



STAFF REPORT
CITY OF BEVERLY HILLS

For the Planning Commission
Meeting of April 22, 2010

TO: The Planning Commission
FROM: Peter Noonan, AICP, Associate Planner *PN*
THROUGH: Jonathan Lait, AICP, City Planner
SUBJECT: Housing Element – Study session on the State-mandated update.

SUMMARY

This study session initiates the Housing Element update process outlined in the informational handout provided to the Planning Commission on March 25, 2010.

The discussion today will be informational and is an opportunity to pose questions regarding the Housing Element update process and tentative schedule, the city's past housing accomplishments, current housing requirements, and demographic and housing trend data. It will also be an opportunity to meet Karen Warner, AICP of Karen Warner Associates. Karen will be assisting the city in preparing the Housing Element update for review by the State (Qualifications Attached).

On May 13, discussion topics will include the housing goals and policies, housing programs, potential housing sites inventory, and 5-year strategy to plan for affordably-priced housing. These discussions will continue to June 24 and July 15 (Tentative Schedule Attached).

ORGANIZATION

A 3-ring binder will be provided at the study session. This binder includes more in-depth assessments of the community's housing needs, the character of existing housing in the city, housing trends, and the accomplishments from the City's past Housing Element. This information will be expanded on as the update process proceeds to include the potential housing sites inventory, and 5-year strategy to encourage the creation of affordably-priced housing. Space will also be available in the binder for staff reports and draft Housing Element sections such as new goal and policy, and program documents.

The intent behind the 3-ring binders is to offer an easy means of organizing the various documents in a way that is easy to reference.

BACKGROUND

The State monitors the production of housing in every city and county. Approximately every seven years (the State's "planning cycle"), the State allots a household growth need to the regional government (*In our area this is the Southern California Association of Governments, or SCAG*), SCAG in turn assigns a specific number of new housing units to each city and county through a process called the "Regional Housing Needs Assessment" or "RHNA" (*pronounced: "rhee-nah"*). This housing allotment, or "RHNA Numbers", is the minimum new housing units that each city and county must plan for in the next 7-year planning cycle. The RHNA Numbers are divided into four separate income categories – very low income, low income, moderate income, and above moderate income - based on the "Area Median Income" or "AMI" for the local county. Each city and county must update their Housing Element to assure that their General Plan includes enough housing sites – either vacant or underdeveloped - and programs to accommodate the housing units allotted. This section provides more information on the update process and the city's allotted housing numbers (RHNA Numbers) for the current 2006-2014 planning cycle.

The Housing Element update consists of four components:

- Needs Assessment
 - Constraints Assessment
 - Sites Inventory
 - 5-Year Strategy to Address Needs
- } To be covered in this study session
- } To be covered during future sessions

The first two components of the update will be covered at the study session and will include a summary of accomplishments from the 1998-2005 planning cycle. The discussion will mainly be informational with ample opportunity for questions. The remaining two components of the update will be covered during future study sessions. Discussion of the City's housing goals, policies and housing programs will be a part of the discussions on strategy.

Certification

The State Department of Housing and Community Development (HCD) reviews and certifies the Housing Element update. With State certification, the City's update is presumed by the courts to be legally adequate. Without certification, the city is vulnerable to court-challenge and if the Housing Element update is invalidated, the city's

authority to issue building permits and issue discretionary actions could be suspended until the element was brought into compliance. State certification is also a requirement for certain types of State funding.

Self-certification of 1998-2005 Housing Element

In the last cycle, Beverly Hills opted to “self-certify” its Housing Element instead of revising the element to meet State certification requirements. Self-certification means that the City assumed the responsibility of assuring that the housing programs included in the last Housing Element would produce the minimum number of housing units required by the State (meet the City’s RHNA Numbers).

In order for the State to have certified the 1998-2005 Housing Element, the update needed to be more explicit about 1) where opportunities for new housing units existed in the city, and 2) how the city proposed to encourage the creation of affordably priced (per State criteria) housing. The State did not feel that there were adequate areas in the city to accommodate the necessary new housing units and had asked the city to detail out a program to alter the land use and zoning maps to allow more housing.

