



Agenda Report

October 1, 2018

TO: Honorable Mayor and City Council

FROM: Planning and Community Development Department

SUBJECT: ZONING CODE TEXT AMENDMENT TO ADD SECTIONS 17.50.075 and 17.61.055 TO THE ZONING CODE TO ALLOW CONVERSIONS OF HOTELS AND MOTELS TO AFFORDABLE HOUSING AND TITLE 4 AMENDMENTS TO WAIVE OR REDUCE FEES FOR CONVERSIONS

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the Zoning Code Text Amendment is exempt from the California Environmental Quality Act ("CEQA") pursuant to Section 15301 (Class 1 – Existing Facilities) and State CEQA Guidelines Section 15061(b)(3), that there are no features that distinguish this project from others in the exempt class, there are no unusual circumstances, and none of the exceptions to the exemptions apply;
2. Adopt the Findings of Consistency with the General Plan (Attachment A); and
3. Conduct the first reading of an "Ordinance of the City of Pasadena amending Title 17 (Zoning Code) of the Pasadena Municipal Code to Allow the Conversion of Hotels and Motels to Affordable Housing, and Amending Title 4 (Revenue and Finance) to Waive Certain Fees for Conversions."

**ADVISORY COMMISSION/BOARD/CITY COUNCIL COMMITTEE
RECOMMENDATION:**

At a public hearing on September 12, 2018 the Planning Commission recommended that the City Council find that the Zoning Code Text Amendment is exempt from CEQA and approve the Zoning Code Amendment that would allow for both a ministerial and discretionary process to convert hotels or motels with 80 or fewer rooms to affordable housing, and significantly reduce or eliminate associated processing and impact fees.

BACKGROUND:

Over the past several years, homelessness in Pasadena has become an increasingly urgent issue. Based on the 2018 homeless count, the point-in-time homeless population in Pasadena is 677. Of that number, 347 are unsheltered. According to the current Housing Element, 87% of renters with incomes between 0% and 30% of the median family income overpay for housing, suggesting a large population is at risk of becoming homeless if rents are increased or major life events arise such as job loss or medical expenses.

While a variety of efforts are under way to address these issues from the state, county, and local levels, permanent supportive housing, in which housing is provided alongside a variety of on-site supportive services, has emerged as one of the best ways to permanently address homelessness. Many jurisdictions are implementing strategies to convert existing hotels and motels to permanent supportive housing because it is one of the fastest ways to bring this type of housing online with relatively reduced cost and time as compared to brand new development.

At the direction of the City Manager, staff has prepared a Zoning Code Text Amendment ("Amendment") that would allow the conversion of existing hotels and motels to affordable housing. In developing the Amendments, iterations of a regulatory framework were presented to the Planning Commission at various study sessions, and further research was conducted based on the Planning Commission's feedback and direction. After a total of four meetings, the Planning Commission voted on September 12, 2018 to recommend that City Council adopt the Amendment, which would allow conversions of hotels and motels with 80 or fewer rooms to affordable housing, subject to review based on various criteria and thresholds as further described in this report.

In crafting the Amendment, site visits were conducted by staff to all three permanent supportive housing projects located within the City of Pasadena, as well as a conversion project in Huntington Park in which an existing motel and apartment building were converted to permanent supportive housing. Staff also interviewed operators and developers of another permanent supportive housing project that was converted from an existing motel in Santa Ana, and reviewed hotel conversion ordinances in three other jurisdictions. This research, along with input from the Planning Commission, the Housing Department, and public comment, has informed the various components of the recommended Amendments as described in this report. The results of the research are provided in further detail in Attachment B.

DISCUSSION:

Review Process

In order to allow conversions of hotels and motels to affordable housing, various options for review processes were presented to the Planning Commission based on: (a) existing ordinances from other jurisdictions, (b) the City's desire to increase its stock of

affordable housing, and (c) the City’s desire to allow for community input. The review processes varied from being fully ministerial (City of Los Angeles) to requiring discretionary review for all projects (City of Anaheim and City of San Jose). Best practices also include provisions for applying zoning regulations and performance standards to all conversions.

