

## Dear Planning Commissioners,

Inclusionary helps address the urgent need for affordable housing, at no cost to the city. Pasadena is becoming unaffordable for most teachers and city workers, not to mention those in work in hotels, restaurants, etc. With the median housing cost topping \$900,000 and the average rent at \$2400 per month for an apartment, working and middle class people are finding it increasingly difficult to live in our city. An increase in commuters is exacerbating our traffic problems. Two thirds of our homeless population are on the streets because of rising housing costs. Public subsidies for affordable housing are hard to come by, so asking the private market to supply a percentage of affordable units or in lieu fees to create affordable units is one of the national best practices today. Pasadena's inclusionary housing policies have been on the forefront, demonstrating courageous leadership by producing units despite the risk of lawsuits. This great policy can be even greater with the continued leadership of the Planning Commission. Inclusionary policies play a fundamental role in limiting traffic and preserving the social and economic diversity within communities and providing sorely needed affordable units.

**What is feasible to maximize the effectiveness of this policy?** The Inclusionary Zoning Working Group (IZ) of the Greater Pasadena Affordable Housing Group (GPAHG) requests that the Planning Commission to consider the feasibility of the following suggested changes to Pasadena's Inclusionary Housing Policy.

### **Summary:**

#### **1. Increase the Inclusionary set aside:**

##### a) 25% in all areas of the city except TOD's, as follows:

EXTREMELY LOW: 5%    VERY LOW: 5%    LOW: 7%    MODERATE: 8%    TOTAL = 25

We have done a preliminary feasibility analysis of this and the profit margin is still over 13% return, with section 8 subsidy applied to the extremely low option. The Holly Street Apartments are a good example of including some Section 8.

##### b) 30% within a quarter mile of TOD's as follows:

EXTREMELY LOW: 6%    VERY LOW: 6%    LOW: 9%    MODERATE: 9%    TOTAL = 30%

Santa Monica and Hawaii both have 30% set aside in their policies. It is the policy of Metro that any of their land have 35% affordability. With the windfall of land cost due to increased densities, plus the significant investment of public transportation, it is only fair that a sizeable percent of TOD sites provide a higher percent of affordable units. The logical place for lower income units is in TOD sites where ridership is among those who are likely not to have or need a car.

The approved Pasadena Housing Element calls for the city by 2016 to explore two different set aside percentages, for TOD sites and the rest of the city.

The gentrifying and displacing power of TOD sites has moved Denver and Seattle to create special funds to achieve TOAH—Transit Oriented Affordable Housing.

##### c) For both TOD and non-TOD sites, for-sale developments would have: 25% @ moderate-income ownership units or low-income rental units.

#### **2. Achieve a higher percent of units and Integrated Housing, across the spectrum of incomes.**

Developers must provide a mix of units and the full percentage of set aside units. No credits, (trade downs) or lower percent of units allowed to be set aside in exchange for very-low or low-income units. Even in the case of state density bonus, the full 25% (and 30% in TOD) sites must be achieved. The mix of units must be at the various income bands as listed in Item 1 above.

There is one exception to this, to allow a calculation based on the number of bedrooms to accommodate more families. This is especially important considering the decrease in PUSD enrollment. A three bedroom unit can be considered as 1.5% of a unit when calculating the overall 25% or 30% set aside.

#### **3. Provide a broader menu of incentives.**

Allow for even less parking requirements than is already permitted in the case very low income, including exemption of any parking for extremely low income. This will also further address traffic concerns. And in the case of mixed-use complexes allow for day/night uses of shared parking spaces, especially in TODs. Provide incentives with a shared electric car and charging stations, where resident and sign-up for its use. One underground parking space is about \$30,000, thus minimizing parking save a developer money and incentivizes more affordable units. Section 8 can also off-set the cost of a extremely low income.

