



OFFICE OF THE CITY MANAGER

DATE: October 11, 2017
TO: Steve Mermell, City Manager
FROM: Ruthe Holden ^{RH} and Rebecca Takahashi ^{RT}, Internal Audit Division
SUBJECT: Internal Review of Inclusionary Housing Units

On January 21, 2017, a local news article identified four units at two residential sites constructed under Pasadena Municipal Code (PMC) Zoning Code Chapter 17.42 (Chapter 17.42), Inclusionary Housing Requirements that remained unoccupied and used for other means by the property developer. At the January 23, 2017 City Council meeting, the City Manager informed the City Council that an independent review on why these units remained vacant would be conducted. Based on our review of these two projects, we identified three issues related to the four housing units.

This project is a consulting assignment and is not an audit. This work was conducted in accordance with the Standards of the Institute of Internal Auditors. These Standards encompass such matters as the independence of City of Pasadena Internal Audit Division, objectivity, proficiency of staff, due professional care, the scope and performance of work activities, and the management of the internal auditing function. Our consulting work included examining, on a test basis, evidence supporting transactions in the operating records and applying other procedures we considered necessary under the circumstances. It also included assessing the judgments and decisions made by management. We believe that our consulting work provides a reasonable basis for our issues, conclusions, and recommendations.

We would like to thank both the Housing and Career Services and Planning and Community Development Departments for their cooperation and providing key data needed for this review.

This report was updated to clarify language regarding development of three properties on South Los Robles as two separate developments.

cc: Julie Gutierrez, Assistant City Manager
Nicholas Rodriguez, Assistant City Manager
William Huang, Director, Housing and Career Services

C17-OCM-02



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Background

Objectives and Scope

Our objective for this review was to determine why the units at 139 S. Los Robles and 482 S. Arroyo Parkway remained vacant. The scope for this report was limited to the review of the two for-sale development projects 139 S. Los Robles and 482 S. Arroyo Parkway.

Inclusionary Housing Requirements

In July 2001, the City Council amended the Pasadena Municipal Code (Zoning Code Chapter 17.42) to require that residential and mixed-use projects include a share of housing that is affordable to low and moderate-income households. Projects of ten or more units are subject to this ordinance, requiring 15 percent of newly constructed units to be affordable. Chapter 17.42 of the Zoning Code established the standards and procedures to encourage the development of affordable housing stock to a range of households with varying income levels, as well as ensuring affordable housing units are added to the City's housing stock in proportion with the overall increase in new housing units.

In addition to providing 15 percent of total new units to be included as affordable units, the Ordinance also provides alternatives¹ to meet this requirement, which include:

- Construction or substantial rehabilitation of affordable units at an offsite location
- Donation of land to the City for the construction of the inclusionary units
- Payment of an "in-lieu" fee deposited into the Inclusionary Housing Trust Fund

The City Council also established by resolution specific Inclusionary Housing regulations for the implementation of this chapter, referred to as the City of Pasadena Inclusionary Housing Regulations. The regulations outline the process to implement the requirements of Inclusionary Housing. The requirements of Chapter 17.42 are administered by the Housing and Career Services (Housing) and the Planning and Community Development (Planning) Departments. The City Manager, or designee, is responsible for reviewing, approving, and executing any agreement between the City and a housing developer to ensure compliance with Inclusionary Housing Requirements.

As stated in the Inclusionary Housing Regulations, the requirements of Chapter 17.42 are implemented through two key documents, which are an Inclusionary Housing Plan and an Inclusionary Housing Agreement. A summary of the two documents is provided in Exhibit 1 below.

¹ On-site inclusionary units are required when very low-, low-, and/or moderate-income households are displaced.



