



Planning Commission

January 23, 2023

Honorable Mayor and City Councilmembers
Santa Monica City Council
1685 Main St
Santa Monica, CA 90401

Honorable Councilmembers:

The Planning Commission recommends that the City Council request the approval of the California Department of Housing and Community Development (HCD) to amend Program 1J of the City's certified Housing Element (2021-2129) in order to meet Affirmatively Furthering Fair Housing (AFFH) objectives and to protect small, locally owned businesses and service providers. The proposed amendment would fine-tune the program by retaining the City's long-term commitment to providing access to housing opportunity while ensuring we maintain complete neighborhoods that provide access to economic opportunity and address vehicle miles traveled concerns. Specifically, the proposed amendment would retain the existing heights and Floor Area Ratios (FAR) in the Neighborhood Commercial Districts (NC) on Main Street, Ocean Park Boulevard, Pico Boulevard and Montana Avenue, rather than increasing them as proposed in the current language of Program 1J.

The Planning Commission also recommends that the City request HCD's guidance as to whether the SSI should be amended to remove the thirteen properties in the Neighborhoods Commercial District and to add (a) Replacement Site(s) that is (are) necessary to compensate for the 165 housing units projected for development in the NC District.

This request for approval to amend Program 1J is based on the following:

1. The Commission understands that the State is concerned about accomplishing AFFH goals by upzoning the NC Districts. The City has found through on-going analysis that this upzoning is not necessary to accomplish

the City's RHNA goals nor to further AFFH objectives. The City believes that AFFH goals are being reached in all the neighborhoods served by the NC Districts, or will be reached through the implementation of new programs mandated by the Housing Element.

2. The upzoning of our NC districts will cause the displacement of locally owned businesses that provide affordable retail and essential services to residents. In fact, the loss of these neighborhood-serving businesses will be in direct conflict with AFFH objectives. Many of these small businesses are minority-owned. Further, NC Districts currently offer entrepreneurial opportunities for local residents, many of whom are people of color.
3. Proposed Zoning Ordinance amendments would remove the requirement that the ground floors of new projects on Pico and Ocean Park Boulevards include commercial space. This proposed zoning change recognizes the inability of local businesses to afford the rents in these new buildings and the fact that these two neighborhood commercial streets would not attract sufficient regional interest to attract non-local retailers, which could afford the new, higher rents. The result of this would be the removal of all convenient, walkable commercial opportunities in Sunset Park and the Pico neighborhood.
4. The NC Districts include many designated Landmarks and other significant historic resources. This fact reduces the overall development capacity of NC areas.
5. A Replacement Site that can accommodate more than the 165 units projected for the upzoned NC areas has been identified. With even greater capacity than those sites, it will actually increase the number of affordable and market rate units produced during the 6th Cycle.
6. The Replacement Site will locate new residents close to the Expo Light Rail Line, offering access to numerous job nodes throughout the region. Access to high quality transit is critical to the economic health of many residents, especially lower incomes.

Data Demonstrating AFFH in Neighborhood Commercial Districts

The proposed Housing Element amendment will not have negative impacts on the State's AFFH requirements because each neighborhood surrounding the NC zones

currently offers or will offer a variety of housing types and affordability levels during the 6th Cycle.

Main Street

The NC district on Main Street is the major commercial area serving residents of Ocean Park. The historically red-lined Ocean Park community has always provided a variety of housing types and a range of affordability levels. Community Corporation of Santa Monica (CCSM), Santa Monica's most prolific affordable housing development nonprofit established with a seed grant from the City of Santa Monica in 1982, owns and operates 343 affordable housing units on 22 sites across Ocean Park. Of these units, 44 are on Main Street, just north of Main Street's NC District. Across the street from this CCSM project on Main Street is a mixed income rental housing project with approximately 60 units. This existing housing has been developed using the zoning standards of the General Commercial District, which has a lower FAR and height limit than that proposed in the Housing Element for the NC portion of Main Street.

There are approximately 170 units of deed restricted affordable rental units for seniors in Ocean Park.

According to the *2021 Santa Monica Rent Control Board Annual Report*, 4,684 rental units in Ocean Park are subject to local rent control (17% of the citywide total). The median monthly Maximum Allowable Rents for these units range from \$1,521 for a studio apartment to \$2,466 for a three-bedroom apartment. These rents are affordable to moderate income households and include units with long term tenants and those that have been decontrolled to market rate levels.

The feasibility of developing housing with the existing NC development standards has been demonstrated by a recently approved market rate rental housing project with ground floor retail in the NC District. This project demonstrates that housing can be feasibly developed with a retail component on this NC portion of Main Street.

Ocean Park is a diverse community from the standpoint of income levels and demographics. John Muir Elementary School is located in Ocean Park and serves the majority of children who live in that community. It is currently closed for remediation purposes. When in operation, the school is a Title I school, meaning at least thirty five percent (35%) of its students are from families living at or near the poverty level. Forty seven percent (47%) of the students are from low-income families. John Muir is also racially and ethnically integrated with almost sixty percent (60%) of students identifying as non-white.

The Ocean Park housing market also includes many single-family houses and condominiums with values well into the millions of dollars.

The City believes that upzoning the NC District on Main Street is unnecessary because Ocean Park is already a model community for meeting AFFH objectives.

