

**HOUSING AFFORDABILITY  
TASK FORCE**

**FINAL REPORT  
TO THE  
PASADENA CITY COUNCIL**

Approved by the Task Force May 6, 2003

Meeting of 6/9/2003  
Agenda Item No. 7.C.2

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## INTRODUCTION

This report presents the recommendations of the Housing Affordability Task Force created by the Pasadena City Council in early 2002. Its "charge", briefly stated, was to provide policy and program recommendations to the City Council that would:

- Increase the preservation, production and livability of affordable housing in Pasadena, and
- Increase the effectiveness as well as the awareness of the City's current housing programs.

The final report is organized into four sections.

1. The first section provides background into the formation of the Task Force.
2. The second section discusses housing production goals for the City that were set forth by the Task Force. The Task Force felt that the City should set goals that would require a "stretch" on the part of City staff and funders.
3. The third section includes the specific recommendations made by the Task Force with background information on each. These recommendations are organized according to the "charge" the City Council assigned to the Task Force.
4. The final section includes a list of 20 additional items. The Task Force determined that these items need additional attention. However due to the nine-month time limitation of the Task Force, members were not able to have in-depth discussions on these items. They are organized in order of importance, with the most important items listed first.

The Task Force met twice a month for nine months, beginning in September 2002, and concluded its work in May 6, 2003. Although the Task Force voted, after extended deliberations and public comment, not to support rent control as one of its recommendations, certain Task Force members who support rent control submitted a minority report, which is made a part of this report. There is also an appendix that includes all of the meeting minutes and handouts from the Task Force meetings.

The Task Force expresses its appreciation to the Pasadena City Council for the opportunity to serve on the Task Force and to examine ways to increase the availability of affordable housing in this community.

## EXECUTIVE SUMMARY

### **Charge**

When the Pasadena City Council established the Housing Affordability Task Force, it also approved the following “charge” or work program for the Task Force:

1. Identify opportunities to cooperate with regional housing advocates and other cities to expand affordable housing opportunities throughout the west San Gabriel Valley.
2. Recommend strategies to increase awareness and education about affordable housing programs, development, and financing tools.
3. Identify potential sites for affordable housing to ensure dispersion throughout the City and suggest methods of promoting projects.
4. Propose specific programs and resources for the creation and preservation of low and moderate income (ownership & rental) housing in Pasadena especially for families and persons with special needs.
5. Identify hindrances in the City’s approval process and land use regulations for development of a variety of housing projects, as well as incentives for participation in affordable housing programs by the private sector.
6. Analyze and recommend how specific programs such as rent control, permitting “granny flats” (and other programs the task force may identify) impact housing affordability and neighborhood character in the City of Pasadena.
7. Review how effective current programs are and, if not, how they might be made more effective.

### **Recommendations**

In the course of its work over nine months commencing in September 2002, the Task Force developed 22 recommendations. The Task Force concluded that all of the recommendations were important to increasing housing affordability in Pasadena. It determined that four of the recommendations should be considered by the City Council by September 2003. The four recommendations (which are described in detail in this report) are:

- **CREATE A JOINT POWERS COMMISSION** - Allow affordable housing developments to have an expedited approval process through a new Joint

Powers Commission. A new commission would be established to create a "one-stop" approval commission for affordable housing developments.

- **INCREASE FEE WAIVERS FOR AFFORDABLE HOUSING DEVELOPMENT** - Increase the number and types of fees that are waived for housing development projects to include Development Review Fee, Grading/Shoring Permit Fee, Residential Development Impact Fee (includes Parks and Recreation Fee), Sewer Connection Fee, Water Connection Fee and Excavation Permit Fee.
- **CREATE A SECOND UNIT ORDINANCE** - As a way to increase the housing availability in Pasadena the Task Force recommends the City Council amend the General Plan to include a second unit ordinance. The Task Force determined that second units might increase availability and density while maintaining the character of single-family neighborhoods.
- **INCREASE TENANT PROTECTIONS** - The Task Force recommends expanding the outreach, accessibility and related services of agencies that provide housing rights services to tenants. In addition, the Task Force recommends that mediation be promoted if tenants are asked to vacate without fault. The Task Force recommends that the City Council adopt an ordinance that requires landlords to give tenants 90 days notice if they raise the rent more than 10% per year. The same notice would be required if the landlord plans to evict the tenant due to the demolition of the building or unit.

The Task Force characterized three of the recommendations as having significance over the long-term. Complete descriptions of these recommendations are included in the report. The three recommendations (which are described in detail in this report) are:

- **BUILD THE CAPACITY OF LOCAL AFFORDABLE HOUSING DEVELOPERS** - Build the capacity of affordable housing developers in the San Gabriel Valley, especially those in Pasadena. The City of Pasadena would lead an effort to identify needs, secure resources and implement training and technical assistance.
- **PROMOTE AND SUPPORT FEDERAL, STATE AND LOCAL HOUSING POLICY AND LEGISLATION** -The City of Pasadena would position itself to be a proactive force in affordable housing policy advocacy and legislative action in the region. This would include focusing on federal, state and local legislation that would provide incentives for the development of housing affordability.