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Table 1: Summary of Inclusionary Plan and Agreements

<u>Inclusionary Housing Plan</u>	<u>Inclusionary Housing Agreement</u>
<ul style="list-style-type: none">• When applying for a Master Application for Plan Review, developers submit a supplemental application for an Inclusionary Housing Plan,• Developers submits intent to satisfy inclusionary housing requirements by providing percentage of units on/offsite, in-lieu fees, land donation, or combination thereof,	<ul style="list-style-type: none">• Required when a developer proposes to provide on- or offsite units inclusionary rental or ownership units,• Indicates the project type, number of affordable units to be provided,• Inclusionary incentives received,• Contains provisions for resale or rental; monitoring of affordability; and determination of eligible households,
<ul style="list-style-type: none">• Plan must be submitted to the City Manager or Assistant City Manager for review or approval prior to the issuance of a Building Permit.	<ul style="list-style-type: none">• Executed between the developer and the City Manager,• Required to be recorded with Los Angeles County prior to the issuance of a Building Permit.

Source: Chapter 17.42 requirements and Inclusionary Housing Regulations

Once the designated Inclusionary units are marketed and sold to the appropriate income-eligible households, the buyers must enter into a Purchaser Affordability Agreement with the City of Pasadena. This agreement preserves the affordability of the unit upon resale to an income eligible purchaser and grants the City of Pasadena the first right of refusal in the event of a resale. The City can exercise its option and purchase the unit, assign its option to a qualified buyer, or abandon the option.

Overall Conclusions

The Housing Department is not effectively overseeing the implementation Chapter 17.42 requirements and the Inclusionary Housing Regulations that are meant to provide and maintain designated affordable housing units in newly constructed residential developments. As a result, units meant to be occupied by eligible households have remained vacant.

Issue 1: The City did not always comply with Chapter 17.42 requirements

Before a Building Permit is issued, Chapter 17.42 requires the City Manager to approve the Inclusionary Housing Plan and any required Inclusionary Housing Agreement must be executed and recorded. Before a Certificate of Occupancy is issued, Chapter 17.42 requires the approved Inclusionary Housing Plan to be fully implemented.

The Housing Department approved these development projects as meeting Chapter 17.42 requirements in the Planning Department's permitting system for Building Permits (both projects) and Certificates of Occupancy (one project) before Inclusionary Housing Agreements were recorded.



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Inclusionary Housing Plan and Subsequent Agreement

According to Chapter 17.42 of the Zoning Code and the Inclusionary Housing Regulations adopted by City Council, a Building Permit shall not be issued for a residential project subject to these regulations unless the City Manager or the Assistant City Manager has approved the Inclusionary Housing Plan, and the executed Inclusionary Housing Agreement has been recorded. A Certificate of Occupancy shall not be issued for a residential project unless the approved Inclusionary Housing plan has been fully implemented.

American General Services Group is the entity that rehabilitated the former Livingstone Hotel (139 S. Los Robles), and constructed two additional new residential buildings known as The Burton (133 S. Los Robles) and the J. Grant Apartments (119 S. Los Robles)². The same developer was also developing 482 S. Arroyo Parkway, which was also a new residential project subject to Chapter 17.42 requirements.

While rehabilitated properties (139 S. Los Robles) are not subject to Inclusionary Housing requirements, the newly constructed properties (133 and 119 S. Los Robles) were subject to Inclusionary Housing requirements³. The original proposed Inclusionary Housing Plan called for designated units to be provided at The Burton, 133 S. Los Robles. However in August 2011, the Housing Department approved the location of the Inclusionary Housing Units at 139 S. Los Robles (The Livingstone) instead of the new developments at 133 S. Los Robles (The Burton). As result, the designated units provided to meet inclusionary housing requirements were reserved at the rehabilitated and not the new construction portion of the project.

Chapter 17.42 allows the developer to satisfy inclusionary housing unit requirements for the project in whole or in part by constructing or substantially rehabilitating the number of required units on a site other than that of the affected residential project. Because this development for the 133 & 139 S. Los Robles properties was initiated as a single development, it is not clear whether this circumstance would be considered a "site other than that of the affected residential project."

Because of this change, the developer was granted a Building Permit and Certificate of Occupancy for the Livingstone and Burton properties without an Inclusionary Housing Agreement executed and recorded with Los Angeles County.

