



AGENDA REPORT

Meeting Date: September 10, 2013

Item Number: E-1

To: Honorable Mayor & City Council

From: Jonathan Lait, AICP, Assistant Director of Community Development

Subject: REQUEST FOR CITY COUNCIL COMMENTS REGARDING A REQUEST BY AKA SERVICED RESIDENCES TO ALLOW STAYS OF LESS THAN 30 DAYS WITHIN THE EXISTING APARTMENT BUILDING LOCATED AT 155 NORTH CRESCENT DRIVE.

Attachments: None

RECOMMENDATION

Staff recommends that the City Council receive information regarding a proposal to convert the existing apartment building located at 155 North Crescent Drive to serviced residences, which could be leased or rented for periods of less than 30 days¹ and would be operated by AKA Serviced Residences, and provide feedback to staff regarding general policy perspectives on the requested legislative changes, and direction to staff on any specific issues to be considered and addressed when processing the application.

INTRODUCTION

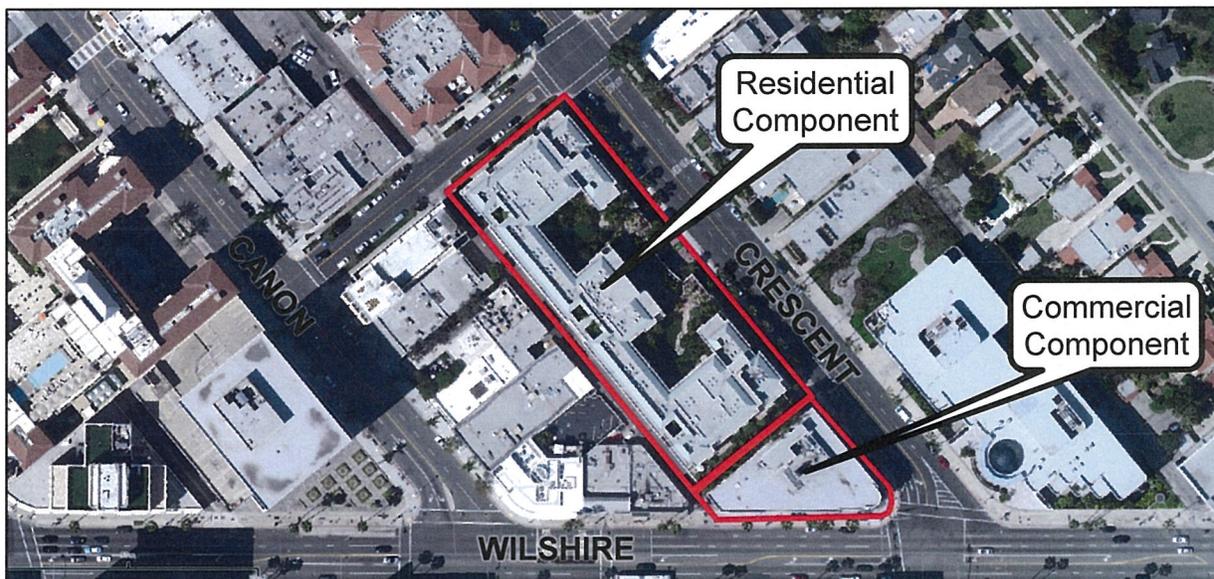
The Community Development Department has received an application filed by AKA Serviced Residences to allow stays of less than 30 days within the existing, 88-unit apartment building

¹ In multifamily residential zones, stays of 30 days or more are considered to be residential in nature (i.e. an apartment), while stays of less than 30 days are considered to be commercial in nature (i.e. a hotel). In single family residential zones, the City has not formally established a divide between transient and non-transient uses. However, given changing national and local trends on short and longer term rental of all or a part of single family residences, and the fast expanding use of and offerings on such websites as Airbnb and VRBO (Vacation Rental by Owner), staff believes that it may be appropriate to study the issues associated with increased transient uses in the single family residential districts. If present trends continue, the increase in short term stays in single family zones could impact the stability of single family residential neighborhoods.

located at 155 North Crescent Drive (formerly known as The Crescent Project, developed by J.H. Snyder Company). Stays of less than 30 days are currently prohibited within the project site's zoning designation, and a variety of land use and legislative approvals would be required to allow such a conversion. The purpose of this report is to provide the City Council with an overview of the proposed project and conceptual development agreement terms, and to seek feedback from the City Council as to whether there is interest in proceeding with this type of change in land use and the legislative actions that would be necessary to implement such a project.

BACKGROUND

The Crescent Project was approved by the City Council on December 3, 2002, and construction of the project was completed in 2006. The project is located within the M-PD-2 mixed-use overlay zone, and contains a commercial component located at the northwest corner of Wilshire Boulevard and North Crescent Drive (9355 Wilshire Boulevard), and 88 apartment units located along North Crescent Drive (155 North Crescent Drive).



The commercial component of the building is four stories in height, and the residential component is five stories in height. At the time of approval, the project required a Planned Development Permit and a Zone Text Amendment to establish a mixed-use overlay zone for the subject property. Additionally, an Environmental Impact Report was prepared in conjunction with the project. The project was specifically approved as apartments (rather than condominiums), because the City Council's desire at the time was to establish additional rental housing within the City. Since completion of the development, it has operated as apartments, and was recently acquired by AKA Serviced Residences. AKA Serviced Residences has remodeled the interior and exterior of the property and continues to operate the property as apartments (by requiring that stays be 30 days or more), but requests the ability to allow stays of less than 30 days. Based on information provided by AKA Serviced Residences, approximately 50% of their business (at other locations throughout the country) is for stays of less than 30 days, while the remaining 50% of their business is for stays of more than 30 days. Additionally, AKA Serviced Residences requests the ability to operate a restaurant within the

existing development, which is currently prohibited by the development standards set forth in the overlay zone.