- CONTINUE TO SUPPORT MAKING HOUSING A PRIORITY BY THE SAN GABRIEL VALLEY COUNCIL OF GOVERNMENTS (SGVCOG) - City of Pasadena to continue its work with the SGVCOG to place a priority on housing affordability issues, especially for low, very low and moderate-income people.

## **Housing Affordability Task Force Final Report**

### **1. Background**

In recent years, the City of Pasadena has focused planning efforts and other studies on housing needs and availability, with particular reference to this community's experience—which is shared by many other communities in southern California and, indeed, throughout the nation—of rapidly escalating housing prices. These efforts related to an update to the City's housing element of its General Plan, to regular reporting requirements for the City's various housing programs, and to the difficulties created by increasing housing costs for community members of lower income.

In a City that celebrates cultural diversity and benefits from an adequate supply of workers at all levels of employment skills, increasing housing costs jeopardize Pasadena's way of life and force persons of lower income or with special housing needs to consider seeking housing outside of Pasadena.

The greatest need in terms of numbers of housing units demanded relate to "workforce housing", which is housing that is affordable to persons with good jobs, but whose income does not allow buying or renting in the inflated housing value environment that exists in Pasadena.

In 2001, the Pasadena City Council adopted an inclusionary housing policy, which had the purposes of increasing availability of affordable residential units, and also encouraging their dispersal around the City. The ordinance requires that 15% of residential units constructed (or improved by substantial rehabilitation) be provided as "affordable housing".

In this report, "affordable" housing refers to housing which is available for ownership or for rent to persons at moderate, low and very-low income levels. These are terms that are used by HUD and are based on the median income level for Los Angeles County. For example, the definition of a very low-income household is one that earns 50% of median income. In the City of Pasadena, a very-low income family of four would earn \$28,200 per year. If the family chooses to rent, they can afford a monthly rent of \$700 per month. This \$700 is based on the family paying 30% of their income towards rent, which is the industry standard. If the same family chose to purchase a home, they could afford a mortgage of \$106,000 (assuming a 30-year mortgage at 7% interest).

A low-income family is one earns 80% of median income. Using the same assumptions, a four-person low-income family would be \$45,100, and they could afford monthly rent of \$1,130 or a mortgage of \$169,000. The chart on the following page summarizes the different income levels and the rents and mortgages they can afford.

INCOME CATEGORY	ANNUAL INCOME	MONTHLY RENT	MAXIMUM MORTGAGE
Very-low income	\$28,200	\$700	\$106,000
Low income	\$45,100	\$1,130	\$169,000
Moderate income	\$64,800	\$1,620	\$243,500

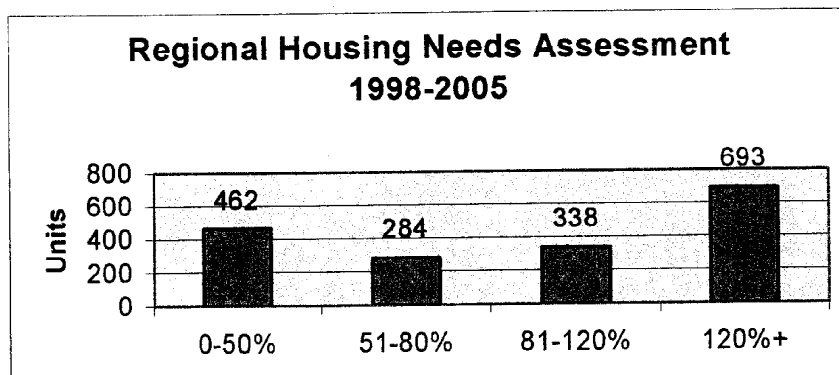
In broad terms, the City of Pasadena strongly supports increasing the availability of affordable housing. It recognizes the importance of allowing working families to reside in the community in which they work, and wants to respond to the housing requirements of persons with special housing needs, such as seniors on limited income, persons with disabilities, and other persons of lower income.

## 2. Housing Production Goals

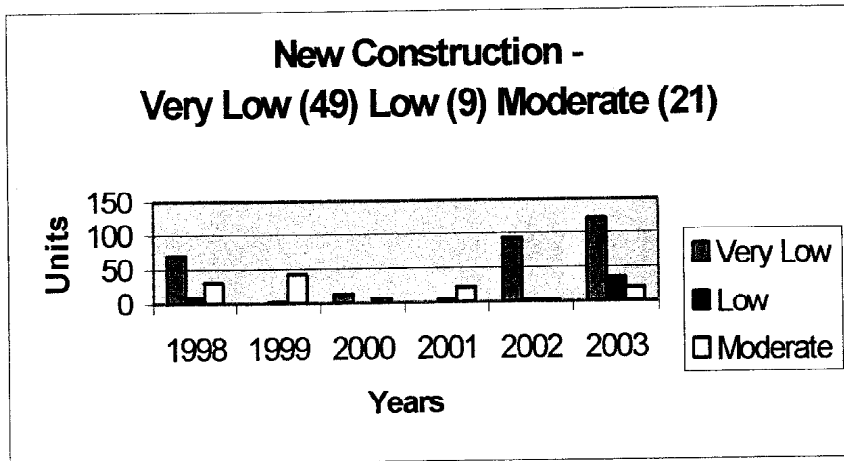
The Task Force felt that it was also important to set numeric goals for affordable housing development over the next five years. The goals represent what the Task Force determined are a "stretch" for City staff to complete, an increase in the annual average of City sponsored affordable housing units. The specific recommendations listed in this report are tools to assist the City in meeting these numeric goals.