For 482 S. Arroyo Parkway, the project was granted a Building Permit prior to the recording of an Inclusionary Housing Agreement, which is not in compliance with Chapter 17.42. However, the Certificate of Occupancy was granted after the recordation of the agreement, which is in compliance with the requirements of Chapter 17.42.

² The J. Grant Apartments (119 S. Los Robles) was originally built as an ownership project with Inclusionary Housing units. This property was sold to a new owner who converted the ownership project to a rental project with Inclusionary Housing rental units. These three properties were developed as two separate projects, 119 S. Los Robles was one development, and 133 & 139 S. Los Robles properties were a separate development.

³ 119 S. Los Robles (J. Grant) was subject to Inclusionary Housing Requirements and approved to provide 4 very low-income units.



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The signature execution, agreement recordation, and entitlements granted by date for these projects are summarized in Exhibit 2 below.

Table 2: Inclusionary Housing Agreement History for Properties Examined

Property	Inclusionary Housing Plan Date	Inclusionary Housing Agreement Executed	Inclusionary Housing Agreement Recordation	Building Permit Issue Date	Certificate of Occupancy Date
133 S. Los Robles ⁴	04/23/08	12/04/13 (Original)	Original Never Recorded	02/12/12	11/04/13
	10/10/14	05/26/15 (Revised ⁵)	06/09/15 (Revised)		
482 S. Arroyo Parkway	03/14/14	05/05/15	05/28/15	05/29/14	04/11/16

Source: Summary of Housing and Planning Department records

Based on Exhibit 2, the Housing Department approved these properties in Tidemark (Planning Department's permit system) as meeting Inclusionary Housing requirements without having the required Agreement in place. This was not in compliance per Chapter 14.72 that requires an Inclusionary Housing Agreement to be recorded before a Building Permit can be issued. Without this agreement in place, the City has no legal means to preserve the affordability of the designated inclusionary housing units in these yet to be constructed developments. The Housing Department acknowledged that this had been their practice to approve a project in Tidemark as meeting Inclusionary Housing requirements prior to recording the Inclusionary Housing Agreement. Going forward, the Housing Department has indicated that they will adhere to the requirements of Chapter 14.72 and will include evidence of the recordation of an inclusionary housing agreement in Tidemark prior to the issuance of a Building Permit.

In these two development projects, the Housing Department prioritized moving projects along through the entitlement process over complying with the requirements of Chapter 17.42. By not ensuring that an appropriate Inclusionary Housing Agreement was in place, the City was at risk of not being able to enforce Chapter 17.42 requirements.

⁴ As detailed in Issue 1, Inclusionary Units for this new development were moved to 139 S. Los Robles to meet the requirements for 133 S. Los Robles.

⁵ According to Housing, a change in State Law affecting notarized documents caused the agreements to be re-executed and recorded.



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Recommendation 1:

During this review, the Housing Department proposed the following changes to the Inclusionary Housing process:

- a) Inclusionary Plans will be taken to Internal Loan Committee⁶ for review and approval to verify the Inclusionary requirements are being met especially when there are things like trading down to provide fewer but more deeply affordable units, determining the location of units, settling on the unit mix, etc.
- b) Recorded Inclusionary Agreements will be uploaded to Tidemark prior to Housing signing off on the permit.
- c) A physical site visit by the Senior Project Manager will take place before the Housing's Certificate of Occupancy sign-off to make sure everything in the Inclusionary Agreement has been provided.
- d) The Housing Director will sign off in Tidemark for Housing not the Senior Project Manager at both the permit and Certificate of Occupancy stages.

In addition, we recommend, the Housing Department implement procedures for monitoring and oversight to verify that all key legal requirements of Chapter 17.42 are met, including:

- a) Reviewing key communication and documentation prepared and received for accuracy and completeness; and
- b) Upload the Inclusionary Housing Plan, Agreement, and other reasonable documentation to provide assurance to the Planning Department of compliance to Chapter 17.42 requirements in Tidemark (Planning's permit system) prior to the granting of an entitlement.

