AGENDA ITEM
1. Motion to maintain current policy.
2. Motion to schedule the item for a future meeting to revisit the policy.

COUNCIL ACTION

Public Hearing [ ] Ordinance [ ] Consent Calendar [ ] Action Item [ ] Report Only [ ]
Approved for [ ] calendar

ADMINISTRATIVE ACTION

Submitted
Hassan Haghani, Director of Planning

Madalyn Blake, Director of Housing and Community Development

Prepared
Laura Stotler, Principal Planner

Approved
James E. Starbird, City Manager

Reviewed
Mike Garcia, Chief Assistant City Attorney

RECOMMENDATION

Staff identifies two options for Council consideration:

Option 1) Receive report and continue with current policy for condominium conversions.

Option 2) Receive report and direct staff to return for a discussion of policy alternatives for condominium conversions.
SUMMARY

On May 10, 2007, the City Council requested information concerning the status of the City's condominium conversion policy. The current policy is to review density waivers for conversion requests for over-density projects on a case-by-case basis and give special attention to evidence which demonstrates that prior to June 7, 2005 the owner intended to convert the building. This item is scheduled to gauge whether there is Council interest in revisiting this policy.

The City's Subdivision Ordinance allows for conversions of apartment buildings to condominiums subject to certain criteria established in Title 16 of the Glendale Municipal Code. One requirement applicable to all residential subdivisions is that the project be consistent with the City's General Plan and zoning density requirements. A provision in Title 16 allows the City Council to waive subdivision requirements, including density requirements. Since many of the apartment buildings in the City are over-density due to downzoning, such buildings are unable to meet Title 16 conversion requirements unless units are eliminated or a waiver of density is received from Council. The current Council policy (criteria and process) for considering density waivers for conversions of over-density buildings was adopted on December 5, 2005.

To date, the City Council has granted density waivers for nine condominium projects totaling 160 units pursuant to the criteria and process adopted on December 20, 2005. This remains the condominium conversion policy that staff applies when questions about condominium conversions are raised by the public.

FISCAL IMPACT

No fiscal impact.

BACKGROUND

Glendale Municipal Code Section 16.020.140 (density) requires all new residential subdivisions to be consistent with the City's General Plan. In February 2005, Planning staff requested that the City Attorney clarify whether applications for condominium conversions were subject to review based on General Plan densities in effect at the time of construction, or those densities in effect at the time of subdivision. The City Attorney opined that conversions must be consistent with General Plan densities at the time of conversion. Until that time, the practice had been to allow conversions regardless of current residential densities, provided minimum parking standards of the original time of construction were met.

On June 7, 2005, the City Council and Housing Authority received a staff report with options to amend the subdivision ordinance to exempt conversions from current General Plan density requirements and an option to enforce the General Plan density requirement with provisions to allow certain condominium projects to proceed. Council voted to enforce Section 16.020.140 (density) and provided a "blanket" waiver of density requirements that allowed condominium conversion projects filed before July 30, 2005 to be exempt from the density provisions of the current Glendale General Plan and zoning. Due to the 60-day tenant noticing requirement of state law, if a property owner had not given tenant notice of his/her intention to convert on or prior to May 31, 2005, a condominium conversion application could not be accepted by City staff prior to the July 30, 2005 blanket density waiver.
Fifteen (15) condominium conversion applications were filed before the July 30, 2005 deadline. Of those, fourteen (14) applications were for over-density buildings allowing a total of 202 units to be converted. All of those conversion projects were subsequently approved by the Zoning Administrator pursuant to the blanket density waiver.

On November 15, 2005, the City Council and Housing Authority received a staff report concerning condominium conversion policy and directed staff to prepare draft criteria for waivers of the general plan density consistency requirement for condominium conversions. The Council identified instances for granting waivers and directed staff to return with criteria and a process for evaluating waivers.

On December 20, 2005, the City Council established the following criteria and a process for considering density waivers for conversions of buildings which are not in compliance with current general plan densities:

**Criteria for Waiver**
1) The property owner has proof of meeting or speaking with City staff to discuss conversion on or prior to June 7, 2005.
2) The property owner has proof of meeting with an engineer to discuss conversion prior to June 7, 2005.
3) The property owner provided tenant notice of an intent to convert on or before June 7, 2005.

**Process for Waiver**
1) Any property owner requesting a density waiver shall make a written request to Council and submit it to the Director of Planning. Request should be accompanied by:
   a. Signed Owner/Applicant Affidavit form.
   b. Verification of property purchase date prior to June 7, 2005 or verification that the property was in escrow on June 7, 2005.
   c. Verification of the “intent to convert” if the property was in escrow on June 7, 2005 or verification of the “substantive step toward conversion” if the property was already in possession of the applicant on June 7, 2005.
2) Planning staff will schedule the waiver request for Council consideration providing a statement of the ownership status as of June 7, 2005, the verification provided by the applicant, and motions to approve and to deny the requested waiver.
3) If Council grants a waiver, then the property owner may file a condominium conversion application. However, the application cannot be accepted until 60-days after tenant notification has been provided.
4) The Zoning Administrator will consider the Council density waiver in making required Subdivision Map Act findings for conversion applications.

On July 11, 2006 (continued from June 6, 2006), the City Council and Housing Authority considered a detailed policy report concerning standards for condominium conversions (Exhibit 4). This report addressed broader issues relating to condominium conversions, such as loss of affordable rental units, code enforcement issues concerning habitability, noise attenuation, abdication of homeowner association responsibilities, lack of maintenance reserves and evictions. The report presented three additional policy alternatives for creating a comprehensive strategy for addressing condominium conversions including the following:
1) A policy which would focus on providing an affordability component to over-density projects based on current general plan density and could be used by any building owner, anywhere in the city, for any building that met the criteria, regardless of the income of present tenants.

2) A policy which would broadly focus on the physical attributes of a building and could be used by any building owner, anywhere in the city, for any building that met the criteria.

3) A policy which focuses on a combination of performance criteria and an affordability component for over-density conversion projects based on current general plan density and which could be used by any building owner, anywhere in the city, for any building that met the criteria, regardless of the income of present tenants.