REQUIRED ENTITLEMENTS

In order to allow stays of less than 30 days within the apartments, and to allow operation of a restaurant, the applicant seeks the following entitlements:

General Plan Amendment. The General Plan land use designation for the apartment portion of the subject property is Multi-Family Residential – Commercial Parking². This land use designation does not allow for commercial operations such as stays of less than 30 days (i.e. a hotel), nor does it allow for restaurants. Consequently, the land use designation for the subject property would need to be modified to accommodate the proposed project.

Zone Text Amendment. The Municipal Code sets forth specific zoning standards for the development and use of the subject property. Similar to the General Plan, the overlay zone does not allow for stays of less than 30 days, nor does it allow for restaurants. Therefore, the zoning standards set forth in the overlay zone would need to be modified in order to accommodate the proposed project.

Planned Development Permit Amendment. The Planned Development Permit originally approved for the subject property sets forth specific conditions of approval regarding use of the property. The Planned Development Permit would require modification in order to reflect the changes requested by the applicant.

Development Agreement. Similar to other projects requiring overlay zones and changes to the types of uses allowed on a given property, the applicant proposes a development agreement. The development agreement would provide the applicant with certain guarantees regarding operation of the subject property as serviced residences with stays of less than 30 days and restaurant uses (if ultimately approved), and would also provide the City with certain public benefits that, among other things, could offset any potential long-term impacts that could result from a reduction in the City's supply of residential rental properties.

PUBLIC BENEFITS

In order to offset the loss of rental properties that would result from changing a residential land use to a commercial land use, the applicant has proposed certain public benefits that would be set forth in a development agreement. While any stays less than 30 days would automatically be subject to the City's Transient Occupancy Tax, the applicant proposes an additional benefit of a Municipal Surcharge, where the City would receive a certain percentage of revenues generated at the property. Details regarding the Transient Occupancy Tax and Municipal Surcharge proposal are set forth as follows:

² The commercial component of the existing development, located at the corner of Wilshire Boulevard and North Crescent Drive, has a General Plan Land Use Designation of Commercial – Low Density General, and would not need to be modified in order to accommodate the proposed project.

Transient Occupancy Tax. The City's Transient Occupancy Tax is currently set at 14% of gross room revenues, and is collected on all stays of less than 30 days throughout the City. Because the Transient Occupancy Tax would automatically apply to any stays of less than 30 days at AKA Serviced Residences (without the need for a development agreement), the Transient Occupancy Tax is not considered to be a specific public benefit offered by the applicant; however, the Tax would still be financially beneficial to the City. Although not yet independently verified by staff, the applicant estimates that a 14% Transient Occupancy Tax on all stays of less than 30 days would generate approximately \$1,175,105 in annual revenue for the City.

Municipal Surcharge. As proposed by the applicant and in addition to the 14% Transient Occupancy Tax discussed above, the City would receive a Municipal Surcharge of 6% of gross room revenues for all stays of less than 30 days. Any stay of 30 days or more would not be subject to the Municipal Surcharge. The Municipal Surcharge has previously been imposed on projects such as the Montage Hotel and Waldorf Astoria Hotel (yet to be constructed), with a 5% Municipal Surcharge applied to all hotel stays. Although not yet independently verified by staff, the applicant estimates that a 6% Municipal Surcharge on all stays of less than 30 days would generate approximately \$503,616 in additional annual revenue for the City.

REVIEW PROCESS

The proposed project requires certain land use and legislative approvals outlined above, which would be considered during noticed public hearings. Due to the nature of the requests, the project will be reviewed by both the Planning Commission and City Council.

Planning Commission Review. The Planning Commission serves as the City's reviewing authority for land use entitlement matters, and also serves as an advisory body to the City Council when it comes to legislative matters such as general plan amendments and zone text amendments. Because the project requires both specific land use entitlements and legislative actions, the Planning Commission will serve as the initial reviewing authority, and will forward recommendations to the City Council regarding the project. As part of its review of the proposed development agreement, the Planning Commission may offer feedback regarding public benefits; however, such determinations are typically reserved for the City Council.

City Council Review. Upon completion of the Planning Commission's review of the project, the City Council would serve as the final reviewing authority.

CITY COUNCIL COMMENTS

Given the contemplated development agreement and legislative changes to the Municipal Code and General Plan that would be required to implement the proposed project, staff seeks to understand in general terms whether the City Council believes the proposed legislative actions warrant further study and consideration. If there is interest in considering the proposed legislative actions, staff requests that the City Council identify any concerns or issues the City Council would like studied by staff and the Planning Commission as the project advances through the public hearing process. The purpose of this discussion is not to negotiate terms of an approval, but simply to understand the Council's general policy outlook on this type of

proposal, and to identify areas of concern early in the application process so that staff can properly study and assess the proposal.

FISCAL IMPACT

This report does not seek any formal action from the City Council, and will therefore not result in any fiscal impacts. Fiscal impacts associated with the project will be assessed in the future as the project moves through the public hearing process.

RECOMMENDED ACTION

Staff recommends that the City Council receive information regarding a proposal to convert the existing apartment building located at 155 North Crescent Drive to serviced residences, which could be leased or rented for periods of less than 30 days and would be operated by AKA Serviced Residences, and provide feedback to staff regarding general policy perspectives on the requested legislative changes, and direction to staff on any specific issues to be considered and addressed when processing the application.

Susan Healy Keene, AICP
Director of Community Development


Approved By _____