Management Response

The Housing Department concurs with these recommendations and procedures will be implemented by November 30, 2017. The detailed response is included as Attachment A of this report.

⁶ City of Pasadena's Internal Loan Committee consists of four individuals from different City Departments that now review Inclusionary Housing documents and calculations before they are submitted to the City Manager for approval.



OFFICE OF THE CITY MANAGER

Issue 2: Untimely Marketing of 139 S. Los Robles and 482 S. Arroyo Parkway

Lack of Regulatory Requirements for timely sales

Neither Chapter 17.42 nor the accompanying regulations specify requirements for timely sale and occupancy of inclusionary housing. While both have requirements for completing, approving, executing and recording documents related to Inclusionary Housing, Chapter 17.42 and the regulations are silent on when the units need to be sold. While the Inclusionary Housing Agreement for these properties requires the completion and approval of a Marketing and Buyer Selection Plan (Marketing Plan) prior to the sale of the designated units, there is no requirement or expectation as to when this Marketing Plan must be developed and approved.

In an Inclusionary Housing Agreement from 2007, a list of Inclusionary Housing requirements and their anticipated timeframes for completion was provided to the developer of that project. This schedule noted that Marketing Plans were expected to be developed and approved prior to the issuance of a Building Permit. Marketing plans were also expected to be implemented when substantial construction or rehabilitation was complete, and sales were expected to be completed within two months of the issuance of the Certificate of Occupancy. Although this schedule was specific to this particular project, it reflected an expectation to develop a Marketing Plan well before a project is completed and issued a Certificate of Occupancy.

Timeline of events that contributed to delay in sales of units at two developments

It took approximately five years to develop, execute, and record an Inclusionary Housing Agreement for 133 S. Los Robles. The first documented discussion related to Inclusionary Housing requirements for this property occurred August 2010. 133 S. Los Robles originally proposed to provide five moderate-income units in the Inclusionary Housing Plan dated August 2010. A sample marketing plan was provided to the developer in December 2013. An Inclusionary Housing agreement was executed by all parties, but the Housing Department never recorded it with Los Angeles County.

As discussed in Issue 1, the Inclusionary Housing units were initially supposed to be included at 133 S. Los Robles. At the developer's request, the Housing Department approved moving the Inclusionary Housing units to the 139 S. Los Robles location in 2011. As the Housing Department was planning to record the document for 139 S. Los Robles, the developer requested to amend their plan to meet Inclusionary Housing Requirements by providing two very low-income ownership units instead of five moderate-income units in March 2014 at the 139 S. Los Robles location. Chapter 17.42.040 C allows a project to build very low-income units in lieu of moderate-income units, and can receive a credit of two affordable units for each unit actually provided. The Housing Department allowed the developer to amend their initial Inclusionary Housing Plan to provide very low-income units instead of the originally agreed to moderate-income units. To accommodate for the change, a new Inclusionary Housing Plan and Agreement were developed, executed, and recorded after the property obtained a Building Permit and Certificate of Occupancy. As a result, it took approximately five years to execute and record the final Inclusionary Housing Agreement, and develop a Marketing Plan to sell the designated units to eligible very low-income buyers for the 139 S. Los Robles.



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Unlike 139 S. Los Robles, the Inclusionary Housing Plan and subsequent Agreement for 482 S. Arroyo Parkway consistently proposed two very low-income units to meet Chapter 17.42 requirements.

For both the 139 S. Los Robles and 482 S. Arroyo Parkway properties, Marketing Plans were never discussed between the Housing Department and the developer until December 2013, when the Housing Department provided a sample Marketing Plan to the developer. There is no evidence that the developer was asked to submit a Marketing Plan or a list of qualified buyers prior to granting the Certificate of Occupancy for the buildings. The developer is working with the Housing Department to develop and market the units to income qualified buyers.