The Council and Housing Authority received the report and decided to make no change to the December 20, 2005 condominium conversion criteria and process. Later, during consideration of a density waiver for a condominium project at 601 Palm Drive, the Council did discuss and provide a requirement for affordable units in their approval of a density waiver for that project. However, subsequently, the Council adopted a density waiver for that project without an affordable requirement.

To date, the City Council has granted density waivers for nine condominium projects totaling 160 units pursuant to the criteria and process adopted on December 20, 2005. This remains the condominium conversion policy that staff applies when questions about condominium conversions are raised by the public.

**Proposed New Building and Safety Code Regulations**

While not a subdivision or zoning issue, the Fire Department is proposing fire sprinklers and other current fire safety upgrades for condominium conversion projects which have received final maps in previous years, but have not received public reports and sold units. Such fire upgrades would need to be installed by the developer prior to the sale of units. These minor changes to conversion requirements are part of the amendments proposed to the 2007 California Fire Code and are included in the proposed Building Code changes which will be before the Council as a separate project. These proposed changes will have no effect upon any new conversion or upon any previously approved conversion that meets current fire safety standards.

In 2006, the tragic Long Beach condominium fire and two Glendale condominium conversion projects (3220 Altura and 1717 N. Verdugo) caused Fire Chief Gray to examine Glendale’s fire safety requirements related to conversions. The Altura and Verdugo conversions were approved by the City Council in the early 1980s, yet only recently completed the Department of Real Estate (DRE) filing of a condominium plan and public report process to sell units. As with today’s conversion applications, those projects complied with fire safety requirements as they existed at the time of project approval. However, fire safety requirements have changed since in the 1980s when those conversions were approved. As a result, the Altura and Verdugo projects were not required to have the same level of fire safety upgrades, such as fire sprinklers, as condominium conversions considered by the City Council today. Since the DRE process does not involve the City, it is not known how many or when other similar long-ago approved conversions may seek DRE approval to sell units.

**Conclusion**

The City Council and Housing Authority is asked to provide direction to staff on whether to continue with the current policy for condominium conversions or to return for a discussion of additional policy alternatives for condominium conversions.
EXHIBITS

2. City Council staff report and motion dated November 15, 2005.
MOTION

Moved by Council Member ______________________, seconded by Council Member ______________________, that the Report to Council dated November 13, 2007 regarding the City’s existing condominium conversion policy is received and the staff is directed to continue the current policy.

Vote as follows:

Ayes:

Noes:

Absent:

Abstain:

APPROVED AS TO FORM

CHIEF ASSISTANT CITY ATTORNEY

DATED 11/13/2007
MOTION

Moved by Council Member ________________________, seconded by Council Member ________________________, that the Report to Council dated November 13, 2007 regarding the City's existing condominium conversion policy is received and the staff is directed return to Council with a report on alternatives to the existing policy for condominium conversions.

Vote as follows:

Ayes:
Noes:
Absent:
Abstain:

APPROVED AS TO FORM

CHIEF ASSISTANT CITY ATTORNEY
DATED 11/13/07
MOTION

Moved by Council Member Najarian, and seconded by Council Member Weaver, that the Council of the City of Glendale finds that a variance from compliance with Section 16.20.140 of the Glendale Municipal Code ("GMC"), regarding maximum residential density for condominium conversions, for those condominium conversion applications that are properly filed on or before July 30, 2005 will not contravene the intent and purposes of the condominium conversion regulations set forth in Title 16 of the GMC. The applicants who have filed conversion applications on or before July 30, 2005 will not have been notified of the City’s intent to apply Section 16.20.140 to conversions prior to their submittal of the required 60-day notice to tenants. Notwithstanding this waiver, the Council finds that all conversions will comply with the minimum requirements for condominium conversions, including those set forth in GMC Section 16.32.060. Staff is directed to waive GMC Section 16.20.140 and the density limits for those condominium conversion applications that have been submitted on or before July 30, 2005, and implement GMC Section 16.20.140 with regard to consistency between residential subdivisions and the General Plan for conversion applications filed after July 30, 2005. Staff is further directed to incorporate an analysis of current conversion policies as part of the next General Plan update.

Vote as follows -- Ayes: Najarian, Weaver, Yousefian, Manoukian

Nees: Quintero

Absent: None

Abstain: None

THE MOTION WAS ADOPTED AT THE JOINT MEETING OF THE GLENDALE CITY COUNCIL AND THE GLENDALE HOUSING AUTHORITY HELD ON:
Tuesday, June 7, 2005.

APPROVED AS TO FORM

CHIEF ASSISTANT CITY ATTORNEY

[Signature]
CITY OF GLENDALE CALIFORNIA
JOINT REPORT TO CITY COUNCIL / HOUSING AUTHORITY

November 15, 2005

AGENDA ITEM
Report: Criteria for Considering Condominium Conversion Applications Inconsistent with Permitted General Plan Densities

1) Motion to direct staff to continue implementing GMC Section 16.20.140 with regard to consistency between residential subdivisions and the General Plan for conversion applications filed after July 30, 2005.

ACTION

Public Hearing [ ] Ordinance [ ] Consent Calendar [ ] Action Item [ ] Report Only [ ]
Approved for December 15, 2005 calendar

ADMINISTRATIVE ACTION

Submitted
Elaine Wilkerson, Director of Planning
Madalyn Blake, Director of Community Development and Housing

Prepared
Hassan Haghani, Assistant Director of Planning

Approved
James E. Starbird, City Manager

Reviewed
Scott Howard, City Attorney

RECOMMENDATION
Staff recommends maintaining a policy to allow conversion of apartment buildings to condos only when they comply with current density standards. If the Council desires to open the window of opportunity for condo conversions when such projects are not consistent with the densities set forth by the General Plan, staff recommends adopting a narrow set of criteria and performance standards applicable to any property that is physically suitable for conversion, regardless when the property was purchased or how much it cost.
SUMMARY

At the joint Council/Authority meeting of June 7, 2005, the Council voted to enforce Subdivision Code Section 16.020.140 (density), which requires residential densities for conversion to be consistent with General Plan densities. Until that time, the practice had been to allow conversions regardless of current residential densities, provided minimum parking standards of the original time of construction were met. Based on that decision, all applications filed after July 30, 2005 would be subject to the density consistency requirement.

