

Agenda Report

March 8, 2021

TO: HONORABLE MAYOR AND CITY COUNCIL

THROUGH: ECONOMIC DEVELOPMENT AND TECHNOLOGY COMMITTEE
(February 25, 2021)

FROM: William K. Huang, Director of Housing

**SUBJECT: MODIFICATION OF THE PASADENA LOCAL PREFERENCE AND
PRIORITY SYSTEM GUIDELINES FOR CITY AFFORDABLE HOUSING
PROGRAMS**

RECOMMENDATION:

It is recommended that the City Council take the following actions:

- 1) Find that the proposed action is exempt from the California Environmental Quality Act ("CEQA") in accordance with State CEQA Guidelines Section 15061(b)(3), the "general rule" that CEQA only applies to projects that may have an effect on the environment; and
- 2) Approve the modification of the Pasadena Local Preference and Priority System Guidelines ("Local Preference Guidelines") as described in this report and, if approved, direct staff to memorialize such modification.

BACKGROUND:

The Local Preference and Priority System Guidelines ("Local Preference Guidelines") were adopted by City Council in 2006 to determine the order in which eligible applicants receive priority to rent or purchase available affordable housing units, including units developed with City subsidy and units created under the Inclusionary Housing Ordinance. Applicants who live and work in the City currently receive the highest priority, followed by applicants who live in the City, those who work in the City, and those who were involuntarily displaced from Pasadena by government action, improper termination of tenancy, domestic violence, participation in the Witness Protection program, hate crimes, inaccessibility issues or substandard housing, and homelessness. Currently, all other applicants are considered after those who meet the

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priority category criteria.

The Local Preference Guidelines have been implemented successfully, providing affordable housing opportunities to income-eligible households who live and/or work in Pasadena. For example, the 69-unit Heritage Square Apartments, completed in 2016, achieved an initial lease-up with all sixty-nine tenants who had a Pasadena address at the time of application. The Theo apartments project, located at 289 N. El Molino Avenue, was placed in service in April, 2020 with all nine of the Inclusionary units leased to applicants who resided and/or worked in Pasadena. Most recently, the Decker/Gill Courts homeownership developments at 1655 and 1661 N. Fair Oaks Avenue closed out with ten of the sixteen affordable units sold to higher priority Local Preference homebuyers.

Recently, however, there has been a recognition among policy-makers, stakeholders, and housing advocates that existing local preference policies, while perhaps successful in achieving their stated purposes, have not addressed the impacts of housing displacement created by high housing costs and gentrification. In response, cities around the nation, including Portland, New York, Oakland, and San Francisco, have revised their policies in order to address such impacts. City Housing staff have also evaluated Pasadena's existing Local Preference Guidelines from this perspective and developed proposed modifications to the Local Preference Guidelines intended to factor in displacement and potential displacement.

The first proposed modification is the creation of a new priority category. This will be an uncapped priority category, which gives preference to residents of deed restricted affordable housing units in Pasadena who are currently considered over-housed (e.g., a single-person household residing in a three-bedroom unit). This new "Over-Housed" priority is intended to address inefficiencies in the match between household size and unit size (which occur over time as dependents in larger households move out) and will allow such households the opportunity to move to smaller units and pay a lower rent, while freeing up larger units for larger eligible households.

After the first "Over-Housed" priority is met, the creation of a new set-aside category is proposed. This would create an additional set-aside of up to twenty percent (20%) of the units, which will be available to former Pasadena residents ("Former Resident Set-Aside"). This modification is meant to provide households who were unable to remain in Pasadena, whether due to rising housing costs or gentrification, with the opportunity to return to the City. This is modeled in part on Portland's Local Preference policy, which has successfully prioritized displaced former residents for affordable housing. This set-aside would apply to developments with five (5) or more affordable housing units. Under the set-aside, up to 20% of the units would be available to households who can demonstrate that they had maintained a primary residence in Pasadena sometime in the five (5) years prior to their application for available housing. In addition, to be eligible for this set-aside, a household must have maintained a primary residence in Pasadena for at least two (2) years.