The developer stated that the main challenge in working with the City was a lack of available guidelines and an incomplete understanding of how the Inclusionary Housing process works and what roles/responsibilities the developer plays in the process. The process was described as difficult, frustrating, and dependent on the City providing information the developer needed to develop and execute a Marketing Plan. According to the developer's representatives, they had to communicate with specific City personnel, received information in piecemeal, and believe they were provided with inconsistent and outdated information based on their documented agreements and prior answers to inquiries.

Recommendation 2: The Housing Department should formalize procedures that outline a specific order and timeline for the implementation of key Inclusionary Housing documentation requirements, including the Housing Plan, Marketing Plans, Housing Agreement development, and subsequent execution and recordation prior to approving projects in Tidemark indicating the project is in compliance with Chapter 17.42.

- a) This process document should also provide guidance to developers on what the City expects and needs for them to accomplish to facilitate the requirements of Chapter 17.42; and include samples and/or templates of all documents the developer will be required to provide to comply with Chapter 17.42,
 - Marketing Plans should be developed and approved as part of the approval process for the Inclusionary Housing Agreement. Timelines for sale of designated units should be included in the Marketing Plan, and
- b) Housing should work with the Planning Department to have this guidance publicly available to developers both online and in hard copy at the Permit Center.



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Management Response

The Housing Department concurs with these recommendations and procedures will be implemented by November 30, 2017. The detailed response is included as Attachment A of this report.

Issue 3: 139 S. Los Robles and 482 S. Arroyo Parkway delayed sale of units

The developer's request to change the units from moderate to very low-income and the length of time in developing and executing required agreements impacted the marketing and sale of the units at 139 S. Los Robles. The Certificate of Occupancy was issued by the City in November 2013. In early March 2014, the fully executed Inclusionary Housing Agreement for five moderate-income units was sent to the developer's representative and the Housing Department indicated it would be recording the document in the next few weeks. The developer's representative then requested if the 139 S. Los Robles project could be changed from five moderate-income units to two very low-income units. In April 2014, the developer requested a change in the location of the units in the development and submitted a modified Inclusionary Housing Agreement to the Housing Department for two very low-income units. The Housing Department provided a revised Inclusionary Housing Agreement in early May 2014 and followed up in June with the developer's representative asking for the signed copies. In October 2014, the Housing Department followed up with the developer's representative again requesting the original signed copy of the Inclusionary Housing Agreement executed in April 2014. In January 2015, the developer's representative asked if the Inclusionary Housing Agreement had been signed and requested they be provided a copy of the executed agreement. In early February 2015, the developer was sent the Inclusionary Housing Agreement that was fully executed in November 2014, but not recorded. In February 2015, the developer was notified that State law had changed and new notarized documents were needed to comply with the changes before the Agreement could be recorded. In June 2015, the amended Inclusionary Housing Agreement was executed and recorded with Los Angeles County.

Another contributing factor to the vacancy of the completed units was the Housing Department's proposal to acquire the four units to be used as Section 8 rental units. In December 2015, the Housing Department asked the owner of 139 S. Los Robles if they would be interested in selling the two units to the City at the affordable sales prices. Additionally, the Housing Department also proposed the purchase of the two units at 482 S. Arroyo Parkway in August 2016.

For the 139 S. Los Robles project, the Housing Department wanted to conduct a site visit, obtain current Home Owner Association (HOA) information, and convene a community meeting in January 2016 of current residents to disclose the proposed purchase by the City. A meeting was not held until August 2016 with the Livingstone Homeowner's Association. Between October and November 2016, the property representatives of 139 S. Los Robles and 482 S. Arroyo Parkway inquired with the Housing Department about the status of the City's offer to purchase the four units, the Housing Department indicated that they expect to seek authorization from City Council in December 2016.