#### **4. Change the policy to begin at 8 units or more and have developments of 2-7 units either provide a unit or pay a fee.**

#### **5. We agree with the results of city's nexus study that the in-lieu fee must be increased. We ask that be adopted on Oct. 15 and done so retroactively to those projects now doing preliminary reviews. We believe that the new fee structure, once passed does not need to be revisited in the feasibility study. We would lose sorely needed inclusionary in lieu fee dollars**

*by delaying this vote. But we have one caveat, that all projects opting to pay the fee, must still include at least one fourth of the full required percent of set aside units. (Chicago's IZ is set up this way)*

Why the fee is so important: With this fee, a total of 691 affordable units (not including the 533 inclusionary units developed) have been assisted consisting of new production projects (176 units) and rehabilitation/affordability preservation projects (515 units). With an increased fee, the city can preserve and produce even more affordable units to help address the severe housing crisis, with 49% of the city spending more than 50% of their income on housing and house the 677 persons experiencing homelessness.

**6. Offsite units must be built concurrently with the primary market-rate project.** This is presently in the ordinance, but we want to reinforce this to allow no exceptions.

**7. Offsite Option: require developers to increase affordable units by an additional 25% and place the units into a newly formed Community Land Trust once developed.** This will assure long term affordability.

**8. Approval process improved to allow more public input, or prevent loss of potential city revenue:**

- a) In lieu fee use for the off-site development must come through Pasadena's Affordable Housing Trust Fund so that it can be leveraged, thus allowing the off-site developer to achieve the goal an additional 25% units required for off-site development.
- b) Off-site responsibility for assuring the completion of the units, including insurance for the off-site units must be retained by primary developer, but they can contract with a different developer to build the off-site units.
- c) IZ Policy exemptions must include provisions for public input with adequate (e.g. 30 day) notice.
- d) IZ Policy exemptions must be approved by both Planning and once approved, a newly formed Affordable Housing Commission which is comprised of citizens, community leaders, and city government representatives.

**9. Monitoring the Units**

The city is doing a good job of monitoring the units, but it can be burdensome and take time away from efforts to preserve and produce more affordable housing stock. Therefore we recommend that a task force be formed to create a city initiated Community Land Trust (CLT) and later spin it off as was done in the city of Irvine. The benefits of a CLT are as follows:

- a) The CLT will monitor IZ rental units to assure that they remain affordable in perpetuity. Additionally the CLT will assure that ownership units remain owner-occupied, affordable and well maintained to uphold their resale value. The CLT will save the city money by taking on these responsibilities.
- b) A CLT will provide a mechanism for the homeowners and owners of affordable housing developments to place homes into the trust in order to preserve affordability in perpetuity so that when expensive covenants and HUD deals are mature, and they have been placed in the trust, these subsidies are not lost.

**10. Allow units to be built in project area B.** The average home price in NW Pasadena is pushing \$800,000. This area no longer has an over-concentration of affordable housing, but the opposite. Due to a lack of affordable housing, long-term residents are being displaced. Right now the densities in project area B are too low to allow inclusionary projects. This area either needs to be up-zoned in transportation corridors so that some inclusionary projects are possible or also given the opportunity to have off site IZ projects (or both)

**11. Include Condo Conversions as part of the inclusionary housing ordinance.** When an apartment owner decides to convert units into for-sale condos, 30% must be affordable with first right of refusal for existing residents, and the levels of affordability determined within the 30% designed to help retain existing residents. Sufficient time to allow for credit repair, obtain down payment assistance, and other tools must be in place to assure a meaningful and genuine opportunity for existing residents to consider purchasing their unit. This helps the city to reach their goal to prevent displacement. In the case of condo conversions, on-site affordable and in lieu fees options are not applicable. Additionally, these units would not necessarily be placed into the CLT, this would be discretionary choice on the part of the apartment owner. (Page E-12 Pasadena Housing Element describes the city's goals to wed condo conversions to the inclusionary policy in order to prevent displacement.) Page E-10 of the Pasadena HE states that:

*"...many older and modestly priced apartments are being converted to condominiums. Approximately 800 units have converted since 2001, with an increase in applications in recent years. While providing more affordable ownership opportunities, residents are still being displaced."*