Within this set-aside, households will receive priority based on length of tenure in Pasadena. This means, for example, that a household who had lived in Pasadena for five years prior to application would receive priority over a household who had lived in

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Pasadena for two years during the same time period. All applicants who claim eligibility under this set-aside will be required to furnish proof of prior residency and tenure. Such proof may include DMV records, address history from third-party credit report, fully executed lease agreements, Federal tax returns, or other acceptable records. If there are no applicants who are eligible for this set-aside category, then the set-aside units will be available to the general applicant pool, based on applicant priority.

It should be emphasized that the proposed modifications to the Local Preference Guidelines are not designed or intended to override the existing “live/work” preferences; the “Over-Housed” priority will free up available affordable family units at other locations. The “Former Resident” Set-Aside will be implemented only up to 20% of the available affordable units in a project. The remaining affordable units after any new “Over-Housed” priority applications and any “Former Resident” Set-Aside applications will be available to Pasadena applicants who meet the existing live and/or work preferences.

The current first priority, which gives preference to households who live and work in Pasadena, will become the second priority, after the new “Over-Housed” first priority and the “Former Resident” Set-Aside.

The current second priority provides preference to eligible households who live (but who don't work) in Pasadena; this will become the third priority. The current third priority gives preference to applicants who currently work (but who don't live) in Pasadena; this will become the fourth priority. Finally, the current fourth priority offers preference to households who have been involuntarily displaced. This will become the fifth priority.

Example:

A residential development under construction with ten (10) Inclusionary affordable units is nearing completion. The developer has received all housing applications by the stipulated deadline, including applications from Households “A”, “B” and “C”:

- Household A has an applicant who currently lives and works in Pasadena.
- Household B has a former long-term resident of Pasadena (fifteen years) who moved out of the City two years ago.
- Household C has a one-person applicant who currently lives in an affordable three-bedroom unit.

Under the current Local Preference Guidelines, Household A would have greatest priority as someone who lives and works in Pasadena, followed by Household C, since Household C is a current resident of the City. Household B would be ranked at a lower priority compared to Households A and C. Depending on the number of qualified higher priority applicants, it's possible that Households B and C would not be selected for an Inclusionary unit.

Under the proposed modifications to the Guidelines, however, Household C is considered over-housed and would be eligible under the new “Over-Housed” first priority. Household B would be eligible for the 20% “Former Resident” Set-Aside (two Inclusionary units). Household A would receive next priority after that as a current resident of/employee in Pasadena.

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The following table summarizes the existing and proposed local preference categories.

Set-Aside	Existing	Proposed
First	N/A	Former Resident Set-Aside (capped at 20% of available affordable units)
Priority	Existing	Proposed
First	Resides and works in Pasadena	Over-Housed Priority
Second	Resides (but does not work) in Pasadena	Resides and works in Pasadena
Third	Works (but does not reside) in Pasadena	Resides (but does not work) in Pasadena
Fourth	Involuntarily displaced from Pasadena	Works (but does not reside) in Pasadena
Fifth	All other applicants	Involuntarily displaced from Pasadena
Sixth	N/A	All other applicants

COUNCIL CONSIDERATION:

The proposed action is consistent with the City’s General Plan - Housing Element and the Five-Year Consolidated Plan. It also supports and promotes the quality of life and the local economy -- a goal of the City Council’s Strategic Plan.

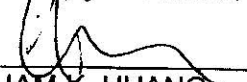
ENVIRONMENTAL ANALYSIS:

The proposed action has been determined to be exempt from CEQA pursuant to State CEQA Guidelines Section 15061(b)(3), the “general rule” that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that an activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Modifying the City’s Local Preference Guidelines will not have the potential for significant effect on the environment.


FISCAL IMPACT:

There is no fiscal impact as a result of this action.

Respectfully submitted,


for WILLIAM K. HUANG
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