With State certification, if the number of housing units constructed in the city did not meet the RHNA numbers by the end of the planning cycle, the numbers would have gone away. With self-certification, if the number of housing units constructed did not meet the RHNA numbers allotted, the remaining numbers would carry over and be added to the new RHNA number allotted in the next cycle.

No affordable units were built in the last cycle. Therefore, as a result of self-certifying, the number of housing units that the City was required to plan for in the last housing cycle have now carried-over and have been added to the number of units that the city has been allotted in the current planning cycle.

EVALUATION OF PAST PROGRAMS

State law requires the current Housing Element Update to include a review of progress in meeting the goals and policies in the prior Housing Element. This evaluation considers each program based on implementation, effectiveness, and appropriateness of continuing. An evaluation of our past programs is provided as Attachment B.

Housing Production (1998–2005)

The last planning cycle for Housing Elements in the SCAG region was 1998-2005. The City’s Housing Element for the 1998-2005 cycle has been provided as a separate item for reference. Housing production in Beverly Hills during 1998-2005 is summarized in this

section. Housing production, and - *more importantly* - production and continued availability of affordably priced housing (per the State's criteria) are the fundamental outcomes desired by State HCD.

1998-2005 RHNA Numbers

The RHNA Numbers allotted to Beverly Hills for past planning cycle are given in the following chart:

City of Beverly Hills "RHNA Numbers" for the Past Cycle (1998-2005)

| | | Number of Units to Plan for Based on Affordability (Area Median Income (AMI) for Los Angeles County) | | | |
|--------------|-----|---|-----------------|-----------------------|---|
| | | Very Low (50% and below) | Low (51-80%) | Moderate (81-120%) | Above Moderate (Greater than 120%) - e.g. "Market-Rate" |
| RHNA Numbers | 256 | 35 | 42 | 40 | 139 |

The total number of housing units allotted to Beverly Hills for the 1998-2005 planning cycle was 256. Of that total number, 117 units was the minimum number of new units that were to be affordable to households earning 120-percent or less of the median household income for Los Angeles County (Total minimum number of units that were to be affordable to "Very Low", "Low" and "Moderate" income households). The remaining 139 units is the minimum number that was to be new *market-rate* housing units.

Housing Created

During the 1998-2005 planning period 460 housing units were constructed in the City and 238 units were demolished, resulting in a net gain of 222 units. All of the units created in the City were market-rate and no affordably-priced units were created during this period.

The following charts provide the mix of multi-family (primarily condominiums) and single-family homes constructed during the 1998-2005 cycle.

Multi-Family Units Constructed during the Past Cycle (1998-2005)

| Demolished | Constructed | Net | Affordable Units |
|------------|-------------|-----|------------------|
| 89 | 242 | 153 | 0 |

Single-Family Units Constructed during the Past Cycle (1998-2005)

| Demolished | Constructed | Net | Affordable Units |
|------------|-------------|-----|------------------|
| 149 | 218 | 69 | 0 |

The previous charts indicate that, during the past cycle, new housing units were created in both the multi-family, and the single-family housing areas of the city. The total number of new housing units created in the single-family housing areas represents both new single-family homes and new second-units. The creation of affordably-priced second units could be an important component in how the city plans to accommodate its RHNA Numbers; this will be a part of the discussion on May 13.

2006-2014 RHNA NUMBERS

The City self-certified its housing element in the past cycle and in so doing took on the responsibility of both planning for, and assuring that the units planned for were created. The number of "Above Moderate" (market-rate) units allotted to the city were created during the past cycle, however the number of affordably-priced units (Very Low, Low, and Moderate) were not. Therefore, as a result of self-certification, the 117 affordably-priced units that the city was required to plan for carry-over and are added to the number of units that the city is required to plan for during this cycle. With the carried-over units included, the city's current RHNA Numbers are provided in the following chart.