Fifteen (15) condo conversion applications were submitted before the July 30th deadline. Of those, fourteen (14) were for over-density buildings. If approved, a total of 202 units will be converted to condos. Under today's standards, approximately 111 units could be built on those sites. Therefore, if approved, the conversions will result in approximately 82% more density than would otherwise be allowed under current standards.

GMC Section 16.32.090 allows the City Council to vary subdivision standards with regard to particular conversion applications. However, the Municipal Code does not provide a process or a set of criteria for such a request. Currently, if an applicant requests an exception to the density consistency requirement, the application will be presented to the City Council with a comparative analysis. Such a project will be analyzed relative to a new project under today's standards and relative to other projects built at the time the building was originally built.

Since the deadline was set on June 7, 2005, there have been numerous inquiries from current apartment building owners whose buildings exceed the densities allowed under the current General Plan. These building owners are interested in seeking waivers to the density limits. They have varied reasons for believing that their particular buildings merit consideration by the City Council.

Staff has been asked to present a list of policy issues that could be taken into account, if a set of criteria were to be in place to qualify over-density conversion projects for Council consideration. If such criteria were to be adopted, any project that met those criteria could be submitted to be reviewed by the Council. If the Council granted a waiver of the density requirements, then the applicant would undergo a set process, which would require minimum standards, including performance standards.

This report outlines the policy issues that may merit in-depth discussion if criteria were to be set to determine whether or not a project is qualified to be reviewed for a waiver of General Plan density requirements.

If the City Council desires to reopen the period during which condo conversion applications for over-density buildings may be submitted, staff recommends that a narrow set of criteria, based on the physical suitability of the buildings, be adopted. Staff does not recommend including any criterion associated with the time or cost of property purchase.
FISCAL IMPACT
No new costs associated with this project are expected.

BACKGROUND
At the joint City Council/Housing Authority meeting of June 7, 2005, the Planning Department requested direction on a Municipal Code policy that requires condo conversion applications to meet current General Plan densities (Attachment A). At the meeting, the Council voted to enforce the policy of consistency between residential subdivisions and the General Plan for conversion applications filed after August 6, 2005. Several issues related to the topic were brought up by the Council. Following the meeting, the Community Development and Housing Department (CDHD) staff compiled additional information related to this topic (Attachments B). The following is a brief summary of some of CDHD’s findings:

- **Condominium conversion history in Glendale** - Since the 1980s, approximately 1,725 units within 69 buildings have been converted.

- **Conversion survey of comparable cities** – Burbank, Pasadena, West Hollywood, Santa Monica, Anaheim, San Jose, Los Angeles, Long Beach, and Ventura were surveyed regarding their treatment of condo conversions. Staff learned that:
  - Santa Monica prohibits condo conversions.
  - Anaheim and West Hollywood have adopted zoning standards that make conversions very difficult to achieve.
  - The remaining six cities allow conversions with applicable standards.
  - Property owner interest in condo conversion in all nine cities has increased.
  - Burbank and Pasadena may soon consider requiring affordability in their condo conversion projects.
  - Displacement of the tenant population is a concern in all nine cities.

- **Basic economics associated with conversions** – Community Development and Housing Department asked Rosenow Spevacek Group to prepare a feasibility and profitability examination of condo conversions (Attachment B). Based on the consultant’s performance analysis, in 1½ years, a condo conversion can generate more profit than can be generated by maintaining the units as apartments.

- **Code compliance issues related to condos** – While not specifically related to condo conversions, Neighborhood Services has experienced increased difficulties with code enforcement involving condos. As apartment buildings are converted to condos, such challenges also increase. A detailed list of Neighborhood Services’ observation of violations related to condominiums is listed in Attachment B.

- **Varied reactions** – Each community’s treatment of the recent increased condo conversion applications has reflected that community’s primary focus, i.e., protecting rental housing units or protecting the community plan (as may be reflected in the General Plan) or the interests of property owners.
DISCUSSION

Recognizing the equity issues raised in abrupt cut-off of applications for conversion of over-density buildings, the City Council allowed a “grandfather” period. The question has been raised whether that period adequately addressed the equity issues that have since come to the City Council's attention.

If a procedure were to be established to allow new condo conversion applications for over-density buildings to be submitted, a few issues could be taken into account and two possible approaches to process may be taken. However, there are issues related to condo conversions in general and conversion of non-conforming units in particular that merit consideration before establishing such a process.

PROS AND CONS OF CONDO CONVERSIONS IN GENERAL

Assuming that any converted building would be subject to some performance standards and upgrading, there are generally several pros and cons to condo conversions that are not necessarily related to compliance with density standards.

Pros:

- Increase in owner housing supply
- Possible increase in owner housing at more affordable prices
- Upgrading of existing, older apartment units
- Upgrading of neighborhoods
- Increase in property values
- Increase in property taxes

Cons:

- Loss of rental housing
- Displacement of families that cannot afford to purchase
- Possible transfer of rental units from one single landlord to multiple landlords
- Some units remain in rental stock, but are less affordable as a result of conversion.
- Greater difficulty in resolving code enforcement issues because of multiple owners
- Deferred maintenance issues for buyers (unanticipated costs to new owners)
- Increased profits for the developer will not necessarily cause additional investment in the community or in the quality of housing.
- Disparity in the quality of condominium units available to entry-level buyers.

ISSUES ASSOCIATED WITH CONVERSIONS OF NON-CONFORMING UNITS/BUILDINGS

When non-conforming buildings are converted to condos,
• It may not be possible to achieve lower density neighborhoods when those neighborhoods are "downzoned" for that purpose. Multiple owners will inhibit redevelopment.
• The opportunity to resolve parking congestion in those neighborhoods is delayed.
• The opportunity to rehabilitate lesser quality buildings, such as some built in the 70s and the 80s, will be reduced by having multiple owners.

PROCESS: POSSIBLE APPROACHES FOR OPENING A NEW REVIEW PROCESS

In setting up a process and criteria for applications to be qualified for over-density waiver consideration by the Council, two possible approaches may be pursued. The following alternatives have been conceptualized based on the inquiries received from interested property owners. Of the two alternatives, the first is more desirable.