The Task Force also noted that housing affordability is not one of the seven guiding principles list in the City's General Plan. The Task Force sees housing affordability as one of the most important principles of the City. The Task Force urges the City to include housing affordability as one of the seven guiding principles in the General Plan

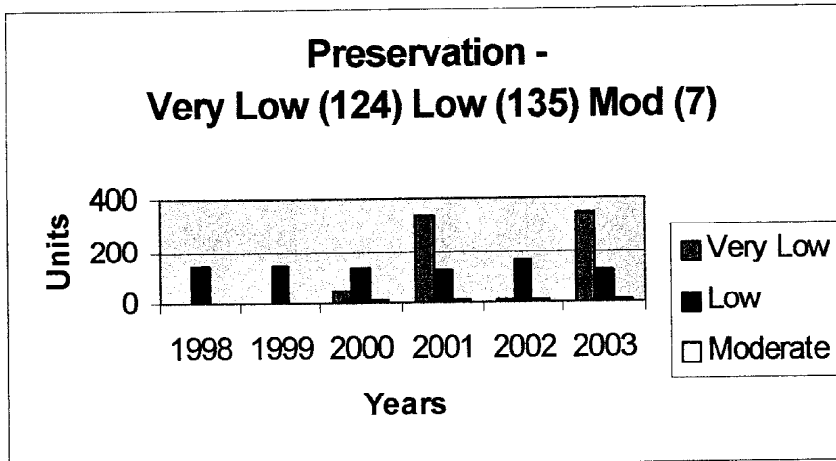
To determine the numeric goals, the Task Force looked at several sources of data. These included the historical production of affordable housing sponsored by the City, increased production potential from the Inclusionary Housing Ordinance, current and future funding sources, and demographic trends in Pasadena. The Task Force also looked at the Regional Housing Needs Assessment goals from the Housing Element (RHNA). The chart below shows the City's final RHNA allocation by number of units needed and income level for the 7 1/2 year period 1998-2005.



The chart below shows the yearly creation of new construction housing - City sponsored projects by income level. These are projects that received funding from the City in some form and have long-term income restrictions. The numbers in parenthesis represent the per year average over the six-year period. These numbers were the basis for setting the future new production goals by the Task Force. As you can see in the last two years production increased.



The chart below shows the yearly housing preservation through acquisition/rehabilitation of the City sponsored projects by income level. These are also projects that received funding from the City in some form and have long-term income restrictions. The numbers in parenthesis represent the per year average over the six-year period. These numbers were the basis for setting the future preservation goals by the Task Force. The chart does not include Rental Assistance programs such as Section 8.





The Task Force recommends that the goals below represent an average production per year that should be maintained over the next five years. The Task Force understands that some years the production number will be higher and some years lower. These numbers do not include rental assistance programs such as Section 8 and direct rental subsidy provided by the City. The Task Force recommends the following goals:

New Production	130 units per year
Acquisition/Preservation	260 units per year

Breakdown by type and income level:

NEW PRODUCTION	RENTAL	HOMEOWNERSHIP
Very Low Income	85	2
Low Income	20	6
Moderate Income	15	5

ACQUISITION/REHAB	RENTAL	HOMEOWNERSHIP
Very Low Income	165	2
Low Income	40	14
Moderate Income	30	10

### 3. Recommendations

Beginning on page 10, you will find the complete list of recommendations by the Task Force. These recommendations are organized under each of the seven goals put forth by the City Council.

While the Task Force notes all of the recommendations are important, four were selected that the City Council should give special priority in the short term, specifically by September 2003. The Task Force also identified three goals that the City should give priority over a longer-term. Task Force members hope that progress on all of the recommendations will be reported back to City Council on a regular basis, at least every six months.

#### **Four recommendations that should be addressed by September 2003:**

##### **Recommendation: CREATE A JOINT POWERS COMMISSION**

Allow affordable housing developments to have an expedited approval process through a new Joint Powers Commission. A new commission would be created with the purpose of creating a "one-stop" approval commission for affordable housing developments.

**Recommendation: INCREASE FEE WAIVERS FOR AFFORDABLE HOUSING DEVELOPMENT**

Increase the number and types of fees that are waived for housing development projects to include Development Review Fee, Grading/Shoring Permit Fee, Residential Development Impact Fee (includes Parks and Recreation Fee), Sewer Connection Fee, Water Connection Fee and Excavation Permit Fee.

**Recommendation: CREATE A SECOND UNIT ORDINANCE**

As a way to increase the housing availability in Pasadena the Task Force recommends the City Council amend the General Plan to include a second unit ordinance. The Task Force determined that second units may increase availability and density while maintaining the character of single-family neighborhoods.