City of Beverly Hills "RHNA Numbers" for the Current Cycle (2006-2014)

| | Total Units | Number of Units to Plan for Based on Affordability (Area Median Income (AMI) for Los Angeles County) | | | |
|--|-------------|---|-----------------|-----------------------|---|
| | | Very Low (50% and below) | Low (51-80%) | Moderate (81-120%) | Above Moderate (Greater than 120%) - e.g. "Market-Rate" |
| 1998-2005 RHNA Numbers | 256 | 35 | 42 | 40 | 139 |
| Units Created (Net) | 222 | 0 | 0 | 0 | 222 |
| Carry-Over | 117 | 35 | 42 | 40 | 0 |
| New 2006-2014 RHNA Numbers | 437 | 111 | 71 | 77 | 178 |
| Total 2006-2014 RHNA Numbers (carry-over + new) | 554 | 146 | 113 | 117 | 178 |

In the current planning cycle, the City is required to plan for the creation of 554 new housing units as specified in the chart on the previous page. Of this number, 178 units planned for are to be affordable to “above moderate” households (Units rented or sold at market-rate). As of the writing of this report, more than 178 new market-rate housing units have been entitled by the city and therefore, the requirement to plan for these units has been met. Now the city must plan for the remaining 376 affordably-priced units, which is the total number of “Very Low”, “Low” and “Moderate” units provided in the chart.

DISCUSSION

To aid in the discussion and eventual decision-making in regards to planning for affordably-priced housing, a needs assessment and a constraints assessment are being provided. The needs assessment summarizes our community’s demographics, current housing stock and housing trends, and indicates how affordably-priced units could be of benefit. The constraints assessment looks at how the current housing development process may hinder the creation of housing, focusing in particular on the creation of affordably-priced housing. These assessments will be used as the basis for refining the city’s current housing programs (in the 1998-2005 Housing Element) and proposing new programs if necessary to meet an identified need or reduce a constraint.

Needs Assessment

The State requires every city and county to plan to accommodate a specified minimum number of new housing units. The individual jurisdictions have the option to plan for single family homes, apartments, condominiums or a combination of all three. The number of housing units to be planned for by each jurisdiction is determined by the State and the regional council and is intended to meet the housing needs of the particular community based on the needs assessment. In order to determine what mix of new housing types the city should accommodate, or facilitate, the community’s needs need to be assessed. A community needs assessment has been conducted and included in the attachments. A summary of the findings follows.

Community Characteristics

The city’s estimated 2009 population is 36,090. Over the past decade (1990-2000), the city’s population grew slowly, experiencing less than one-percent growth per year. Beverly Hills continues to be characterized by a large senior citizen population, with 18-percent of residents over the age of 65, compared to just 10-percent nationwide. Composition of the city’s resident population has been shifting though. Between 1990-2000, the city evidenced an 8-percent decline in seniors, - which could be a reflection of

limited housing options to allow seniors to “age in place” - , and a 43-percent increase in the number of school age children. At 18-percent however, the school-aged population is still under-represented compared to the County as a whole, in which school age children on average constitute 21-percent of the population.

Shifts in Population 1990 - 2000

| Age Group | % in 2000 | Change from 1990 |
|--|------------|------------------|
| Preschool-Age Children (age 0-4) | 4% | Stable |
| School-Aged Children (ages 5-18) | 18% | Increased |
| Young Adults (ages 19-34) | 18% | Decreased |
| Middle-Aged Adults (ages 35-64) | 42% | Increased |
| Seniors (ages 65+) | 18% | Decreased |

Household Size and Composition

Beverly Hills experienced a significant 20-percent increase in the number of households with children between 1990 and 2000, consistent with increases in the school age population. Combined with a decline in the senior population, the city’s overall average household size has modestly increased to 2.24 persons per household.