Framework for Process:

1. A policy which would broadly focus on the physical attributes of a building and could be used by any building owner, anywhere in the city, for any building that met the criteria, regardless of the time it was purchased.

Rationale: This approach would focus on a set of basic physical requirements that would already be in place prior to application submittal. Depending on the Council’s desires, these criteria may be few – allowing a wider range of properties to be reviewed – or numerous – narrowing down the number of buildings that could potentially qualify to be reviewed. Subtopics to consider under this policy may include minimum parking spaces in place, building condition, open space and landscaping, private storage space, etc.

Ability to Implement: Because this approach would focus on physical characteristics of the buildings, rather than the time, cost, and reasons for their purchase, it may be implemented much like other discretionary planning procedures. In order to implement this procedure, staff would need direction from the City Council on the threshold that would qualify each conversion application for over-density buildings to be reviewed. The threshold could be set to be very restrictive (requiring many performance standards other than density to be in place) or less restrictive (requiring only a few performance standards other than density to be in place). Since this approach would open the process to any property owner who would be willing to meet those requirements, it would be equitable.

2. A policy which would narrow the criteria to buildings that were built more recently and which were purchased more recently with the intention to be converted.

Rationale: This approach would assume that the buildings which were built more recently (e.g. 1970s and later) were built under standards that were a lot closer to today’s code. It would also take into consideration the relatively higher prices that property owners may have paid for their buildings under the heated housing market of the more recent years, primarily with the intention of converting them to condominiums.
Ability to Implement: This policy framework for process would present two challenging areas:

- The first challenge would be one of the underlying assumptions that the buildings which were built more recently would be closer to meeting today's requirements. Although some buildings built in the 1970s and the 1980s may be closer to meeting today's parking requirements, the buildings themselves do not always prove to be of higher quality than the older apartment buildings in the city.

- This framework would extend the realm of review beyond the physical characteristics of each property. Because of its emphasis on the time of investment and the need to prove that a building was purchased with the intention to apply for condo conversion, this approach would legally complicate the application review process beyond reasonable land use review procedures. Since each case would have a unique ownership history, the entire process would rely more on case-by-case histories and less on measurable and tangible physical characteristics of each building. This would make for a rather subjective evaluation of each case.

As such, this framework for process would not be a desirable approach.

Consideration of Additional Standards and Procedures:

In addition to the criteria qualifying individual buildings to be considered for exceptions to the General Plan density requirements, the City Council could consider imposing other standards or performance requirements as conditions of granting such waivers. For example, the City Council may choose to select any of the following requirements to apply to condominiums:

- Require at-market units to have at least two parking spaces.
- Require all conversion to provide drip-pans and down-drains, individual unit cut-offs for utilities, ability to monitor water usage for each unit independently.
- Require all conversions to be reviewed by the Design Review Board to make sure the building is of good design, compatible with the neighborhood.
- Require all conversions to meet sound attenuation standards.
- Require that units over density be affordable units.
- Allow densities beyond General Plan if they correspond with SD-1818 density bonuses and require corresponding affordable units.

CONCLUSION

Recognizing the positive and negative implications of allowing conversions of apartments to condominiums, particularly the negative implications of conversions of non-conforming units, staff continues to recommend against allowing conversion without compliance with present density standards.
If the Council wishes to establish a procedure for reviewing over-density condo conversion applications, staff recommends a process that is based on the existing physical characteristics and amenities of the buildings with minimum performance and upgrading requirements. Staff does not recommend a process that relies on the cost, time, and reasons associated with each property purchase, as such criteria would be too subjective and too difficult to evaluate.

ATTACHMENTS

A. Staff report of June 7, 2005
B. Communication from Director of Community Development and Housing (June 21, 2005) and Attachments 1 - 3
MOTION

Moved by Council Member Najarian, seconded by Council Member Quintero, that the Council hereby directs staff to prepare draft criteria for waivers of the general plan density consistency requirement for condominium conversions pursuant to Glendale Municipal Code Section 16.32.090, consistent with the following: (i) for properties in which a property owner was in escrow on June 7, 2005 and expressed an intention to convert to condominiums, and (ii) for properties for which an owner had purchased the property on or before June 7, 2005, had expressed an intention to convert, and had taken substantive steps, as determined in the discretion of the City Council, toward conversion. Said review criteria shall be for the purpose of providing guidance and criteria for density waivers, and all waivers are subject to the review and consideration of the City Council pursuant to GMC Section 16.32.090.

Vote as follows:

Ayes: Najarian, Quintero, Weaver, Manoukian
Noes: None
Absent: Yousefian
Abstain: None

The motion was adopted at the joint meeting of the Glendale City Council and the Glendale Housing Authority held on: Tuesday, November 15, 2005.
MOTION

Moved by Yousefian and seconded by Weaver, that the City Council adopts the following process for waiving density requirements of the General Plan for condominium conversion projects pursuant to GMC Section 16.32.090:

1) Any property owner requesting a density waiver would need to make a written request to Council and submit it to the Director of Planning. Request should be accompanied by:
   a. Signed Owner/Applicant Affidavit form.
   b. Verification of recent property purchase date prior to June 7, 2005 or verification that the property was in escrow on June 7, 2005.
   c. Verification of the “intent to convert” (other than self-certification) if the property was in escrow on June 7, 2005 or verification of the “substantive step toward conversion” (other than self-certification) if the property was already in possession of the applicant on June 7, 2005.

2) Planning staff will schedule the waiver request for Council consideration providing a statement of the ownership status as of June 7, 2005, the verification provided by the applicant, and motions to approve and to deny the requested waiver.

3) If Council grants a waiver, then the property owner may file a condominium conversion application at least 60-days after tenant notification has been provided in accordance with the Glendale Municipal Code.

4) The Zoning Administrator will consider the Council density waiver in making required Subdivision Map Act findings for conversion applications.

Adopted this 20th day of December, 2005.

Vote as follows:

Ayes: Najarian, Quintero, Weaver, Yousefian, Manoukian
Nocs: None
Absent: None
Abstain: None

MOTION ADOPTED BY THE GLENDALE CITY COUNCIL AT ITS REGULAR MEETING HELD ON Tuesday, December 20, 2005.
AGENDA ITEM
Report: Standards for Condominium Conversions
1. Motion to direct staff to implement a policy for condominium conversion applications.