**Recommendation: INCREASE TENANT PROTECTIONS**

The Task Force recommends expanding the outreach, accessibility and related services of agencies that provide housing rights services to tenants. In addition, the Task Force recommends that mediation be promoted if tenants are asked to vacate without fault. The Task Force recommends that the City Council adopt an ordinance that requires landlords to give tenants 90 days notice if they raise the rent more than 10% per year. The same notice would be required if the landlord plans to evict the tenant due to the demolition of the building or unit.

**Three recommendations that should be given priority over the longer-term**

**Recommendation: BUILD THE CAPACITY OF LOCAL AFFORDABLE HOUSING DEVELOPERS**

Build the capacity of affordable housing developers in the San Gabriel Valley, especially those in Pasadena. The City of Pasadena would lead an effort to identify needs, secure resources and implement training and technical assistance.

**Recommendation: PROMOTE AND SUPPORT FEDERAL, STATE AND LOCAL HOUSING POLICY AND LEGISLATION**

The City of Pasadena would position itself to be a proactive force in affordable housing policy advocacy and legislative action in the region. This would include focusing on federal, state and local legislation that would provide incentives for the development of housing affordability.

**Recommendation: CONTINUE TO SUPPORT MAKING HOUSING A PRIORITY BY THE SAN GABRIEL VALLEY COUNCIL OF GOVERNMENTS (SGVCOG)**

City of Pasadena to continue its work with the SGVCOG to place a priority on housing affordability issues, especially for low, very low and moderate-income people.

## Complete List of Recommendations

### A. Identify opportunities to cooperate with regional housing advocates and other cities to expand affordable housing opportunities throughout the west San Gabriel Valley.

The Task Force supported the role of increased cooperation throughout the San Gabriel Valley. Members of the Task Force perceive that often the burden of developing affordable housing options was placed on Pasadena. The Task Force would like to encourage leadership and cooperation from other cities and regional house advocates. The Task Force discussed two different ways of encouraging participation. These included incentives that would entice and regulatory requirements that would impose exactions for a lack of cooperative participation in addressing affordable housing production. In the end, the recommendations focused on enticement rather than punishment.

#### **Recommendation: CITY TO TAKE A LEAD ROLE TO CREATE A REGIONAL HOUSING COMMISSION**

Create a regional housing commission that would foster a regional dialogue on issues of housing among local elected officials and provide a vehicle to launch collaborative initiatives to address critical needs.

Working with the San Gabriel Valley Council of Governments and Arroyo-Verdugo cities, the City of Pasadena would take a lead role in developing a plan. The plan would include participation by surrounding cities. The commission would hold meetings and take action on regional coordination and housing development. This could include: collecting and analyzing data on local trends in housing needs, taking a leadership role in securing new sources of funding for affordable housing development, educating the other cities and the public about affordable housing development, and recommending a change in the way the Regional Housing Needs Assessment is calculated in the Housing Element to incorporate where a city's workforce resides in addition to looking at the residents of a community.

#### **Recommendation: CONTINUE TO SUPPORT MAKING HOUSING A PRIORITY BY THE SAN GABRIEL VALLEY COUNCIL OF GOVERNMENTS (SGVCOG)**

City of Pasadena to continue its work with the SGVCOG to place a priority on housing affordability issues, especially for low, very low and moderate-income people. The City would develop an action plan for desired outcomes with the SGVCOG. City staff would attend SGVCOG meetings and encourage SGVCOG to follow-up on housing summit issues. City staff would encourage action by the SGVCOG and offer assistance by providing data and research.

**B. Recommend strategies to increase awareness and education about affordable housing programs, development, and financing tools.**

The Task Force felt that there were a number of audiences that would benefit from increased awareness about affordable housing programs, development and financing tools. These included developers of all types, funders, legislators and the public.

**Recommendation: CREATE AN AFFORDABLE HOUSING INFORMATION CLEARING HOUSE**

The City of Pasadena would lead an effort to create a clearinghouse of information for the San Gabriel Valley about affordable housing needs and development. The goal would be to provide a resource database for those who want to develop housing as well as those who want to pursue policy and legislative agendas. This could include data on available land throughout the Valley, developing a one-stop center for regional housing development, and an inventory of resources available by city. Target audiences would be developers, advocates and city governments, major educational and research institutions and businesses.

**C. Identify potential sites for affordable housing to ensure dispersion throughout the City and suggest methods of promoting projects.**

The Task Force made three recommendations that included identification of potential sites and methods of promoting projects. The Task Force encourages the Planning and Development Department to continue to work that they currently do in this area. One recommendation calls for a clearinghouse that would include lists of potential sites throughout the city. The Task Force felt it was important for the clearinghouse to include information about City owned property, current vacant land and zoning maps for potential acquisition/rehabilitation projects. Another recommendation includes educational initiatives about programs and projects and The Second Unit ordinance recommendation encourages the development of additional units throughout the City.

**D. Propose specific programs and resources for the creation and preservation of low and moderate-income (ownership & rental) housing in Pasadena especially for families and persons with special needs.**

The Task Force spent a great deal of time addressing programs and resources for the creation and preservation of affordable housing. The recommendations include a variety of ideas from new legislation to attracting new funding sources. The Task Force felt that this was one of the most important areas of their work over the past nine months. The Task Force learned of rental properties in Pasadena with restrictions and funding that are expiring in the coming years. The Task Force encourages the City to make every effort to focus resources to these at-risk properties.

