



DATE: May 19, 2015

CATEGORY: New Business

DEPT.: Community Development and City Attorney's Office

TITLE: **Potential Amendments to the Condominium Conversion Ordinance**

RECOMMENDATION

Provide direction on whether or not to proceed with an amendment to the Condominium Conversion Ordinance to provide credit for any affordable housing fees previously paid as part of the development of the rental units being converted to ownership units. The credit would offset any Below-Market-Rate fees due as part of the conversion.

BACKGROUND AND ANALYSIS

The City Council has expressed a desire to increase ownership housing in Mountain View. During the 2014-2015 budget process, the City Council requested staff to review the existing Condominium Conversion Ordinance and provide recommendations to the City Council regarding a possible credit for any previously paid affordable housing fee to be offset against any Below-Market-Rate ("BMR") fees due when rental units convert to ownership condominium units as possible incentive to increase the supply of ownership housing.

The BMR Program and Fee went into effect in March 1999. As a result of the ruling in the *Palmer* case, the City has not applied the fee to rental developments since 2009. Consequently, this amendment would apply to rental units permitted after March 1999 and prior to 2009. Only one rental project was constructed during this 10-year period and it was not subject to the BMR requirements because it was permitted before the fees were imposed. These amendments could apply to any developments that voluntarily provided affordable units or paid the Rental Housing Impact Fee.

Currently, the number of apartments exceeds 15,373, the threshold number of apartments that must exist in Mountain View in order to allow an existing apartment to be converted into a condominium. This requirement was established by the voters in 1979 to address the concern that removal of apartments from the market without

creating new rental housing stock could displace residents. As of January 1, 2015, the number of apartments in Mountain View totaled 15,786.

When the voters approved the Conversion Limitation Act in 1979, the rental housing stock impacted by the ordinance was relatively new in terms of construction. According to the American Community Survey (2009–2013), approximately seventy-five percent (75%) of the rental housing stock in Mountain View was constructed before 1980. The majority of the housing stock that could be impacted by any changes to the Condominium Conversion Ordinance has since aged 30 to 40 years. The City last revised the Condominium Conversion Ordinance in 2009 to address the safety and structural suitability of such conversions of the aging housing stock. The Condominium Conversion Ordinance requires conversion projects to meet current zoning standards, such as setbacks, open space, floor area ratio, and parking requirements. It may be necessary to demolish some of the existing structures to meet current code requirements. In addition, significant upgrades to the existing structures and units may be required for seismic purposes and to comply with current energy, electrical, and fire codes. Soft story buildings are not eligible for conversion under the ordinance.

The City last authorized the conversion of rental units into condominiums in 2005 and 2006. Nineteen (19) single-story apartments built in 1963 were converted into condominiums at 1939 Rock Street and 10 apartments built in 1969 at 2002 West Middlefield Road were converted into 8 condominiums. The projects were required to meet then-current zoning, seismic, and engineering design standards as well as comply with fire and building codes. In addition, the structures were evaluated to determine the remaining life of the structure and if any upgrade work would be required. Both projects paid BMR fees.

Staff has drafted a proposed ordinance to provide such a credit; however, it is unclear it will have the intended impact because to date, no residential rental developments have paid an affordable housing fee that could be offset as a credit against any BMR fees due as part of the conversion. Before taking a draft ordinance to the Environmental Planning Commission, staff seeks direction whether or not to proceed with this approach.

FISCAL IMPACT

Allowing a credit for any affordable housing fees previously paid or affordable units provided would reduce the amount of BMR fees the City would receive when a rental unit is converted to an ownership unit.

ALTERNATIVES

1. Forward a draft amendment to the Condominium Conversion Ordinance providing a credit for housing fees previously paid.
2. Do not amend the Condominium Conversion Ordinance.
3. Direct staff to add a work plan for Fiscal Year 2015-16 to review the ordinance and provide other options for the Council to consider to incentivize the conversion of rental units to ownership units.
4. Refer the item to the Environmental Planning Commission for further consideration and recommendation to the City Council.

PUBLIC NOTICING – Agenda posting.

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