COUNCIL ACTION

Public Hearing [ ] Ordinance [ ] Consent Calendar [ ] Action Item [ ] Report Only [ ]
Approved for ____________________________ calendar

ADMINISTRATIVE ACTION

Submitted
Elaine Wilkerson, Director of Planning

Madalyn Blake, Director of Community Development and Housing

Prepared
Laura Stotler, Principal Planner

Approved
James E. Starbird, City Manager

Reviewed
Scott Howard, City Attorney

Hassan Haghani, Assistant Director of Planning

RECOMMENDATION

If the Council wishes to establish a procedure for reviewing new over-density condominium conversion applications, staff recommends a process based on the existing physical characteristics and amenities of a project with an affordability requirement for projects over current general plan densities (Option 3).

SUMMARY

On November 1, 2005, the joint City Council/Housing Authority considered a report identifying criteria for considering condominium conversion applications inconsistent with permitted General Plan densities. Two main issues were addressed in that staff report. First, how to address conversions projects that were not consistent with General Plan densities and in mid-process as of June 7, 2005; and, second, how to address new condominium conversion applications for projects not consistent with...
current General Plan Densities. In November and December 2005, Council addressed conversion of over-density projects that were in mid-process as of June 7, 2005 by establishing criteria and a process for considering density waivers for them. The purpose of this report is to revisit the remaining issues raised in the November 1, 2005 report related to condominium conversions of units with non-conforming densities that were not in process as of June 7, 2005.

This last report prompted a review of enforcement issues by the Neighborhood Services Division. Condominiums present a range of problems in terms of enforcement of habitability and maintenance standards that is more difficult than for apartments. Multiple owners, combined with non-functioning boards of directors, minimal or no maintenance reserves, a lack of understanding by condominium owners of the shared responsibility for common improvements are all problems that necessitate special requirements for older buildings when proposed for conversion to condominiums.

At the joint City Council and Housing Authority meeting of May 2, 2006, during consideration of the Housing Strategy Report, Council asked staff to bring back a discussion of conversions with an affordability component. Therefore, this report provides background and options to address affordability concerns in relation to condominium conversions of over-density projects.

**FISCAL IMPACT**

No fiscal impact.

**BACKGROUND**

On November 1, 2005, the City Council considered a report identifying criteria for considering condominium conversion applications inconsistent with permitted General Plan densities (See Exhibit 1). At that meeting, Council directed staff to return with a process to allow condominiums already in the conversion process as of June 7, 2005 to continue with the conversion process.

On November 14, 2005, the Council established the following criteria for considering such waivers: (i) for properties in which a property owner was in escrow on June 7, 2005 and expressed an intention to convert to condominiums, and (ii) for properties for which an owner had purchased the property on or before June 7, 2005, had expressed an interest to convert, and had taken substantive steps, as determined at the discretion of the City Council, toward conversion. All waivers are subject to the review and consideration of the City Council pursuant to GMC Section 16.32.090.

On December 20, 2005, the City Council adopted a process whereby prospective condominium conversion applicants could request a waiver of the general plan density consistency requirement for condominium conversions (see Exhibit 2). Since the general plan density waiver requirements were adopted, the Council has approved density waivers for eight projects, with another density waiver request reviewed on May 23, 2006 and continued to June 20, 2006 to provide affordable units after consultation with the Director of Community Development and Housing (CDH).

The following chart outlines recent condominium applications in Glendale from mid-2004 to the present. Most of the conversion projects were for projects with densities exceeding the current general plan. The three timeframes cover Council actions related to condominium conversions. From June 1, 2004-June 1, 2005 was a period prior to Council action concerning conversion of over-density projects. June 8, 2005-July 30, 2005 covers the time following Council action on June 7, 2005 in which conversion projects where tenant notice had properly been provided would receive a blanket density waiver.
waiver if filed prior to a deadline of July 30, 2005. Since August 1, 2005 to the present covers those conversion projects that requested over-density waivers from the Council based upon the waiver criteria and process adopted in November and December 2005. The criteria provided state that written proof must be provided that the condominium process was begun prior to June 7, 2005; however, the July 30, 2005 filing deadline was missed.

<table>
<thead>
<tr>
<th>Condominium Applications in Glendale 2004-Present</th>
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<tbody>
<tr>
<td><strong>Total New Condominium</strong></td>
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<tr>
<td>June 1, 2004-June 7, 2005 (Prior to Action)</td>
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<tr>
<td>June 8, 2005-July 30, 2005 (Deadline)</td>
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<tr>
<td>Aug 1, 2005-May 25, 2006 (In Process-Missed Deadline)</td>
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</tbody>
</table>

The Council has received nine requests for over-density waivers since adoption of their criteria and policies in November and December, 2005. Of these nine waiver requests, Council has adopted eight and one is pending consideration on June 20, 2006. Five of the projects that received waivers from the Council have filed conversion applications and received tentative tract map approval from the Zoning Administrator. Three of the projects that have received waivers have not yet filed conversion applications. Since August 1, 2005, only two conversion projects have been filed which meet general plan densities.

Because of the shared ownership of common improvements, code violations at condominiums generally are more difficult to address than at properties with one owner. It has also been noted that the conversion of older apartments into condominium units potentially aggravates this problem even further, due to the age of the improvements, the immediate need to address deferred maintenance issues, and the lack of adequate maintenance reserves to address large expenses.

**PROS AND CONS OF CONDOMINIUM CONVERSIONS IN GENERAL.**

Assuming that any converted building would be subject to some performance standards and upgrading, there are generally several pros and cons to condo conversions that are not necessarily related to compliance with density standards.

