



## Planning Commission Staff Report

October 11, 2006  
Item 6.d.

**SUBJECT:** PRZ-35, Amendment to the City's Condominium Ordinance and Inclusionary Housing Ordinance

**APPLICANT:** City of Pleasanton

**PROPERTY OWNER:** Various

**PURPOSE:** Consideration of amendments to Chapters 17.04 and 17.44 of the Pleasanton Municipal Code pertaining to condominium conversions and Inclusionary Housing, respectively.

**GENERAL PLAN:** N/A

**ZONING:** All multi-family residential zoning districts within the City limits

**ATTACHMENTS:**

1. Exhibit A: Draft Amended Chapter 17.04 of the Pleasanton Municipal Code (PMC) "Residential Condominium Conversions" ordinance
2. Exhibit B: Current Chapter 17.04 of the Pleasanton Municipal Code (PMC) pertaining to condominium conversions
3. Exhibit C: Redline Version of recommended changes to the City Inclusionary Zoning Ordinance
4. Exhibit D: Listing of existing apartment developments and condominium projects currently offered as rental units
5. Exhibit E: City Housing Commission Minutes from August 17, 2006
6. Exhibit F: City Council Staff Report dated August 16, 2005
7. Exhibit G: General information regarding affordable housing needs in the Bay Area and California

---

## BACKGROUND

In August 2005, the City Council directed staff to review the existing Condominium Conversion ordinance to reflect changes in State law and to address the potential community and regional impact of losing affordable rental units. The Council encouraged involvement with apartment

owners considering conversion and directed revisions be reviewed by the Housing and Planning Commissions.

In establishing the process for reviewing revisions, staff assembled a committee from the Law and Planning Departments, the Housing Division, and the City Manager's Office and decided to have the Housing Commission provide much of the preliminary work related to reviewing the ordinance and conducting public meetings. To that end, the Housing Commission established a review process that included a public workshop to receive comment on the proposed changes. Based on comments from the workshop and its deliberations on the matter, the Commission recommended changes to the existing ordinance at its meeting of August 17, 2006.

At this time, the ordinance is in final draft form, meaning it incorporates comments received to date from the public and staff, including the City Attorney and Planning staff and the Housing Commission. Nevertheless, staff encourages Planning Commission comment regarding any portion of the ordinance. Staff would have preferred to provide a "redlined" version of the ordinance; however, due to the number of changes made, staff decided to prepare a new ordinance. For reference, staff has attached the existing ordinance as Exhibit B to this report.

As part of the review of the Condominium Conversion ordinance, it became apparent that the City's Inclusionary Zoning ordinance would need to be revised to incorporate the affordable housing requirements included in the revised Condominium Conversion ordinance. As a result, in addition to a review of the revised Condominium Conversion ordinance, staff is requesting review of the changes to the Inclusionary Zoning ordinance. These changes are redlined in Exhibit C.

## **PROJECT DESCRIPTION**

As indicated, the Housing Commission has recommended comprehensive changes to the existing Condominium Conversion ordinance. The ordinance establishes regulations and requirements covering the conversion of an apartment project with rental units to a project that is comprised of ownership units. It is intended to provide a means of minimizing or avoiding the hardship caused by the displacement of households unable to purchase their rental units, to maintain diversity of housing at all income levels, to assure that conversions comply with applicable building codes, and to establish a public review process. While the existing ordinance addressed the needs of the elderly and handicapped, it did not specifically address the potential impact on low-income households which is addressed in the revised ordinance. A summary of the major provisions of the revised ordinance is as follows:

- Covers projects with and without a final subdivision map, CC&R's, and a condominium plan unless the project has continuously maintained a final subdivision public report from the State Department of Real Estate. [Section 17.04.020 (B)] (Note: staff has included a listing of developments as Exhibit D).

