout Los Angeles County with the enactment of a quarter cent sales tax, Culver City was awarded \$50,000 under the Homeless Planning Grant Program. These funds will be utilized to update and enhance the City's current Homeless Strategies which were adopted by the Council over 10 years ago. A consultant will be retained to work in concert with Housing Division staff and the Committee on Homelessness to continue the Community Conversation on Affordable Housing to inform the update and enhancement of the current homeless strategies.
15. Rapid Re-Housing Program/County of Los Angeles Homeless Initiative - As part of the Homeless Initiative adopted by the Los Angeles County Board of Supervisors, the Rapid Re-Housing Program was designed to assist household experiencing homelessness due to economic hardship by temporarily assisting with rental assistance to allow the household to address the circumstances that resulted in their homeless status. The Rapid Re-Housing Program focuses on assisting displaced households move more quickly back into permanent home environment with appropriate services and support, minimizing the time spent in shelter or on the streets. Through a contract with the County of Los Angeles Department of Mental

Health (DMH), the City will contribute up to \$1,000 per month to assist five households and the DMH will pay the balance of a household's rent up to one year. The supportive services will be provided through DMH. The program provides both rental and supportive services for up to 18 months.

16. Re-use Underutilize Motel/Motel Conversion- As both a housing and economic development tool, Housing proposes through a request for proposal (RFP) to provide seed money to a not for profit homeless and/or affordable housing developer to locate and establish a capital fund to convert an underutilized motel to an emergency or permanent housing with supportive services for homeless children and their families. This will not only help to address blight and nuisance and provide economic stimulation but will also provide much needed housing for a very vulnerable population. The proposed seed funding is in the amount of \$1 million.

On Going Programs

17. Section 8 Housing Choice Voucher Program (HCVP) - The Section 8 HCVP is a Federal rental subsidy program designed to create affordable housing opportunities for extremely-low, very-low and low-income households through the provision of rental subsidies. A household selects rental housing from the open market and pays up to 40 percent of their total gross income towards the contract rent of the unit. The balance of the rent is paid by the Authority directly to the property owner. Culver City has offered the Section 8 HCVP since the 1970's and participating Section 8 HCVP properties are located throughout the City.
18. Rental Assistance Program (RAP) - The RAP program was designed to supplement the Section 8 HCVP and provide rental assistance to up-to-moderate income Culver City residents. The RAP program was primarily funded with the former Housing Set Aside Fund. This program discontinued the acceptance of new applicants in 2015 and the established waiting list was also closed due to the dissolution of the former redevelopment agency. In 2015, the Council elected to allow the program to wind down through attrition and only elderly and disabled households remain on the program. The program size has decreased from 54 participants in 2015 to the current size of 19 households.
19. Covenant Monitoring - Enforcement of the income and rent restricted covenants of 430 affordable housing units. These units include five group homes (total occupancy of 30 persons), 29 Mortgage Assistance Program, 190 senior housing units, 23 assisted senior housing units, 81 mobile home units, and 77 multi-family housing units. Covenant monitoring is conducted on an annual basis and commences in November each year.
20. Homeless Outreach/Upward Bound House (UBH) and St. Joseph Center (SJC)³ - Through three-year contracts with UBH and SJC, the City provide outreach and connection to the Coordinated Entry System (CES) for chronic homeless individuals and homeless families. The chronic homeless are referred to SJC and homeless families are referred to UBH. Children

and their families experiencing homelessness and homeless children attending Culver City schools are provided temporary housing and case management with the assistance of UBH. The SJC Homeless Outreach Team provides four days of homeless outreach and referral to supportive services and housing. The SJC contract also includes 70 nights of emergency motel vouchers to assist with temporary shelter while awaiting emergency or permanent housing.