**Pros:**

- Increase in owner housing supply
- Possible increase in owner housing at more affordable prices
- Upgrading of existing, older apartment units
- Potential upgrading of neighborhoods
- Increase in property values
Increases in property taxes

Cons:

- Loss of rental housing
- Displacement of families that cannot afford to purchase
- Possible transfer of rental units from one single landlord to multiple landlords as units become investments for the owners
- The units that remain in or return to rental stock are less affordable as a result of conversion
- Greater difficulty in resolving code enforcement issues because of multiple owners
- Unless entirely renovated these older buildings produce deferred maintenance issues for buyers (unanticipated cost to new owners)
- Increased profits for the developer will not necessarily cause additional investment in the community or in the quality of housing
- Disparity in the quality of condominium units available to entry-level buyers

Basic Economics Associated with Conversions

On June 21, 2005, Council was provided with a report entitled Condominium Conversion Follow-up Information which is attached as Exhibit X. A report by the economic consultant for the Housing Authority, Rosenow Spevacek Group (RSG) examined the feasibility and profitability of condominium conversions in the City of Glendale given market conditions based on condominium and apartment project sales from January 1, 2004 to June 15, 2005, information on current listings for condominium and apartment projects, and data from interviews with two Glendale based condominium conversion developers, a sample proforma was developed estimating potential costs and revenue associated with a conversion project. The proforma assumes a 10-unit, 2 bedroom, development measuring approximately 1,150 square feet per unit.

According to RSG, conservative estimates for construction costs and estimated sales prices were incorporated into the proforma. Actual development costs may be lower and sales higher which would result in increased developer profit. Assumptions made in the proforma include:

- $205,000 per unit acquisition cost
- $65,000 per unit construction costs for unit upgrades, common areas improvements, and general building upgrades
- $57,000 per unit for soft costs such as permits, consultant fees, and a 7 1/2 percent developer fee
- $30,000 per unit in financing and reserve costs
- Projected sales revenue of $420,000 per unit

Based upon the 10-unit proforma, a conservative estimate of developer profit has been calculated at approximately $63,000 per condominium conversion unit or $630,000 in the proforma project total.

Rental projects by nature are long term investments intended to provide an investor stable rates of return over time. However, in today's market for-sale housing prices have grown at a faster rate than apartment rents. In terms of investment potential, existing apartments are worth more as ownership products than as rental products. Therefore, many property owners that used to seek long-term stable...
income from rentals are now looking for large, short-term profits from conversions. Condominium conversions are considered the quickest method to maximize the value of apartment investment. As seen in the proforma analysis, a condominium conversion can generate a profit of approximately $63,000 per unit in 1.5 years which is more than can be generated by maintaining units as apartments. Even accounting for appreciation of value, it would take years to realize the same cash potential from rentals.

**Code Compliance Issues Related to Condominiums**

There is another issue that has arisen related to condominium conversions. Neighborhood Services has been experiencing some increased difficulties with code enforcement involving condominium developments. As identified in the June 21, 2005 report to Council and herein repeated, new condominium projects are developed or condominium conversions are approved, these difficulties are expected to increase unless certain measures are taken to address them.

In many respects the City's code enforcement process does not work well for condominium developments because of the multiple owners of the common improvements. Prior to the current discussion, Neighborhood Services staff had identified this as a problem on the horizon and had begun researching the legal issues associated with condominium developments, as well as ways to improve the code enforcement process. Some of the problems that have come to light as a result of Neighborhood Services' investigation into habitability violations include:

- Projects with inadequate maintenance reserves
- Developments whose owners refuse to assess themselves to cover the costs of correcting a common improvement violation
- Condominium developments with significant maintenance problems involving common area improvements (roofing, plumbing, waterproofing, etc.)
- Boards of Directors who will not take action, or are not capable of taking action, to correct common area violations
- Non-existent or "phantom" boards of directors
- Poorly written or inadequate (for maintenance issues) Conditions, Covenants & Restrictions (CC&Rs)
- Evidence of misappropriation of reserve funds
- Unit owners who do not understand that they "own" the problem and that there is no landlord to blame or take responsibility
- Projects with CC&Rs that do not include responsibility for maintenance of public improvements, as originally intended at the time of subdivision (such as slope maintenance)
- Complaints about Boards of Directors conducting secret meetings and failing to follow Davis-Stirling Act requirements.

**Issues Associated with Conversions of Non-Conforming Units/Buildings**

Downzonings in various neighborhoods throughout the City in the 1980s and 1990s were enacted for a variety of reasons. A desire to retain existing neighborhood character, lack of parking, traffic concerns and lack of quality building design were some of the issues raised before previous Councils. As a result of the previous downzonings, most of the apartments proposed for conversion are non-conforming in terms of today's general plan.

When non-conforming buildings are converted to condominiums,
- It may not be possible to achieve lower density neighborhoods when those neighborhoods are “downzoned” for that purpose. Multiple owners will inhibit redevelopment
- The opportunity to resolve parking congestion in those neighborhoods is delayed
- The opportunity to rehabilitate lesser quality buildings, such as those built in the 70s and 80s, will be reduced by having multiple owners

POSSIBLE APPROACHES FOR OVER-DENSITY CONVERSION PROJECTS

In November and December 2005, the Council addressed the issue of granting waivers for over-density condominium conversion projects that were already in mid-process as of June 7, 2005. Council may wish to set up a process and criteria for new applications for over-density condominium conversions to be considered. The following three policy options are provided as a basis for discussion.

1. A policy which would focus on providing an affordability component to over-density projects based on current general plan density and could be used by any building owner, anywhere in the city, for any building that met the criteria, regardless of the income of present tenants.

Rationale: This approach would focus on the size of the project and the difference between the actual density of the project and the current general plan density. An affordability component for units over-density and level of affordability (very low, low, moderate, workforce incomes) would be established in order to allow for an application submittal. This approach would ensure a degree of affordability for a project that otherwise may not provide it. Subtopics to consider under such a policy would be total number of units vs. total number of affordable units per project, a sliding scale for levels of affordability based on total units, unit mix of affordable units, maintenance and cost of affordability contracts, etc.

Ability to Implement: This approach would extend the realm of review beyond the physical characteristics of each property. In order to implement this procedure, staff would need direction from the City Council on the thresholds by which each project would be reviewed with respect to total number of units, number of affordable units and type or degree of affordability. A balance would need to be established concerning the total number of units and number of affordable units. This approach would need the expertise of CDH staff to ensure affordability conditions are met and maintained throughout the life of the building. Since this approach would open the process to any property owner who would be willing to meet those requirements, it would be equitable. However, those buildings with greater numbers of units or greater numbers of units over the current general plan densities may be subject to greater affordability standards.