The Task Force learned of many existing funding sources that are available for affordable housing that the City currently uses. These include programs such as Cal Home, Multifamily

Housing Program (MHP), Emergency Housing Assistance Program (EHAP), California Housing Down payment Assistance Program, HOME and CDBG. The Task Force encourages staff to continue their efforts to leverage these funds in the City of Pasadena. The programs recommended below represent additional sources of funding and leverage for the City.

The Task Force received specific recommendations from several groups including Pasadena Neighborhood Housing Services. The work of groups like PNHS are vital to the development of affordable housing in Pasadena. PNHS made several worthwhile recommendations that were very similar to those made by the Task Force.

**Recommendation: PROMOTE AND SUPPORT FEDERAL, STATE AND LOCAL HOUSING POLICY AND LEGISLATION**

The City of Pasadena would position itself to be a proactive force in affordable housing policy advocacy and legislative action in the region. This would include focusing on federal, state and local legislation that would provide resources and incentives for the development of housing affordability. The City would also focus these efforts on the development of affordable housing for low, very low and moderate-income households. The City would promote and seek additional resources for affordable housing production. Staff would identify internal and/or external resources that could focus on legislative and policy work. A list of possible legislative changes would include supporting a moratorium on CalTrans housing rent increases, creating affordability/income requirements for future rentals and selling surplus CalTrans properties, reallocating sales and property taxes between counties and cities, promotion of favorable land use policies and set-asides for affordable housing, advocating for funds, tax incentives and other programs to promote affordable housing production, allowing cities to meet their RHNA numbers by sharing housing development, and strengthening both reporting and implementation requirements for Housing Elements.

**Recommendation: BUILD THE CAPACITY OF LOCAL AFFORDABLE HOUSING DEVELOPERS**

The City should build the capacity of affordable housing developers in the San Gabriel Valley, especially those in Pasadena. The City of Pasadena would lead an effort to identify needs, secure resources and implement training and technical assistance.

This would begin by identifying existing and potential organizations involved in affordable housing production in the San Gabriel Valley. Assessments of the capacity of the organizations would be conducted. Next a plan to increase capacity through technical assistance and training would be developed. Resources available to fund the technical assistance and training would be identified. The City should create partnerships and coalitions to build on the strengths of the local for profit and nonprofit housing developers.

**Recommendation: ATTRACT NEW MARKETS TAX CREDITS - NEW FUNDING SOURCE**

\$2.5 billion in new community development funding will be allocated early this year through the federal New Markets Tax Credit program. These new funds can be used for loans and equity investments in businesses located in lower-income communities.

New Markets Tax Credits (NMTCs) are an investment source for businesses located in and providing service to lower-income census tracts. Corporations and high net worth individuals use the tax credit to reduce their federal taxes. The New Markets Tax Credit provides a subsidy to investors equal to 39% over seven years on the investment. This credit is the largest new source of funding for community development enterprises.

Pasadena has three opportunities to access these new funds: applying for New Markets Tax Credits, through an eligible entity created for this purpose; receiving loans or investments from a recipient of the credits; or selling loans to a recipient of the credits.

However the credits come, they can be used to attract investment capital into Pasadena loan pools and/or vehicles that purchase and hold property for redevelopment. The funds must go into investments located in census tracts that have median incomes at or lower than 80% of the area's median. NMTC's can make more capital available to Pasadena at below-market costs. NMTC-related funds provide longer-term capital as it has to stay within eligible census tracts for at least seven years.

**Recommendation: ATTRACT SOCIAL INVESTMENT FUNDS - NEW FUNDING SOURCE**

The City of Pasadena should actively seek out partnerships with developers who could utilize Social Investment Funds.

Some foundations (such as MacArthur and Heron) and religious orders (including Mennonites and many Catholic orders) with significant endowment portfolios use some of their assets to invest in community development projects. These funds are lent typically at longer maturities and below-market rates, often with concessionary terms, to community development projects and loan funds and organizations that facilitate community development. Joining this effort are Calvert Social Investment Foundation and other private sector social investors that have similar rates, terms and conditions on their money. In addition, local organizations such as unions and pension funds located in Pasadena should be approached for reduced rate loans.

These loans – often called Program Related Investments, or PRIs – can enhance Pasadena’s ability to aggregate funds for land assembly, projects and loan funds. As with other non-traditional sources mentioned in this report, social investors would be attracted to a public/private partnership that exhibits the City’s interest to gaining additional affordable housing. Amassing these and other funds also attracts developers, giving the City more options and more ability to negotiate good terms with developers.



**Recommendation: CREATE AND FUND A COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION FOR AFFORDABLE HOUSING - ADDITIONAL LEVERAGE**

Community Development Financial Institutions (CDFIs) are financial institutions that lend and/or invest for community development purposes. CDFIs can apply for and receive certification from U.S. Treasury's CDFI Fund that permits access to annual funding rounds from this federal agency. Funds from CDFI Fund are structured to *match* one-to-one non-federal funds that capitalize the CDFI, and then are used for operations, lending, investing and/or reserve accounts. Thus, if a CDFI has grant or equity funds in its capital structure CDFI Fund could provide similar grants or equity amounts. CDFI Fund can provide up to \$2 million each application, and up to \$5 million during any three-year period.