Ministerial Versus Discretionary

In making its recommendation, the Planning Commission incorporated all of staff’s recommended provisions of the ordinance with the exception of providing for a ministerial process for conversions. The recommendation by the Planning Commission provides for two tiers of project review for hotel conversions depending on whether or not a particular project meets certain thresholds. In general, projects that consist of minimal changes to the exterior of the existing building and do not deviate substantially from applicable development standards would be eligible for ministerial review, while projects that require some changes to the building and more flexibility from development standards would be required to undergo discretionary review. A more detailed breakdown of the thresholds recommended by the Planning Commission is provided in Table 1 below:

Table 1 – Criteria for Ministerial and Discretionary Review	
Review Type	Project Characteristics
<i>Ministerial</i>	All of those listed below: <ul style="list-style-type: none"> - Existing hotel or motel has no more than 80 guest rooms - No increase in floor area, room/unit count, or height, however interior changes are allowed - Exception: any increase necessary to comply with fire, life safety requirements (e.g. elevator shaft) - 100% affordable permanent supportive or transitional housing - Provides on-site services - Meets all development standards for ministerial approval as specified in Table 3 of this report - Meets all performance standards for conversions based on management plan submitted to the Director of Housing and Career Services

<i>Discretionary</i>	<ul style="list-style-type: none">- Existing hotel or motel has no more than 80 guest rooms- Any increase in floor area, room/unit count, or height that is not necessary to comply with fire, life safety requirements (no more than 10% of total existing)- Includes affordable SRO or traditional affordable housing- Off-site services or no services provided- Does not meet all development standards for ministerial approval- Does not meet all performance standards for conversions based on management plan submitted to the Director of Housing
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The Planning Commission's recommended approach would allow for a more expedited process and more certainty for affordable housing development. However, this approach would limit public participation in the review of projects. Therefore, staff's recommendation with respect to the review process is that all requests for conversions be reviewed on a discretionary basis. The nature of converting existing buildings from one use to another, however similar the uses may be, is not entirely predictable and case-by-case review would ensure that projects would be compatible with the surrounding land uses. Discretionary review would allow the reviewing authority to evaluate each project to determine which development standards should be adjusted, to what extent they should be adjusted, and what the appropriate performance standards would be in order to achieve a quality living environment for future residents of the conversion project as well as minimize the impacts to neighboring residents and businesses. For these reasons, staff recommends that all hotel conversion projects be required to obtain discretionary approval as described later in this section of the report.

Discretionary Process

The recommended process for allowing conversions is envisioned to be a new entitlement called a Hotel Conversion Permit (HCP). The provisions for an HCP would be set forth in a new section of the Zoning Code (17.61.055). By establishing a new entitlement type, the City has the ability to establish specialized regulations for applicability, reviewing authority, required findings, and conditions that would be specific to the particular issues related to hotel and motel conversions for affordable housing. The application requirements would involve submittal of plans, a management plan for the property, including supportive or transitional services as applicable, as well as documentation of compliance with all performance and zoning standards. The primary reviewing authority would be the Hearing Officer. In an application for an HCP, the applicant could request certain deviations from development standards that ministerial conversions would otherwise be required to comply with. Further information on these deviations is provided in a subsequent section of this report.

The review process for an HCP would be identical to that of a Conditional Use Permit in terms of public noticing, time limits, and extensions. The required findings, however,

would be tailored to the particular issues associated with the unique nature of hotel and motel conversions to affordable housing. The following findings would be required to be made in order to approve an HCP, and would ensure that the operations of the converted housing be as close as possible, and to some degree an improvement upon, those of the existing hotel or motel being converted:

1. The hotel or motel proposed for conversion was legally constructed and is currently a legal or legally nonconforming use;
2. One hundred percent (100%) of the proposed converted units will be rented at rates affordable to low-income, very-low income, and extremely-low income households and will consist of either Supportive Housing, Transitional Housing, Single-Room Occupancy, multi-family housing, or a combination thereof;
3. The establishment, maintenance, or operation of the use would not, under the circumstances of the particular case, be detrimental to the health, safety, or general welfare of persons residing or working in the neighborhood of the proposed use;
4. The use, as described and conditionally approved, would not be detrimental or injurious to property and improvements in the neighborhood or to the general welfare of the City; and
5. The design, location, operating characteristics, and size of the proposed use, including any proposed increase in floor area, room/unit count, or height would be compatible with the existing land uses in the vicinity in terms of aesthetic values, character, scale, and view protection.