21. Landlord Tenant Mediation Board (LTMB): Expansion of Scope and Increased Awareness/Outreach Regarding Mediation Services - One of the topics of the Community Conversation on Affordable Housing was Expansion of the scope of the LTMB. From the Community Conversation on Affordable Housing it was felt the LTMB should expand to consider habitability issues, lease violations and conditions of the rental unit. In addition, an ordinance would be enacted which would require landlords to add a provision to every lease (or addendum) informing tenants of mediation services available and require the landlord to include a notice of availability of mediation services along with any rent increase notice. The LTMB has considered these issues and, with the authorization of the City Council, is ready to move forward with discussing amendments to the Culver City Municipal Code and LTMB Bylaws, as applicable, and making recommendations to the City Council.
22. Mortgage Assistance Program (MAP) - The Housing Division continues to oversee and monitor the MAP program which was designed to provide closing costs and down payment assistance to first time up-to-moderate income households. This program was discontinued in 20 due to the high costs to purchase a home in Culver City. There are 29 active covenant restricted units with 14 households with outstanding loan balances. These loan balances total \$617,940 and translates to approximately \$10,000 per year in revenue for the Housing Division.

CONCLUSIONS

The above menu of affordable housing program options range from market incentives to mandatory requirements. Some of the programs may be implemented immediately through code amendments and others such as tax incentives or the formation of financing districts require further study. Given the scope of new development currently underway and the favorable prospects for continued housing development in the City, there is a good opportunity now to address the problems of housing affordability by proceeding with the Housing Program recommendations.

FISCAL IMPACT

There is no fiscal impact to the discussion of the proposed housing programs. In the event the City Council and Housing Authority Board provide further direction with regard to various proposed code amendments or financial incentives, the fiscal impact of those programs will be discussed when those items return to City Council/Housing Authority Board at a future meeting.

ATTACHMENTS:

1. Program Summary Matrix
2. Implementation Summary Matrix
3. Levels of Affordability/Rent Limits
4. Levels of Affordability/Income Limits

MOTIONS:

That the City Council and Housing Authority Board:

1. Discuss options for new affordable housing programs and incentives; and
2. Provide direction to City Manager and Executive Director as deemed appropriate.

NOTES:

1. Affordable Housing Density Incentives

Density Incentives are established under the Community Benefits requirements in the City's Mixed Use development Ordinance as set forth in Culver City Municipal Code Section 17.400.065.E.3 (Mixed Use Ordinance). Density bonus incentives are also established in California Government Code Sections 65915 through 65918 and implemented by CCMC Chapter 17.580 (collectively, Density Bonus Law);

The proposed density incentives combine the Community Benefit provisions of the Mixed Use Ordinance with Density Bonus Law. A density bonus is an increase in the number of residential units (or nonresidential square footage on a mixed use development parcel) beyond what the zoning allows. Communities can adopt zoning regulations to allow a density bonus above what is normally permitted on a development site in exchange for the provision of a percentage of below-market-rate housing units.

Density Bonus Law allows a density bonus to be applied to housing developments that provide affordable housing units. The density bonus for affordability may only be applied one time, as part of the project entitlements. The density incentives would generally apply to the City's major commercial corridors where mixed use development is permitted

Calculating Density Bonus

Combining the "Community Benefits" provision under the City's Mixed Use Ordinance with the State Density Bonus Law, the total allowable density that could be achieved is 35% above the base density of 50 dwelling units per acre (or 65 units per acre within the TOD District). The Community Benefits are approved by City Council resolution and have included additional parking, open space, streetscape improvements and affordable housing. In general, these density incentives would establish an upward density threshold of 87 units per acre within designated areas on standard commercial lots. The number of affordable units is determined by the total number of additional units that can be provided. Given the maximum allowable density, the density bonus will generally allow up to five affordable units on one-half-acre sites and up to nine affordable units on one-acre sites. The actual number of units will vary given lot size and required mixed use development setback and step back requirements.

Developer Concessions Under Density Bonus Law

Density Bonus Law requires a defined number of "concessions" or "incentives" to be provided as part of a density bonus application. In addition, development standards relief must be provided by the permitting agency when the project cannot be constructed due to physical constraints. The concessions may be pre-approved by the permitting agency by resolution.

The City's financial consultant, Keyser Marston Associates (KMA), has prepared a financial analysis on the measures required to lever affordable units in a market priced development and found that for a typical three-lot assembly of standard commercial lots, another floor level yields up to eight units, and three of the total units may be required to be restricted to very-low income households at a statutorily defined affordable rent. In order to provide these affordable rents, additional project density is required. The extra density can only be achieved by increasing building height one full story and/or through the combination of reduced building setbacks and step backs and increased building height for part of the floor level.