The City of Pasadena could partner with an existing CDFI or facilitate the creation of a Pasadena-focused CDFI that would be independent of government control. Currently the only local CDFI is Pasadena Development Corporation, a micro enterprise loan fund. Many state, regional and national housing-related CDFIs exist that would work in Pasadena.

The value of loaning through a certified CDFI is to increase available resources through an allocation from U.S. Treasury. Pasadena could invest some of its redevelopment funds with a new or existing CDFI, and do so only after the organization was approved for funding through CDFI Fund, getting double the bang for the buck while taking on little additional risk.

**Recommendation: APPLY FOR FEDERAL HOME LOAN BANK FUNDS -  
ADDITIONAL LEVERAGE**

The City should continue to seek out partnerships with organizations that can utilize Federal Home Loan Bank funds. In addition, the City should apply for AHP funds to use for down payment assistance for low and moderate-income homebuyers.

Commercial and savings banks that are members of Federal Home Loan Banks (FHLB) have access to below-market funds through their regional FHLB. Funds available to member banks include:

*Community Investment Program (CIP)*, an open window of below-market funds lent to member banks for terms of up to ten years. These funds are loans priced a few percentage points below market rates. Typically CIP funds are available and fairly easy to obtain. They must be used for community development purposes, and could buttress Pasadena's existing homeownership and rental loan funds.

*Affordable Housing Program (AHP)* is a competitive program with semi-annual application rounds. These funds can be obtained as grants, and can be used to reduce the capital and/or operating costs of housing developments and/or provide rental assistance for individuals.

AHP funds are almost always attractive for developments and to developers; CIP funds can be attractive if otherwise cheaper money is not available. Both are accessible only through bank members of FHLB.

Pasadena could arrange with its local banks for applications and access to these funds, on behalf of developers or its local loan funds, increasing project affordability and providing an additional means to attract and negotiate with developers.

**Recommendation: REQUEST A CONGRESSIONAL EARMARK FOR A SPECIFIC PROJECT OR PROGRAM - NEW FUNDING SOURCE**

Much money is allocated to specific projects, housing and otherwise, within the federal congressional appropriations processes. A separate piece of legislation is required each year to fund HUD's operations and expenditures (that bill also funds NASA and a few other agencies). Within that legislation will be legislative approval to fund specific projects, typically within the jurisdictions of Senators and Representatives on the Appropriations Committee or otherwise involved in the details of the bill.

In FY2003 the HUD appropriations bill passed by the House (no bill has yet been approved by both houses) included earmarks for affordable housing for four cities: \$100,000 to San Diego and \$400,000 to San Francisco for transitional housing projects; and \$15,000 to Oakland and \$215,000 to Shasta Lake for senior housing.

Pasadena could petition its Washington delegation for the possibility of an appropriations earmark. In the right circumstances this can be an easy method of obtaining significant funds for affordable housing.

**Recommendation: DEVELOP A LAND BANK OF PROPERTIES FOR FUTURE DEVELOPMENT**

Given sufficient resources the City could consider purchasing a variety of redevelopment opportunities including single-family homes which can be renovated and sold for homeownership or aggregated within a scattered-site rental project; existing commercial redevelopment opportunities where the price of the land and associated demolition is within the range for producing affordable housing; existing affordable rental housing in danger of rising rents; and other non-residential facilities suitable for adaptive reuse as affordable housing.

The “buy and hold” model is based on site purchase prior to gaining firm commitments for construction and sale or operations. In this model a site – vacant or previously developed – becomes available and needs to be acquired before lenders and/or sources of subsidy can commit to the full development package. The speed of acquisition creates increased risk, which is borne by the City. This risk is counterbalanced by the desirability of the acquisition: the site may be a critical component of a local community development strategy and/or the price for the site may be rising, accelerating total development costs of a new project every day.

A developer partner could do much of the predevelopment work, if the City follows this approach described later. The purchase could be made by the City or its partner, depending on the availability of sources of financing and other factors.

**Recommendation: SEEK ADDITIONAL NEW REVENUE SOURCES**

In the final month of its work, The Task Force identified a list of items that because of the large number of issues discussed during the first eight months, did not get the in-depth analysis that other issues received. However the Task Force identified this items as worthy for additional discussion and research on the part of the City. The list below includes potential funding sources for affordable housing development in Pasadena.

- Increase set-aside for housing through the Housing Trust Fund
- The City should look at issuing a local housing bond to support the development of affordable housing
- The City should re-allocate CDBG funds for housing development
- The City should research allocating more general funds for affordable housing
- The City should raise the \$800,000 cap for affordable housing in the downtown redevelopment area
- The City should divert a percentage of sales tax revenue to affordable housing

**E. Identify hindrances in the City's approval process and land use regulations for development of a variety of housing projects, as well as incentives for participation in affordable housing programs by the private sector.**

The Task Force solicited comments from both for profit and non-profit developers on the City's approval process and land use regulations. The two most significant concerns were the amount of time it took to have an affordable project approved and the cost of development. City staff made detailed presentations on the current process and cost of developing affordable housing. Non-profit developers also made presentations to educate the Task Force on the development process from an outsiders view. The Task Force addressed these two concerns with the following recommendations.