2. A policy which would broadly focus on the physical attributes of a building and could be used by any building owner, anywhere in the city, for any building that met the criteria.

Rationale: This approach would focus on a set of basic physical requirements that would already be in place prior to application submittal. Depending on Council’s view, these criteria may be few—allowing a wider range of properties to be reviewed or numerous—narrowing down the number of buildings that could potentially qualify to be reviewed. Subtopics to consider under this policy may include minimum off-street parking spaces, building condition, common open space amenities, landscaping, private storage space, etc.

Ability to Implement: Because this approach would focus on physical characteristics of the buildings, it may be implemented much like other discretionary planning procedures. In order to implement this procedure, staff would need direction from the City Council on the threshold that would qualify each
conversion for over-density buildings to be reviewed. The threshold could be set to be very restrictive (requiring performance standards other than density to be in place) or less restrictive (requiring only a few performance standards other than density to be in place). Since this approach would open the process to any property owner who would be willing to meet those requirements, it would be equitable.

3. A policy which focuses on a combination of performance criteria and an affordability component for over-density conversion projects based on current general plan density and which could be used by any building owner, anywhere in the city, for any building that met the criteria, regardless of the income of present tenants.

**Rationale:** This approach would focus on a set of minimum physical requirements combined with a proposed affordability component to be included with the application submittal. The affordability component would be a public benefit in lieu of the waiver to convert a building that exceeds current density standards. Minimum physical requirements could be combined with affordability measures to allow conversion of over-density projects. Flexibility could be implemented through requirements to allow certain projects to proceed with greater deviance from general plan densities if certain standards (such as parking or amenity such as a swimming pool) and affordability thresholds are met. Subtopics to consider would be those already addressed in options 1 and 2 above.

**Ability to Implement:** Combining physical requirements with an affordability component allows for the greatest flexibility in addressing opportunities for conversions. This policy would also have the potential to be the most problematic to administer because of its flexibility. In order to implement this policy, staff would need direction from the City Council on thresholds for basic physical requirements for each project and also direction with respect to the number of affordable units and type or degree of affordability based on overall size of the project. Since this approach would open the process to any property owner who would be willing to meet basic requirements, it would be equitable.

**GENERAL CONDOMINIUM CONVERSION STANDARDS AND PROCEDURES**

The Glendale Municipal Code allows different standards for condominium conversions and new condominiums. Chapter 16.32 of the Glendale Municipal Code outlines subdivision requirements that apply to conversions and all residential subdivisions must meet current general plan densities at the time of conversion. Due to downzoning and code changes in the past, many existing, older apartment projects are non-conforming in terms of current general plan densities, current parking standards and building improvements applicable to condominiums such as individual utility meter shut off, drip pans and down drains, private storage, and fire safety requirements such as fire sprinklers.

Requirements for new condominiums are more stringent than those for conversions. Whereas subdivision requirements for new condominiums require a minimum of two parking spaces per unit (and frequently much more to comply with zoning requirements), condominium conversion requirements allow for parking in conversions to be that required at the time of construction, provided there is at least one parking space per unit. Conversions must provide a minimum of 60 cubic feet of private storage per unit whereas new condominiums are required to have a minimum of 90 cubic feet of private storage. While conditions of approval are added to conversion projects to require upgrades of such items as certain utility cut-off, plumbing improvements and fire safety features, there remains a difference in the physical requirements between new condominiums and condominium conversions.
In identifying qualifying individual buildings to be considered for conversions, particularly those requesting waivers of General Plan density requirements, the City Council could consider imposing any of the following standards or performance requirements as conditions of granting waivers:

- Require at-market units to have at least two parking spaces
- Require all conversions to provide drip-pans and down-drains, individual unit cut-offs for utilities, ability to monitor water usage for each unit independently
- Require all conversions to be reviewed by the Design Review Board to make sure the building is of good design, compatible with the neighborhood, etc.
- Require all conversions to meet sound attenuation standards without the use of carpeting
- Require that all or a portion of units over density be affordable units

Additionally, Neighborhood Services recommends that the following conditions be codified as standard requirements for conversion of existing apartments into condominiums:

1. The maintenance reserve must be fully funded, to the level established by the Davis Stirling Act, prior to any sale(s).
2. Sound transmission controls must be implemented via noise mitigation between all adjoining walls and between floors (if applicable).
3. A complete inspection (and report) must be completed by a certified building inspector to include inspection of the roof, plumbing and sewer, water permeation, swimming pool (if applicable), and any/other common improvements. This report shall be provided to all buyers as a part of escrow.
4. For buildings with elevators, any/all elevators must be inspected and a report provided to all buyers as a part of escrow. Any/all elevators more than fifteen years old must be rebuilt or replaced.
5. For buildings with security and/or notification systems, these systems must be made operable.
6. All units must have individual gas meters.
7. All grant deeds must include parking space and/or storage area assignments attached to specific units. These parking space and storage area assignments should be permanently deeded.

It should be noted that the City has a very low vacancy rate 0.4% for single family homes and 1.9% for rental apartments. Conversions do not add units to the overall housing inventory and may exacerbate pressures on the rental market. Rental market pressures grow when interest rates rise and fewer households are able to afford purchase. There is a trade-off between availability of rental units and availability of for-purchase units. An affordability component in conversions may off-set to a degree the loss of rentals.

**AFFORDABILITY OPTIONS FOR CONDOMINIUM CONVERSIONS**

Conversion of over-density apartment buildings into condominiums provides opportunities to add long-term affordable ownership units to the City’s housing stock. In 2004, the State’s density bonus law was changed through SB1818 in an attempt to encourage the development of new affordable housing stock. Incentives associated with SB1818 such as reduced parking ratios were passed because the costs of new construction were such that extensive incentives were necessary to generate interest among developers. Conversions of existing rental units into individual ownership units begin with an existing project, not
new construction. Therefore, incentives under SB1818 deemed necessary to encourage new construction do not apply to conversion projects.

LEVEL OF AFFORDABILITY

As identified in Option 1 and Option 3 above, if the Council favors an affordability approach in allowing conversions of over-density apartment projects to condominiums, then the following affordability options are provided for discussion:

- **Require a straight percentage of affordable units in the project**, regardless of the number of units over general plan densities. For example, if a 20% inclusionary requirement were enacted for a 20-unit project where the project is 2 units over general plan density, the project would be required to provide 4 affordable housing units (4-20% of 20 units).