Ocean Park Boulevard

The NC area on Ocean Park Boulevard is the major neighborhood commercial district for the Sunset Park community with locally owned businesses and necessary community retail and essential services. A common misperception about the Sunset Park community is that it is primarily populated by single family homeowners in R1 districts. Similar to Ocean Park, Sunset Park offers a wide variety of housing choices and affordability levels. There are approximately 7,000 housing units in Sunset Park. Of these, 2,634 are on R1 properties, and 3,309 are rentals subject to local rent control. The median Maximum Allowable Rents for these rent-controlled units range from \$1,140 for a studio to \$2,298 for a three-bedroom unit. These rents are affordable to low and/or moderate-income households. CCSM owns and operates 310 deed restricted affordable rental units in Sunset Park. The balance of the units in Sunset Park (747) are condominiums and post-1978 apartments.

Another interesting fact about Sunset Park is that one of its two elementary schools (Will Rogers) is among the most ethnically and racially diverse schools in the district. It serves the Pico and Sunset Park neighborhoods west of 17th Street. Thirty three percent (33%) of the students identify as white, forty five percent (45%) as Hispanic, nine percent (9%) as black, and thirteen percent (13%) as members of other racial/ethnic groups. Will Rogers is designated as a Title I school. John Adams Middle School, which serves the Pico Neighborhood, Sunset Park and Ocean Park is also a Title 1 school. No feasibility analysis showing the need to increase FAR and height in the NC District of Ocean Park Boulevard was performed, but existing conditions demonstrate the district's ability to offer housing opportunity at a wide range of affordability.

Montana Avenue

The Montana Avenue NC district is the major neighborhood commercial area for the neighborhoods north of Montana Avenue and between Montana Avenue and Wilshire Boulevard. Although the north of Montana neighborhood is primarily R1 with extremely high property values, it is bound by streets with hundreds of units of multi-family housing. The certified Housing Element proposes furthering AFFH objectives in the R1 District north of Montana through active encouragement of ADU

construction and enactment of zoning changes that encourage the development of duplexes using SB9.

The neighborhood between Montana Avenue and Wilshire Boulevard is almost entirely developed with multi-family housing and has the highest percentage of the City's rent-controlled housing supply (6,012 units). These rent-controlled units are affordable to and serve all income groups.

Pico Boulevard

Businesses in the Pico Boulevard NC District serve residents of the Pico Neighborhood and the northern section of Sunset Park with a variety of affordable retail and service options. Although designated a High Resource Area like the rest of the city, the Pico Neighborhood is home to its lowest income and most rent burdened residents. The neighborhood also has the highest concentration of people of color and is the community most at risk because of gentrification and its resulting displacement. Planning for this area is a delicate balance between encouraging diversity and protecting existing residents and the commercial facilities that serve them.

Beginning with the *Pico Neighborhood Community Plan* in 1983, the residents of the Pico Neighborhood have advocated for fair housing, appropriate commercial/industrial development, to reduce crime, support youth, and for public services in their district. Spurred by new energy from the community in 2016, the city began an update of the *Pico Neighborhood Plan* that focused specifically on the NC district. Community advocates brought strong support for maintaining and supporting the ethnic and cultural character of the Pico Neighborhood, protecting residents from displacement, and developing new ways to support business opportunities for local entrepreneurs in the NC district on Pico Boulevard. In 2019, targeted adjustments were made to the city's zoning regulations for NC on Pico Boulevard to support local economic development. For example, a community kitchen that supports seed businesses in food service is under construction. The City also gives micro-grants to local entrepreneurs seeking to start small businesses. And, a *Protecting Our Diversity* program provides rent subsidies for Pico Neighborhood residents.

The Pico Neighborhood also includes an area north of the I10 Freeway, which was severed from the southern portion of the neighborhood by construction of the Santa Monica Freeway in the 1960s. It encompasses the Bergamot Plan area where hundreds of new mixed income housing units are expected because of the upzoning planned for in the City's Housing Element. This is also where the proposed

Replacement Site is situated. This aggressive development scenario will maintain the cultural and economic diversity in the Pico Neighborhood, while adding a robust program of new housing choices adjacent to transit.

Conclusion

The Neighborhood Commercial District zones support Santa Monica’s most diverse communities with locally owned, legacy businesses that have been serving their neighborhoods for decades. Many of these businesses are minority owned. These businesses include laundromats, shoe repair shops and affordable grocery stores, restaurants, and family entertainment options The Venice Family Clinic is located in the NC District of Pico Boulevard. Its displacement would eliminate affordable health care for the many lower income families in the community. NC areas define “community” for many current and future residents of Santa Monica at all income levels. Business owners are also neighbors who often know their customers by name. They provide daily neighborhood gathering opportunities, support for neighborhood organizations and schools, and job opportunities for local youth and Santa Monica College students.

Affirmatively Furthering Fair Housing requires a holistic approach to meeting housing needs and providing neighborhood-serving and affordable businesses, employment opportunities, and the kind of community cohesion that ensures safe and vibrant places for people at all income levels in Santa Monica. The city’s Neighborhood Commercial districts on Main Street, Pico Boulevard, Montana Avenue and Ocean Park Boulevard provide these opportunities. The Commission believes that protecting these resources is consistent with AFFH objectives.

Sincerely,

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Jim Ries, Chair