**Recommendation: CREATE A JOINT POWERS COMMISSION**

Allow affordable housing developments to have an expedited approval process through a new commission. The new commission would be called the Joint Powers Commission. This commission would be made up of representatives from the Design Commission, Community Development Committee and the Planning Commission. Ad hoc members would also include representatives from the Northwest Commission and Cultural Heritage Commission. The purpose of this commission is to create a "one-stop" approval commission for affordable housing developments. Each of the member commissions would appoint two representatives to serve on the Joint Powers Commission. They would empower their representative to make approvals on behalf of their commissions. If a project needed approval from the Cultural Heritage Commission or was located in the Northwest, these representatives would attend the meetings where the project was being discussed. Affordable housing developers would only have to present their projects in one forum to gain approval from the entire commission process, rather than the potential for some projects to have to present at up to five different commission meetings. This will save developers a significant amount of time and money.

To be eligible for this expedited process, rental developments would have at least 50% of the units at 80% of AMI or below and homeownership developments at least 50% of the units at 100% of AMI or below. After six months City staff should review the process to see if there is a minimum number of units that could also be used as a threshold to invoke the additional fee waivers. The Task Force suggests that developers who create large (100+ units) market rate housing projects might be enticed to create affordable units if they could receive the waiver by creating a significant number (rather than percentage) of affordable units.

**Recommendation: INCREASE FEE WAIVERS FOR AFFORDABLE HOUSING DEVELOPMENT**

Increase the number and types of fees that are waived for housing development projects. Rental developments where units are set-aside for persons at 50% of area median income (AMI) or below would be exempt from 100% of the following fees on a per-unit basis (for restricted units). Rental units at 80% of AMI would be exempt from 75% of the fees and units at 100% of AMI would be exempt from 25% of the fees. Owners would be required to restrict the units as affordable for 20 years. Homeownership developments where the units are affordable to persons at 100% of median income would also be exempt from 100% of the fees on a per-unit basis.

	AREA MEDIAN INCOME	% FEE WAIVED
RENTAL	50%	100%
	80%	75%
	100%	25%
HOMEOWNER	100%	100%

**FEES WAIVED:**

- Plan Check/Permit Fee (currently waived)
- Construction Tax (currently waived)
- Development Review Fee
- Grading/Shoring Permit Fee
- Residential Development Impact Fee (includes Parks and Recreation Fee)
- Sewer Connection Fee
- Water Connection Fee
- Excavation Permit Fee

Adding the additional fees would reduce the costs on average \$6,000 per unit. The maximum amount of fees waived per development would be \$75,000. Organizations would need to have site control to be eligible for the fee waiver. The funds would be allocated on a first-come, first-served basis. In FY2001 the City waived \$144,774 in fees. In FY2002 the City waived \$29,000 in fees. A budget amount for each year would need to be determined.

**F. Analyze and recommend how specific programs such as rent control, permitting “granny flats” (and other programs the task force may identify) impact housing affordability and neighborhood character in the City of Pasadena.**

The Task Force spent three meetings discussing these issues in great detail. There was extensive public comment at each of these meetings, with standing room only audiences attending.

**Recommendation: CREATE A SECOND UNIT ORDINANCE**

As a way to increase the housing availability in Pasadena the Task Force recommends the City Council amend the General Plan to include a second unit ordinance. The Task Force determined that second units may increase availability and density while maintaining the character of single-family neighborhoods. This ordinance would be based on the staff recommendation to the Planning Commission of April 22, 1998. The Task Force recommends that the elements of the ordinance include:

- Units may be multiple stories, which would include units built over garages, provided the existing structure has multiple stories
- Minimum lot size of 10,000 square feet
- There shall be no maximum number of residents in the second unit dictated by the City
- There shall be no limit to the size of the second unit as long as it meets development standards/zoning requirement (lot coverage, etc.)

**Recommendation: INCREASE TENANT PROTECTIONS**

As noted below the Task Force voted not to support rent control in Pasadena. While evaluating the potential for rent control, the Task Force felt that it was important to develop additional protection for renters. Therefore, the Task Force recommends expanding the outreach, accessibility and related services of agencies that provide housing rights services to tenants. In addition, the Task Force recommends that mediation be promoted if tenants are asked to vacate without fault.

The Task Force also recommends that the City adopt an ordinance that requires landlords to give tenants 90 days notice if they raise the rent more than 10% per year. The same notice would be required if the landlord plans to evict the tenant due to the demolition of the building or unit.

**Recommendation: DO NOT PURSUE RENT CONTROL**

The Task Force after extensive public comment and discussion recommends not supporting rent control in Pasadena. Three meetings were devoted to this topic. The Task Force was presented with research on the history of rental control and how it is being implemented in other cities today. Case study examples for Beverly Hills and Santa Monica were presented. City of Santa Monica staff reports on the effectiveness of rent control were also presented. There were several members of the Task Force that felt there should be a rent control ordinance in Pasadena. The Task Force voted to include a minority report from these members which is attached.