OFFICE OF THE CITY MANAGER

In early January 2017, the Housing Department informed the owners of the two properties that the City Council requested the Housing Department to return with a general description of the City's policy to acquire deed-restricted homeownership units. Additionally, the Housing Department was required to present to the Economic Development and Technology Committee in February, which would have then allowed the department to present their recommendation to acquire the units in late February's City Council meeting. The Housing Department stated "We can enter into purchase agreements very shortly after the anticipated Council approval." In late January 2017, the City Manager notified the Housing Department that its decision to purchase the two properties' units would not satisfy the requirements of Chapter 17.42 and would represent a new policy direction. The City Manager directed the Housing Department to communicate the City's decision not to purchase the four units and work with the developer to get them sold as soon as possible.

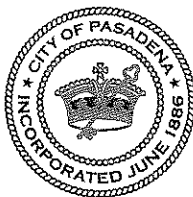
There is no documentation indicating that the Housing Department ever received formal direction or guidance from the City Manager about purchasing these units prior to discussion with the developer. Based on conversations reviewed between the Housing Department and the developer, the proposal was presented as an official City offer. The Housing Department stated that in the past, the City Council had purchased deed restricted units that were at risk of losing their affordability covenants and stated that the proposal to purchase the four very low-income units was similar to past practices.

Recommendation 3: The Housing Department should:

- a) Develop procedures to obtain the necessary approvals from the City Manager prior to presenting any City offers to acquire units.
- b) Provide periodic reports to the City Manager's Office about the status of all inclusionary housing projects to ensure timely action and communication is made between the City and outside parties.

Management Response

The Housing Department concurs with these recommendations and procedures will be implemented by November 30, 2017. The detailed response is included as Attachment A of this report.



HOUSING & CAREER SERVICES DEPARTMENT

September 5, 2017

City of Pasadena
Office of the City Manager
Ruthe Holden, Internal Audit Manager
100 N. Garfield Avenue, Room S228
Pasadena, CA 91101

RE: Internal Review of Inclusionary Housing Units

Dear Ruthe,

We appreciate the opportunity provided to the Housing & Career Services Department to comment on your draft Internal Review of Inclusionary Housing Units (the "Review"). First and foremost, we accept the Review recommendations. Implementation of the recommendations will ensure that the Inclusionary program is administered in compliance with the ordinance provisions.

Our specific comments on the Review Issues and Recommendations are as follows:

ISSUE 1: The City did not always comply with Chapter 17.42 requirements

We acknowledge that specific steps in the ordinance were not always followed. We believe our failure to do so can be attributed in large part to a sharp reduction in staffing within our Housing Production Division unit. In 2009 there were 3.5 FTE's in the division including one (1) Project Manager dedicated almost exclusively to managing the inclusionary ordinance. By 2012, due to budget reductions, the division was reduced to one (1) FTE, a Senior Project Manager position for which programmatic responsibilities include Housing Successor, HOME, and Inclusionary. To address the division's staffing needs, recruitment for a 0.5 FTE is in process. Also, beginning in 2015, a third-party vendor has been utilized to record inclusionary documents; previously, this was accomplished with time-consuming staff trips to the County Recorder offices in Norwalk and Van Nuys.

RECOMMENDATION 1

Implement procedures for monitoring and oversight to verify that all key legal requirements of Chapter 17.42 are met, including:

- a) Reviewing key communication and documentation prepared and received for accuracy and completeness.
- b) Upload the Inclusionary Housing Plan, Agreement, and other reasonable documentation to provide assurance to the Planning Department of compliance to Chapter 17.42 requirements in Tidemark (Planning's permit system) prior to the granting of an entitlement.

Department Response: The Department concurs with these recommendations. Procedures will be implemented by November 30, 2017. The procedure to upload Inclusionary Housing Agreements in Tidemark prior to granting of an entitlement is currently being implemented.

As acknowledged in the Recommendation 1 section of the Review, the Department, months ago, recognized the need to tighten up the administrative processing of the Inclusionary program and proactively implemented the following changes:

- a) Inclusionary Housing Plans will be taken to the Internal Housing Loan Committee for review and approval to verify the Inclusionary requirements are being met, especially when there are things like trading down to provide fewer but more deeply affordable units, determining the location of units, settling on the unit mix, etc.
- b) Recorded Inclusionary Housing Agreements will be uploaded to Tidemark prior to the Department signing off in Tidemark on the building permit.
- c) A physical site visit by the Senior Project Manager will take place before the Department signs off on the Certificate of Occupancy to make sure everything in the Inclusionary Housing Agreement has been provided.
- d) The Housing Director, and not the Senior Project Manager, will sign off in Tidemark at both the building permit and Certificate of Occupancy stages.