Shifts in Household 1990 - 2000

| Household Type | Change |
|---|------------------------|
| One and Two Person Households (young adults and seniors) | Decreased |
| 3 and More Person Households (Families with children) | Increased (20%) |

Wages

Workers in the city on average earn more than the average worker throughout the county; however this doesn’t mean that all jobs in the city pay better on average. Beverly Hills has many jobs in the service industry, and retail and restaurants in particular, which tend to have lower pay scales.

Average Wages in 2004

| Beverly Hills | Los Angeles County |
|---------------|--------------------|
| \$80,000 | \$44,000 |

Household Income

Approximately 23% of the residents in Beverly Hills qualify as either “Low” or “Very Low” income households, earning less than 80-percent of the Area Median Income (AMI). The city’s senior population comprises a large portion of Beverly Hills’ lower income (<80% AMI) households. A third of all lower income renters and one half of all lower income homeowners are senior citizens.

“Low” and “Very Low” Households

| Earning 80 % and less of Area Median Income (AMI) | Composition |
|---|--------------------------------|
| 23% of city’s households | Renters: 1/3 Seniors (age 65+) |
| | Owners: 1/2 Senior (age 65+) |

Home Sales

For calendar year 2009, the median sales price for a two-bedroom single-family home in Beverly Hills was \$1,170,000 and the median sales price for a two-bedroom condominium was \$760,000. In comparison, the maximum affordable purchase price for a three-person moderate income household (120% AMI) was just \$222,000, well below even the lowest priced units in the city.

Cost of Homeownership in Beverly Hills vs. Affordability

| Unit Type | 2009 Median Sales Price | Maximum Affordable Price – 3-Person, Moderate-Income Household |
|-----------------------------|-------------------------|--|
| Single-family home (2 bdrm) | \$1,170,000 | \$222,000 |
| Condominium (2 bdrm) | \$760,000 | \$222,000 |

Rental Rates

The current (2010) median rental rate for a two bedroom apartment in Beverly Hills is \$2,375, whereas the maximum affordable rent for a moderate income three person household is \$1,611. This indicates an affordability gap of \$760, or approximately 32-

percent. Second units can offer a relatively lower cost rental option, with rental rates averaging around \$1,100.

Rental Rates in Beverly Hills vs. Affordability

| Median Rent/ month | Maximum Affordable Rent – 3 person Moderate Income Households |
|--------------------|--|
| \$2,375(2 bdrm) | \$1,611 |

Age of Housing

Most of the housing in Beverly Hills was built prior the current State building codes that have additional requirements for earthquake safety.

Age of Housing

| Year Built | Percentage of Total Housing in the City |
|--|--|
| Prior to 1979 (prior to current building codes for earthquakes) | 86% |

Constraints Assessment

An assessment of constraints to the production of housing that includes an assessment of non-governmental constraints, such as the cost of land, and governmental constraints, such as certain zoning requirements, is provided in the attachments. A discussion will be held on May 13 on options the Planning Commission might want to consider in easing certain constraints in order to encourage creation of more affordably priced housing.

RECOMMENDATION

This will be the first of many opportunities to pose questions on both the Housing Element update process and the information provided. Further study sessions will include discussions on developing new, and continuing existing housing programs.

PETER NOONAN, AICP

Attachments:

Attachment A – Statement of Qualifications for Karen Warner, AICP

Attachment B – Tentative Schedule

Attachment A



KAREN WARNER ASSOCIATES

STATEMENT OF QUALIFICATIONS

KAREN A. WARNER, AICP

Karen Warner is a consultant with over 20 years of experience in providing housing policy services to municipal clients. Karen Warner Associates (KWA) offers the following range of housing services, along with GIS mapping and graphics capability:

Housing Plan Preparation

Housing Elements
Housing Needs Assessments
Consolidated Plans
Redevelopment Housing Plans
Fair Housing Assessments

Special Housing Studies

Inclusionary Zoning Studies
Density Bonus Ordinances
Condo Conversion Studies
Housing Program Design
Affordable Housing Review

Public Outreach

Community Education Workshops
Facilitation of Stakeholder Groups
Consensus Building

