

City Planning Commission  
Sacramento, California

Members in Session:

- APPLICATION:
1. Tentative Map one lot subdivision to create an air space condominium lot for individual sale of units.
  2. Special Permit to convert a 140-unit existing apartment complex to 140 unit condominium known as Cadillac Drive Apartments (P-9098)

LOCATION: From 42 through 190 Cadillac Drive

PROJECT INFORMATION

General Plan Designation: Residential  
Campus Commons PUD: Multi-family  
Existing Zoning of Site: R-2B-  
Existing Land Use of Site: Apartment complex

Surrounding Land Use and Zoning:

North: Apartments; R-3-R  
South: Apartments: R-3  
East: Apartments, OFC, Restaurant; C-2-R, C-1-OB-R  
West: American River Parkway; ARP-F

Parking Required: 140      Parking Provided: 242 spaces  
Ratio Required: 1:1      Ratio Provided: 1.7 to 1  
Property Area: 7.6+ acres  
Density of Development: 18 units+ per acre  
Square Footage of Building: 120,610 square feet  
Topography: Flat  
Street Improvements: Existing  
Utilities: Existing

SUBDIVISION REVIEW COMMITTEE RECOMMENDATION: On November 5, 1980, by a vote of six ayes, two absent and one abstention, the Subdivision Review Committee recommended approval of the tentative map subject to the attached conditions. (See Exhibit No. 1)

BACKGROUND INFORMATION: Cadillac Drive Apartments are located in the Arden-Arcade Planning Area and are also located within one-fourth mile of the East Sacramento Planning Area. The combined vacancy rate for these two areas is 4.4 percent.

There are three other projects proposed for conversion in these two areas with units totaling 832 proposed for conversion in the City limits. A significant amount of conversion activity has occurred in the unincorporated areas (County) in this planning area. At the present time the County has approved applications for 2,000 units in the Arden-Arcade area.

This project is five years old and has operated as a multi-family rental housing complex since it opened in January of 1976.

PHYSICAL CHARACTERISTICS: Cadillac Drive Apartments are situated between the American River levee and Cadillac Drive. On the opposite side of the levee is located a bicycle and footpath which borders a recreational area. This complex offers easy access to CSUS via the bicycle and footpath, and is a convenient location for students.

There are 140 units in this complex. The units vary from one and two bedroom apartment units to two bedroom townhouses. Each of the units has a patio or balcony, and the townhouse units have both a patio and balcony. Many of the units have a fireplace. A pool, sauna and jacuzzi are provided for use by the tenants. The complex provides 242 parking spaces of which 124 are covered spaces. The property report noted structural deficiencies in some covered spaces and recommended the installation of additional columns to correct this problem.

Each unit has separately metered gas and electric service. Both the hot and cold water delivery system have separate shutoff valves at each building; however, shutoff valves are not provided in the individual unit. The hot water is supplied through a common boiler. The property report noted that hot water pipes were not insulated and this has caused delayed delivery of hot water to some units in this complex. It was recommended that these pipes be insulated to eliminate this problem. There was also concern that during periods of peak demand the capacity of the boiler is insufficient to meet the demand for hot water. The installation of a storage tank was recommended to alleviate this concern.

Several security concerns were noted in the property report. These were due in part because of the close proximity to the levee, resulting in easy access to this complex by outsiders. Non-tenants have been found using parking facilities and refuse bins. Lighting in some parking areas and walkways was found to be inadequate and posed safety concerns according to the property report.

The property report recommended improved insulation and weather stripping be installed to prevent leakage problems. Water stains due to leakage were noted in some units around doors and windows. Some corrective work will be necessary on roofs to prevent future leakage caused by rain. The pest control report sighted minor damage due to water leaks in bathtub enclosures.

This complex does not comply with required building standards and codes at the present time. The conditions listed in Exhibit No. 1 will be necessary to bring this complex up to required standards.