- Requires the development to conform to building code condominium construction standards in place at the time of conversion unless the development was approved and constructed as a condominium project at the time of initial approval. [17.04.040]
- Requires noticing to assure tenants are informed of conversion plans and schedules. [17.04.050 (A)]
- Limits rent increases to CPI with a maximum of five percent during the conversion period. [17.04.050 (C)]
- Provides special leasehold rights to seniors, handicapped, and low-income families who have occupied a unit for at least 24 months. [17.04.050 (D)]
- Provides a right of first refusal for tenant purchases. [17.04.050 (E/1)]
- Provides current tenants with purchase and financing discounts. [17.04.050 (E/2-4)]
- Provides relocation assistance to tenants displaced as a result of the conversion. [17.04.050 (F/1-4)]
- Requires a public hearing by the City Council as part of the conversion process. [17.04.070]
- Includes findings for approval, including a citywide rental unit vacancy rate greater than five percent. [17.04.090]
- The City Council approves the conversion. [17.04.090]
- At least 25 percent of all units in the development must be affordable to very-low-, low-, and/or moderate-income families. [IZO 17.44.020]. This percentage is consistent with the City Housing Element Program 13.8 that establishes an affordability target of 25 percent for all new housing.
- Consistent with the City Inclusionary Zoning ordinance, project owners will be required to submit an affordable housing proposal that will be reviewed by the Housing Commission.

## **ANALYSIS**

As indicated, the revised ordinance is intended to address concerns regarding loss of affordable housing, to assure an appropriate public process for conversion, and to comply with building standards. In preparing the revisions, staff consulted with other cities that have recently amended ordinances and with City legal staff. As a result, in its current form, the ordinance addresses Housing Commission and staff goals.

It should be noted that there is not a singular model ordinance used by cities and in fact, many cities approach this issue differently. Somewhat unique to the proposed ordinance is the requirement that 25 percent of all units be affordable after conversion. As the Commission is aware, the City Inclusionary Zoning ordinance requires 15-percent and 20-percent affordability for new multiple-family and single-family housing, respectively. While staff could have applied this level of affordability to condominium conversions, the 25-percent requirement was selected due to consistency with the Housing Element as noted earlier, and the fact that multi-family rental housing generally represents the most “affordable” option for households with limited income. As a result, as this housing is removed from the market in favor of ownership housing, the City loses available affordable housing stock. This not only impacts long- and short-term residents who may be forced to seek housing in other communities, but is also contrary to the City Housing Element that seeks to assure a balance of various housing types. Nevertheless, as with other portions of the ordinance, staff welcomes Commission comment on this matter. Staff has included information in Exhibit G outlining State and regional housing issues that are potentially impacted by condominium conversions.

Regarding the conversion review/approval process, the applicant is required to submit information to the Planning Department, which will forward a recommendation to the City Council. The affordable housing proposal will be reviewed by the Housing Commission consistent with the provisions currently in place in the Inclusionary Zoning ordinance. The Planning Commission’s role is related to reviewing any structural modifications or building expansion that would typically require Commission review. Because many condominium conversions typically involve only interior improvements and exterior upgrades without building expansion or new construction, the Planning Commission’s role will not be extensive.

## **CONCLUSION**

The potential loss of rental housing is seen as a concern for the City Council, and, therefore, it directed staff to review the City’s existing Condominium Conversion ordinance. A staff committee from the Law and Planning Departments, the Housing Division, and the City Manager’s Office revised the existing ordinance. These revisions were reviewed and amended by the Housing Commission as part of a public process that included a community workshop. The Housing Commission recommended the revised ordinance included as Exhibit A, and staff

is recommending Planning Commission approval. Following Planning Commission review, the ordinance will be forwarded to the City Council for review, introduction, and adoption.

## **ENVIRONMENTAL ASSESSMENT**

This project is exempt from the California Environmental Quality Act (CEQA).

## **STAFF RECOMMENDATION**

Staff recommends that the Planning Commission take the following actions:

1. Recommend approval of the revised Condominium Conversion ordinance and amendments to the Inclusionary Zoning ordinance to the City Council, as shown on the attached Exhibits A and C.

*Report prepared by: Steven Bocian, Assistant City Manager*