Below is a sample of the opinions and discussions of the Task Force members on this subject included:

- Rent Control could be a way to stabilize rents and prevent gentrification
- Rent control does not guarantee that those living in the units are low income
- There are other ways to protect tenants from rent increases
- There are ways to write a rent control ordinance that landlords and tenants would accept
- Rent control puts the burden of affordability on the landlords, which is not fair
- The current market in Pasadena is being overbuilt, therefore market forces are going to drive rents down
- Increasing the stock of income restricted units is a better way to promote long-term affordability

The goal of the Task Force is to improve housing affordability in Pasadena. There are a number of tools available to the City that will assist in maintaining affordable rents in Pasadena. These include specific programs such as HOME and CDBG that support the development of housing for very low, low and moderate-income families and Section 8 which provides rental subsidies to very low income tenants.

The recommendations from the Task Force include adding new tools to assist the City in this area and improving the process for housing development and preservation. As outlined in this report, these tools include new funding sources like Social Investment Funds and New Markets Tax Credits, incentives such as fee waivers and streamlined approvals to affordable housing developers. With these additional tools the Task Force believes the City will be able to make progress to meeting the housing affordability needs in Pasadena.



**G. Review how effective current programs are and, if not, how they might be made more effective.**

City Staff spent a great deal of time reviewing current programs, funding levels and production results with the Task Force members. The recommendations above encompass the Task Force's best attempt to augment and leverage the effectiveness of current programs. In addition, the Task Force developed the following five recommendations. These recommendations were part of the list developed in the final month of the Task Forces work, but members felt they deserved special attention and highlighted them below.

**Recommendation: REVIEW THE CITY OF GARDENS ORDINANCE**

Although the City of Gardens standards have not constrained total housing production, concern has been expressed that the standards may need to be examined to determine whether the standards are likely to achieve the maximum allowable densities. The Task Force recommends that City Council weigh heavily the question of achieving maximum density in the review currently underway.

**Recommendation: REVIEW THE INCLUSIONARY HOUSING ORDINANCE**

The Inclusionary Housing Ordinance is one of the most effective tools that they City has to create affordable housing. The Task Force recommends that City Council consider strengthening the ordinance to include increasing the inclusionary percentage to 30% around the Gold Line, increasing overall inclusionary percentage to more than 15%, and including commercial development in the inclusionary ordinance.

**Recommendation: HOLD A PUBLIC FORUM RE: CALTRANS HOUSING**

The Task Force recommends that the City hold a public forum on surplus CalTrans housing to discuss the disposition of the houses with an eye toward affordable housing principles of dispersion throughout the City. The Task Force urges the city to determine what impact the proposed recommendations being made by the City will have on affordable housing in Pasadena.

**Recommendation: ENCOURAGE ACCESSIBLE DEVELOPMENT**

The Task Force encourages the City to review the creation of accessible housing for persons with disabilities and the elderly into all phases of City housing policy. City Council should direct staff to review programmatic issues for persons with disabilities and address integrating accessibility and adaptability issues in City sponsored affordable housing development.

**Recommendation: CREATE A FIRST MONTHS RENT/SECURITY GRANT PROGRAM FOR RENTERS**

The Task Force spent a great deal of time discussing ways to make housing more affordable for Pasadena residents. Many very low-income residents do not have the funds to pay for first months rent and security deposit, which is required by most landlords. The Task Force recommends the development of a fund for very low-income renters that will provide grants for first/security payments. This could be an expansion of an existing emergency grant program or the development of a new program.

#### 4. Additional Items

These are items that the Task Force determined needed additional attention from City Council and City staff. The Task Force discussed all of these issues, however due to the nine-month time limitation of the Task Force, members were not able to have the same level of in-depth discussions as they did on the items listed in the previous recommendations. Five of the items with are also listed under goal #7 as recommendations for improving the effectiveness of current programs. These items are organized in order of importance, with the most important items listed first.

- a. Increase set aside for housing (Housing Trust Fund)
- b. Issue a local housing bond to support the development of affordable housing.
- c. Reallocation of CDBG funds to housing
- d. Increase general funds allocated to housing
- e. Divert percentage of sales tax for affordable housing
- f. Modify the City of Gardens ordinance
- g. Raise the \$800,000 cap for affordable housing in the downtown redevelopment area
- h. Review inclusionary ordinance regarding commercial development
- i. Institute a first/last grant program for renters
- j. Support a moratorium on Cal Trans rent increases
- k. Revise zoning/development standards
- l. Create affordability/income requirements for future rentals and selling surplus Cal Trans properties
- m. Increase inclusionary ordinance to 30% around the Gold Line
- n. Institute a just cause eviction ordinance
- o. Reallocate sales and property taxes between counties and cities
- p. Increase inclusionary ordinance percentage to more than 15%
- q. Increase density in all areas
- r. Review relocation fees for substantial renovations and right of 1<sup>st</sup> refusal
- s. Develop a condo conversion ordinance
- t. Adopt program designed to preserve the economic and racial diversity of the City
- u. Allow building of garage units
- v. Increase participation in Section 8 program
- w. Create Land Trusts to preserve affordable housing stock
- x. Use City owned property for affordable housing only
- y. Create more money for motel stays for homeless or at risk of homeless