The State of California enacted Sections 65915-65918 which require cities and counties to provide increased density and up to three zoning concessions for providing a mandatory percentage of affordable housing units. When an applicant proposes a housing development within a jurisdiction, local government must provide the applicant incentives or concessions for the production of housing units as prescribed in the State Planning and Land Use Law. Some cities and counties in California have required developers to demonstrate the economic necessity of incentives to achieve affordable housing objectives. Burbank, Glendale, Long Beach, Santa Monica and Los Angeles County, among other jurisdictions, require project applicants to account for their requested incentives. Local government must grant a density bonus and at least one concession or incentive identified when:

- Ten percent of the total units of a housing development are reserved for lower income households as defined in Section 50079.5 of the Health and Safety Code.
- Five percent of the total housing units are reserved to very low income households as defined in Section 50105 of the Health and Safety Code.
- A senior citizen housing development, as defined in Section 51.3 and 51.12 of the Civil Code, or mobile home park that limits residency based on age requirements for housing for older persons pursuant to Section 798.76 or 799.5 of the Civil Code.
- Ten percent of the total dwelling units in a condominium project as defined in Section 4100 of the Civil Code for persons and families of moderate income per Section 50093 of the Health and Safety Code, provided that all units in the development are offered to the public for purchase.

Concession or incentive means any of the following:

- a. Reduction in site development standards or a modification of zoning code requirements or architectural design requirements that exceed the minimum building standards approved by the California Building Standards Commission as provided in Part 2.5 (commencing with Section 18901) of Division 13 of the Health and Safety Code, including, but not limited to, a reduction in setback and square footage requirements and in the ratio of vehicular parking spaces that would otherwise be required that results in identifiable, financially sufficient, and actual cost reductions.
- b. Approval of mixed use zoning in conjunction with the housing project if commercial, office, industrial, or other land uses will reduce the cost of the housing development and if the commercial, office, industrial, or other land uses are compatible with the housing project and the existing or planned development in the area where the proposed housing project will be located.
- c. Other regulatory incentives or concessions proposed by the developer or the city, county, or city and county that result in identifiable, financially sufficient, and actual cost reductions.
- d. "Development standard" means any ordinance, general plan element, specific plan, charter amendment, or other local condition, law, policy, resolution, or regulation.
- e. Fee waivers

2. Affordable Housing Unit Production through Density Incentives

Based upon recent survey of the City's commercial corridors, there are approximately 678 lots which present good opportunities to be developed separately or assembled with adjacent lots for development. The size of mixed use developments vary with the size of the lot(s) assembled in the project and the proximity of the project to abutting residential development because the Mixed Use Ordinance requires certain building setbacks and step backs from abutting residential land uses to mitigate development impacts. This effectively reduces the developable floor area of the project. Depending upon the number of lots assembled, the amount of density bonus applied and the building location, building size will range from approximately 14,000 sq. ft. to over 80,000 sq. ft. for larger developments on properties of several acres. Not all properties can be expected to be

redeveloped in the near-term since housing production occurs in development cycles related to the availability of financing, the state of the financial markets and area housing supply and demand which affects when older commercial and industrial property are recycled for new development. The density incentives could potentially provide approximately 1,000 affordable units.

3. Homeless Prevention Programming

From the 2017 Homeless Count, 227 people were found experiencing homelessness in Culver City. While the total number of people experiencing homelessness in Culver City increased 85% from last year, the total number of unsheltered people increased by 150% and for the first time since the start of the homeless census, an unsheltered family of four was identified.

Looking at all the Housing programming that will assist the homeless, the total projected funding amount in one year is \$348,441. Both the SJC and UBH specially served the homeless. The other programs focus more on homeless prevention so the participant may or may not be homeless when they first apply for assistance. Regarding Section 8, number served provided below is a projected number. The average rental subsidy is \$6,000 per year times 5 households gives the amount of \$30,000. The Section 8 figure is a projected number.

With total funding for the year at \$348,441 divided by the numbered served at 686 the amount is approximated \$508 per persons/households served per year.

The chart below details homeless services and homeless prevention services per year:

Agency/Program	Funding	#'s Served/Contacts
St. Joseph Center	\$123,441	366
Upward Bound House	\$130,000	298
LA County Rapid Re-Housing	\$30,000	5
Homeless Prevention	\$35,000	12
Section 8 Rental Assistance	\$30,000	5
Total	\$348,441	686