ISSUES 2 and 3: Untimely marketing of 139 S. Los Robles and 482 S. Arroyo Parkway, and delayed sale of units

With regards to the Livingston and Arroyo projects, the Department was attempting to find a good affordable housing solution to a unique situation posed by the provision of very low income homeownership units which were never anticipated under the inclusionary ordinance. We believe that very low income homeownership is not an ideal type of affordable housing because of the difficulty a homebuyer will encounter in finding a lender that will make a small-sized first mortgage loan. Moreover, there would exist a foreclosure risk in the event of increasing HOA fees, special assessments, property taxes, and maintenance costs which very low income households may not be

able to absorb. Hence, staff attempted to work with the developer to find a better use for these units. We focused on the concept of the City acquiring the units and renting them out as very low income housing. In order to bring this concept forward to the City Manager and ultimately to City Council and make revisions to the ordinance to allow the City to be the buyer, we first needed to get concurrence from the HOA. This was time consuming because it required the non-inclusionary units to be sold, the HOA to be formed, and the HOA to meet with staff and decide they were amenable to our concept. After nearly a year, the HOA agreed to our concept, but before staff could pursue the proposed solution further a decision was made to simply sell the units to very low income buyers. Unfavorable press and the length of time the units sat vacant were factors in the decision. The units are currently being marketed in accordance with a City-approved marketing and buyer selection plan. Moving forward, Housing is currently working with the Planning and City Attorney departments to examine if Inclusionary projects should continue to have the option to provide very low income for-sale units, given the problematic nature of such housing. One administrative mechanism being considered is the interpretation of the applicable provision of the ordinance by the Zoning Administrator such that this option would be expressly prohibited.

RECOMMENDATION 2:

The Housing Department should formalize procedures that outline a specific order and timeline for the implementation of key Inclusionary Housing documentation requirements, including the Housing Plan, Marketing Plans, Housing Agreement development, and subsequent execution and recordation prior to approving projects in Tidemark indicating the project is in compliance with Chapter 17.42.

- a) This process document should also provide guidance to developers on what the City expects and needs for them to accomplish to facilitate the requirements of Chapter 17.42; and include samples and/or templates of all documents the developer will be required to provide to comply with Chapter 17.42,
 - Marketing Plans should be developed and approved as part of the approval process for the Inclusionary Housing Agreement. Timelines for sale of designated units should be included in the Marketing Plan, and
- b) Housing should work with the Planning Department to have this guidance publicly available to developers online and in hard copy at the Permit Center.

Department Response: The Department concurs with these recommendations, which will be implemented by November 30, 2017.

Ruthe Holden
September 5, 2017
Page 4

RECOMMENDATION 3:

The Housing Department should:

- a) Develop procedures to obtain the necessary approvals from the City Manager prior to presenting any City offers to acquire units.
- b) Provide periodic reports to the City Manager's Office about the status of all inclusionary housing projects to ensure timely action and communication is made between the City and outside parties.

Department Response: The Department concurs with these recommendations, which will be implemented by November 30, 2017.

In conclusion, we wish to note that the purpose of the inclusionary ordinance has been and is being, achieved. Since the program's inception in 2001, 521 affordable units have been produced with dozens more in the development pipeline. Also, the inclusionary ordinance has helped to geographically disperse the affordable housing stock throughout Pasadena, a key housing policy objective for the City. The ordinance has been very successful from an affordable housing perspective. This will continue to be so with the Department's implementation of the Review recommendations.

Sincerely,



William K. Huang
Director of Housing & Career Services

cc: Jim Wong, Senior Project Manager