- **Require all units over general plan densities to be affordable**. For example, if all units over general plan densities were required to be affordable for a 20-unit project where the project is 2 units over general plan density, the project would be required to provide 2 affordable housing units.

- **Require a percentage over density as affordable**. Affordability requirements may be established for various percentages of over-density. For example, units from 1-30% over-density shall be affordable to moderate income; units greater than 30% over-density shall be affordable to low income. For example, if such a requirement were enacted for a 20-unit project where the project is 2 units over the general plan density, the project would be 10% over density (2 of 20 units). Therefore, the project would be required to provide 2 units affordable for moderate income.

Due to the wide variety of projects which may be proposed for conversion, the Council may wish to provide for sliding scales to address the variety of projects and level of affordability. Issues to consider through a sliding scale may be:

- **Total Number of Units in a Project**. For example, projects with greater numbers of units may be able to absorb a greater number of affordable units and still encourage conversions to occur.

- **Total Number of Units in Excess of the General Plan**. For example, a smaller project located in an area that has been downzoned to single family residential may not be suitable for conversion. However, a similar project located in an R-3050 zone may.

- **Levels of Affordability**. Generally, the lower the level of affordability, the greater the burden on a project. For example, Council may wish to consider a ceiling on the minimum size of a project for conversion, such as three or four units.

- **Fractions of Units in Calculations**. Rounding up or down can make a huge difference between small and larger buildings.

PHYSICAL ATTRIBUTES FOR OVER-DENSITY CONVERSION PROJECTS

As identified in Option 2 and Option 3 above, if the Council favors using the physical attributes of an over-density building for considering waivers, then the following issues are provided for discussion:

**Parking**

- Provide two parking spaces per unit to match the City's new condominium standards
- Provide parking spaces for each building as required at the time of construction, with a minimum of one parking space per unit. This is Glendale's current conversion requirement.
- Provide a minimum of one parking space for all affordable units, with any additional parking spaces available for distribution among market units.

**Bedroom Count**
- Require that units must be one-bedroom or larger. Prevent conversions of studio/efficiency units.

**Design Rehabilitation**
- Require every building to have façade rehabilitation plans, with an option for review by the Design Review Board. The purpose of this provision would be to ensure improvements are made to upgrade buildings prior to moving from single to multiple ownership, with particular concern for common areas.

**Noise Attenuation**
- Require all converted units to meet noise attenuation standards without carpeting. A main complaint from condominium owners is noise, particularly that caused by removal of carpeting and replacement by hard surface flooring.

**Drippans, Down drains, Utility Cut-off and Fire Safety Upgrades**
- Require conversions to meet the same drippan, down drain, utility cut-off and fire safety upgrades as required for new condominiums. This requirement would include sub-metering for water service to each unit independently. The purpose of these provisions addresses conservation, quality of life and safety.

**CONVERSION SURVEY OF COMPARABLE CITIES**

Included in the June 21, 2005 report to Council and herein repeated, CDH staff conducted a limited survey of comparable cities to determine what policies if any, agencies had in place to address the issues associated with condominium conversions. Specifically, cities were questioned as to affordability provisions, tenant rights, and some basic requirements for conversions. The cities surveyed included Burbank, Pasadena, West Hollywood, Santa Monica, Anaheim, San Jose, Los Angeles, Long Beach, and Ventura.

Of all the cities surveyed, only Santa Monica prohibits condominium conversions. According to staff, the reason for this prohibition is that Santa Monica had experienced such a large loss of rental units in the 1970s, that the city adopted various preservation strategies, including prohibiting conversions, that will remain in place until the total number of residential units lost in the 1970s are replaced by new residential rental units.

Of the remaining eight cities that allow conversions, two of them (West Hollywood and Anaheim) have adopted zoning standards that make the conversion process difficult to achieve. Such standards include requiring the converted units to meet current condominium development standards and densities regardless of when the project was first constructed. Issues such as creating additional parking and open space have been the greatest challenge for property owners and as a result, few or no conversions have taken place since these regulations were adopted.

The remaining six cities allow conversions. The applicable standards range from meeting the code at the time of construction to meeting some modified code standards that are less than new construction standards. In Ventura for example, if the citywide vacancy rental rate is less than 5% at the time of
conversion application, a substantial percentage of units must be reserved as affordable to low and moderate income households. While West Hollywood on the other hand does not mandate affordability, they do provide exceptions to their comprehensive conversion standards if a project is proposed by a non-profit developer for the purpose of providing affordable housing to the existing tenants of the building.

Pasadena is considering an inclusionary policy for a percentage of the total number of units in a conversion project to be affordable. According to Burbank, requiring affordability in their conversion projects is a policy issue that they anticipate considering either through citywide inclusionary housing or by separate requirements specific to condominium conversions.

Of all the cities surveyed, displacement of the tenant population of proposed conversions is a concern that the communities attempt to address through various methods that exceed State minimum requirements. Standards such as rent increases, noticing requirements, length of tenancy, relocation counseling and payments, income and special needs of tenants have been implemented by agencies and vary depending upon jurisdiction. In Glendale, tenants displaced by a condominium conversion are eligible for benefits under the Just Cause Eviction Ordinance. Such benefits include relocation assistance in the amount of 2 times the amount of fair market rent plus $1,000, and a 90-day notice to vacate.

CONCLUSION

There are multiple issues involved with condominium conversions for which staff are requesting policy direction. This report summarizes these issues and presents options for addressing over-density condominium conversions. If the Council wishes to establish a procedure for reviewing new over-density condominium conversion applications, staff recommends a process based on the existing physical characteristics and amenities of the buildings with an affordability requirement for projects over the current general plan density (Option 3).

With Council direction on the issues raised on options for physical attributes and affordability summarized in this report, staff can report further on a detailed condominium conversion policy and implementation.

Additionally, staff is requesting direction regarding the maintenance issues raised by Neighborhood Services.

EXHIBITS

2. City Council motion of December 20, 2005 establishing the waiver process.