HOUSING POLICY SERVICES AND EXPERIENCE

Housing Elements

Ms. Warner is a recognized leader in the field of **housing elements**, having authored nearly 100 elements throughout the State. She has developed a strong working relationship with the staff at the State Department of Housing and Community Development (HCD) and has an excellent track record in achieving HCD approval. Ms. Warner has gone through several housing element cycles in the SCAG, SANDAG, Kern COG, and ABAG regions, and most recently worked with over a dozen jurisdictions in the SCAG region on their 2008-2014 element updates. Many housing element programs have involved extensive community participation and consensus building among divergent stakeholders. Some of Ms. Warner's recent *housing element clients include the cities of Brea, Burbank, Campbell, Huntington Beach, Pasadena, San Fernando, and Sunnyvale, all of which received HCD approval.*

Redevelopment Housing Strategies and Implementation Plans

In addition to her work on housing elements, Ms. Warner is also involved in assisting redevelopment agencies in developing **housing strategies** for expenditure of low and moderate income housing funds. She is well versed in redevelopment housing law post AB 637, and in the linkages between Agency housing expenditures and the City's housing element. Ms. Warner has worked with over a dozen jurisdictions in preparing AB 1290 Redevelopment Implementation Plans.

Nexus Studies

Ms. Warner has also prepared several **nexus studies** in support of inclusionary zoning and commercial impact fee ordinances. *She worked with the City of Burbank in development of its first inclusionary housing ordinance, assisted the cities of Agoura Hills and Calabasas in conducting inclusionary housing in-lieu fee studies, and is beginning work in Huntington Park on an Affordable Housing Strategy and evaluation of an inclusionary housing program.*

Federally Mandated Housing Plans

Ms. Warner has overseen the preparation of numerous **federally mandated housing plans**, including Consolidated Plans, Annual Action Plan, CAPERS and Fair Housing Assessments. *She recently assisted the cities of Burbank, Huntington Park, and Long Beach in preparing their 5 Year Consolidated Plans, and currently administers the CDBG and HOME Program for Huntington Park.*

PRIOR PROFESSIONAL EXPERIENCE

Prior to forming KWA in 2002, Ms. Warner worked as a planner in both the public and private sectors. Private sector experience over the past 20 years included serving as Director of Housing Programs for Cotton/Bridges/Associates, and as General Plan project manager for Envicom Corporation. Public sector experience included current planning work for the City of Paramount and County of Santa Barbara. As a research assistant for the Department of Housing and Urban Development in Washington D.C., Ms. Warner produced a guidebook for local jurisdictions to facilitate mixed-use development.

Ms. Warner has served as a conference speaker on housing issues for APA, CRA, HUD, NAHRO, HUD, and the League of California Cities.

EDUCATION

Master in Urban Planning, UCLA

B.A. in Environmental Studies/Business Economics, UC Santa Barbara

UCLA Continuing Education - courses in public speaking and community facilitation

REPRESENTATIVE PROJECTS

Housing Elements

City of Brea
City of Burbank
City of Calabasas
City of East Palo Alto
City of Huntington Park
City of Pasadena
City of Santa Clarita
City of Santa Cruz
City of Santa Monica
City of San Buenaventura
City of Sierra Madre
City of West Hollywood
City of Yorba Linda
County of Kern
County of Santa Clara

Redevelopment Implementation Plans

Baldwin Park Redevelopment Agency
Burbank Redevelopment Agency
Commerce Redevelopment Agency
Huntington Park Community Development Commission
San Fernando Redevelopment Agency
Yorba Linda Redevelopment Agency

Other Housing Projects

Burbank Inclusionary Housing Ordinance
Calabasas Housing Trust Fund Strategy
Culver City Housing Market Study
Huntington Park CDBG and HOME Administration
Long Beach Condominium Conversion Study
MERCİ Affordable Housing Development Assistance
Pasadena Housing Agenda for Action

Attachment B

Tentative Schedule

March 25, 2010

2007-2013 Housing Element Update