Zoning Compliance

Land Use Restrictions

The Zoning Code sets forth allowable land uses for various zoning districts, which in some cases do not permit various types of housing, or to require a Conditional Use Permit. In most zoning districts, Supportive Housing, Transitional Housing, Single Room Occupancy (SRO), and Multi-Family Housing (which includes traditional affordable housing) are specifically listed as either permitted, conditionally permitted, or unpermitted uses. For example, Supportive Housing is listed as a permitted use in the CO and CL zoning districts, but is not permitted in the CG zoning district unless it is within an SRO. There is considerable variation throughout the City's various zoning districts with respect to allowing the types of affordable housing contemplated as part of this ordinance.

As a result, an existing hotel or motel that may be a desirable candidate for conversion to affordable housing may be precluded from doing so because of the land use restriction of the underlying zone. To address this, the Amendment includes a provision that exempts hotel and motel conversions from the underlying zoning land use restrictions. This is similar to the approach taken in the City of Los Angeles Interim Motel Conversion Ordinance to address the same issue.

Development Standards

In addition to land use regulations, the Zoning Code also establishes development standards for properties based upon the type of zoning district in which they are located. For example, development standards for properties in commercial zones differ from standards for properties in multi-family or industrial zones. Since most hotels and motels are located in commercial and industrial zones, as well as in Specific Plan areas, the existing structures are more likely to comply with the non-residential development standards for those zones than multi-family development standards.

There are substantial differences in standards between commercial and multi-family zones, including setbacks, building separation, open space, and others. Thus, to require a conversion project to comply with multi-family standards when the existing building was built to commercial standards would likely create a significant barrier and would run counter to the goal of providing more opportunities to create affordable housing from existing structures. Due to the fact that the motels and hotels are existing and would operate in substantially the same manner even after the conversion, and that minimal alteration would be done to the structure, it is recommended that the majority of the development standards be waived in order to avoid zoning code compliance issues.

In particular, parking requirements that are currently established in both commercial and multi-family zones, and especially for hotels and motels, are not comparable to the typical parking demand of certain types of affordable housing, particularly permanent supportive and transitional housing. For example, within the permanent supportive housing projects located in Pasadena, two of which are oriented for families, the average parking demand is 0.4 spaces per unit. When including two additional permanent supportive housing projects in other cities that were converted from motels, the average is reduced to 0.34 spaces per unit. Based on these observations, it is clear that the required parking for hotels and motels, which is currently one parking space per guest room, would exceed the actual parking demand when converted to supportive or transitional housing, particularly when those units are occupied by individuals rather than families, which would most likely be the case given the size of existing hotel or motel rooms being converted. Therefore, it is recommended that the parking requirement be reduced to a rate comparable to the actual observed demand.

Finally, the recommended discretionary process would allow for waivers to be granted up to a certain extent and subject to conditions of approval to ensure that any potential impacts are mitigated. Table 2 below shows the typical development standards that would be considered, and the proposed requirements for discretionary conversions.

Table 2 – Development Standards Applicable to Ministerial and Discretionary Conversions

Development Standard	Discretionary Conversion
<i>Minimum Lot Size (area and dimensions)</i>	Waive requirement
<i>Maximum Density</i>	May increase from existing by up to 10% of existing
<i>Setbacks</i>	Waive code requirement; allow deviations from minimums
<i>Maximum Site Coverage</i>	Waive requirement
<i>Minimum Floor Area per Unit</i>	Waive requirement, except no units may be smaller than requirements for SRO
<i>Height Limit</i>	Comply with current code
<i>Floor Area Ratio</i>	May increase by up to 10% of existing
<i>Landscaping</i>	Waive requirement
<i>Parking</i>	Reduce to 0.5 spaces per unit
<i>Signs</i>	Comply with current code
<i>Lighting</i>	Comply with current code
<i>Commercial Frontage and Façade Standards</i>	Modify existing structure
<i>Walls and Fences</i>	May provide security fences, walls, and gates in excess of 6' in height. May modify required 3' distance from property line and open to view requirement for fences, walls, and gates along street frontages.

Performance Standards

The goal of any hotel or motel conversion project is to provide housing opportunities that are safe, comfortable, and have a supportive environment for its residents. It is also important to balance those goals with the need to minimize any potential impacts to the surrounding neighborhood and ensure compatibility with the various land uses in the vicinity. To that end, it is important to implement performance standards on any potential hotel or motel conversion.

In developing appropriate performance standards and seeking best practices, staff looked to a variety of resources, including a study of permanent supportive housing

property management practices. The study was conducted in 2009, and interviewed 12 property management firms that manage a combined 186 permanent supportive housing properties and a total of 11,420 units throughout the United States. Additionally, staff reached out to Union Station Homeless Services, which currently operates three permanent supportive housing projects within the City of Pasadena. Finally, staff interviewed operators of two projects located outside the City that were converted from previously existing motels, as discussed earlier in this report. Based on this research, the following list enumerates the recommended minimum performance standards that all hotel and motel conversions to permanent supportive or transitional housing would be required to meet if they are seeking ministerial approval:

1. On-site support services, including but not limited to substance abuse, mental and physical health, education and job training, housing assistance, and overall case management. Services must be provided at least during normal business hours (8:00am – 5:00pm) or longer. Minimum of one case-worker or supportive service staff per 20 units.
2. 24-hour on-site property manager for any conversion project with 15 or more units.
3. 24-hour security monitoring, including on-site security personnel, security cameras, or a combination thereof. Security cameras must be actively monitored on- or off-site.
4. On-site community space for residents to gather with amenities such as seating, tables, barbecues, or other activities for community-building.
5. On-site laundry amenities for residents.
6. Offices for case-workers and property management staff must be provided on-site in dedicated areas.

These performance standards would also serve as guidelines for conversion projects seeking discretionary approval, although deviations could be granted provided that the required findings for an HCP can still be made. These standards can also serve as guidelines for projects converting to affordable SRO or traditional affordable housing, particularly standards four and five. To ensure that these performance standards are met, plans would be submitted to verify compliance with physical requirements. With respect to operational performance standards, a Management Plan would also be submitted at the time of application submittal for either ministerial or discretionary approval. The Management Plan would be comprehensive and contain management policies and operations, rental procedures and rates, maintenance plans, residency and guest rules and procedures, security procedures, and staffing needs including job descriptions. The Management Plan would be recorded as a covenant on the property as approved by the City Attorney, would be subject to review and approval by the Housing Administrator of the Housing and Career Services Department. The Management Plan would be required to be approved and recorded prior to the approval of the final building inspection. The Housing Administrator would have the authority to

amend the Management Plan at their discretion to ensure compliance and address any unforeseen issues as they occur.

Other Incentives

The Planning Commission's recommendation to the City Council included a component to reduce or eliminate processing fees and impact fees for hotel and motel conversions in order to further incentivize these projects, but did not specify which fees should be reduced or waived, and to what degree they should be reduced. Applicable fees would include review fees for the HCP application and plan check fees, as well as the Residential Impact Fee since conversions would result in new residential units. Staff's recommendation is to waive all review fees for all conversion projects, and waive the Residential Impact Fee for conversion projects that contain 100% permanent supportive or transitional housing. Absent any reduction or waivers as part of this ordinance, the currently adopted fee schedule grants an approximate minimum 95% reduction of Residential Impact Fees for dwelling units in affordable housing projects. Therefore, any hotel or motel conversion project would be subject to reduced Residential Impact Fees, since 100% of the units would be required to be affordable in order to be eligible for conversion based on the proposed Amendments.

COUNCIL POLICY CONSIDERATION:

The proposed Amendments would advance a number of General Plan goals and policies, as further described in the findings provided in Attachment A. These policies include:

Land Use Element

- Goal 2. Land Use Diversity
 - Policy 2.1 (Housing Choices)
- Goal 7. Architectural Design and Quality
 - Policy 7.1 (Compatibility)
- Goal 16. Superior Services
 - Policy 16.6 (Accessible Services)
- Goal 20. Information and Participation
 - Goal 20.3 (Public Involvement and Proposed Projects)
- Goal 21. Desirable Neighborhoods
 - Policy 21.1 (Adequate and Affordable Housing)

Housing Element

- Goal HE-1
 - Policy HE-1.1 (Neighborhood Character)
- GOAL HE-2

- Policy HE-2.1 (Housing Diversity)
- Policy HE-2.5 (Adaptive Reuse)
- Policy HE-2.7 (Entitlement Process)

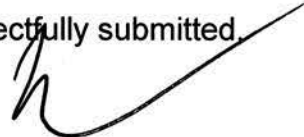
ENVIRONMENTAL ANALYSIS:

The adoption of the proposed Amendments is exempt from the California Environmental Quality Act (CEQA) under Section 15301 (Class 1 - Existing Facilities) and there are no features that distinguish this project from others in the exempt class; therefore, there are no unusual circumstances. Section 15301 allows the conversion of existing structures to a use that is similar in operation and intensity. The ordinance herein would allow for such conversion, with limitations that would insure that the use remains similar in operation and intensity to a hotel or motel. The proposed Amendments are also exempt from CEQA pursuant to Section 15061(b)(3) of the CEQA Guidelines, the general rule, in that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Here, the conversion would be from one use to a substantially similar one, and does not have the potential to cause a significant effect on the environment. Further, none of the exceptions to exemptions found in Guidelines Section 15300.2 apply, and specifically, neither the exception related to scenic highways, nor historical resources, apply. The exception related to scenic highways only applies where the action may result in damage to scenic resources within a highway officially designated as a state scenic highway. While portions of Colorado Boulevard may be along historic Route 66, no portion of Colorado Boulevard in Pasadena has been designated a state scenic highway. The exception related to historical resources only applies where the project may cause a substantial adverse change in the significance of an historical resource. Colorado Boulevard is not an historical resource in itself. Simply because historical structures might exist along Colorado Boulevard does not make the Boulevard itself a scenic highway or historical resource. Finally, as each conversion comes forward, it will be independently reviewed under CEQA for potential environmental effects.

FISCAL IMPACT:

Reduction or elimination of impact fees associated with conversions of hotels and motels to affordable housing would result in a minimal fiscal impact to the City. Costs associated with adoption of these Amendments include potential loss of transient occupancy tax (TOT) from the loss of existing hotel or motel rooms, although most hotels and motels that would be eligible for conversion are most likely not significant TOT contributors. Other costs include staff time for reviewing applications for conversions, and loss of residential impact fees. With respect to staff time, due to the limited number of hotels and motels throughout the City that are eligible for conversion, in addition to the fact that not all eligible hotels and motels will seek to be converted, there will likely be very few conversions for staff to process. Finally, the loss of impact fees is minimized due to the fact that 100% of the converted units are required to be affordable, and would qualify for significantly reduced impact fees regardless of the provisions in the proposed Amendments that would waive impact fees altogether. Finally, it is noted that the loss of any potential revenue and the cost of any additional staff time is most likely offset by cost savings from reduced homelessness throughout the City.

Respectfully submitted,



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Attachments: (3)

- Attachment A – Findings for a Zoning Code Text Amendment
- Attachment B – September 12, 2018 Planning Commission Staff Report
- Attachment C – Planning Commission Recommended Findings for a Zoning Code Text Amendment