SOCIAL CHARACTERISTICS: A tenant survey was completed by Cadillac Drive tenants for use by the Planning Department. The response rate of the survey was approximately 43 percent. Based on this response the following observations have been made:

The average length of residency by Cadillac Drive tenants is less than one year, and many of these tenants stated they did not know how long they would remain in this complex.

At a price of from \$38,000 to \$68,500 approximately 20 percent of the tenants indicated an interest in purchasing a unit. Improvements that would be necessary before these tenants would purchase included the need for storage, improved hot water delivery, improved landscaping, refurbishing interiors, improved sound-proofing and insulation (see Exhibit No. 2).

According to the property report there are 91 tenants in this complex with incomes of \$15,000 a year or less. Since some of these individuals may be sharing a unit with another income earner, they will not qualify for the tenant provisions provided in the conversion ordinance. Tenants qualifying as low or moderate income based on the applications submitted to the Planning Department amount to 11 tenants. Many of these tenants were qualified because of improper noticing by the applicant. The applicant neglected to properly notice new tenants moving into this complex of the intent to convert. All the qualified tenants will be eligible to purchase a unit at a price of from \$25,000 - or more depending on the tenants' income and available financing.

There were 59 percent of these tenants who did not approve of the proposed conversion. The reason for their disapproval was due in part to a concern for the number of similar complexes already converted and those proposing to convert.

The applicants of the four complexes proposed for conversion in the East Sacramento and Arden-Arcade Planning Area contracted with Marketing Research consultants to prepare a vacancy and social impact study in light of the low vacancy rate of these two areas. The study was accomplished in an effort to dispel concern over tenant displacement or relocation problems.

STAFF EVALUATION

1. City staff conducted its second multiple family rental survey in July 1980 using HUD collected data. Both the source and methodology for reporting were approved by the City Council as part of the Condominium Conversion Ordinance adoption. Support of the survey is based on the reliability of the HUD data, the relative ease of staff retrieval and aggregation, its comprehensiveness, and its cost of updating annually. It should be noted that the Council favors a vacancy rate which includes 2-4 units along with complexes having more units versus their separate breakdown. It should also be reaffirmed that HUD data reflects conventionally financed unit characteristics as well as those having FHA/VA financing. Expressed vacancy rates are a "raw" average, i.e. a summation of individual complex rates surveyed at least annually and in most cases more recently.

The City's July 1980 survey reported a vacancy rate for Arden-Arcade of 4.8 percent and for East Sacramento of 2.1 percent. The weighted vacancy rate, used in instances where proposed conversions are in close proximity to adjoining communities, is 4.4 percent. The weighted vacancy rate has in fact dropped from 5.3 percent when the November 1979 was compiled. This drop in vacancies for the two community area points up the increasing tightness in the rental market.

Following is an identification of several concerns staff has with the Marketing Research Consultants' survey of November 1980.

- a. The question may arise as to which survey sample is most appropriate, the City's or MRC's. The City survey represents 10,535 units dispersed throughout Arden-Arcade and East Sacramento; the MRC survey represents 4,538 units restricted to a somewhat smaller area. Staff feels that the restricted area has merit, but wishes to emphasize the importance of as large a data base as possible, in this case, twice the MRC units surveyed.

MRC complexes surveyed were selected on the basis of being "generally comparable in terms of style, amenities, and rental rates." A review of their characteristics shows that the 26 complexes had an overall high, although varying, level of amenities reflective of projects constructed in the competitive multiple family market of the 1970's. Staff believes that the City's surveyed units are similar, primarily because the complexes are within the same age bracket. Relative to rental rates, the MRC study used complexes with rental rates ranging from \$128 - 650 monthly whereas the City's study used complexes with rental rates ranging from \$123 - 650. Hence, there is a strong similarity in data bases.

- b. Staff believes that understanding the difference between "vacancy rate" and "turnover rate" is very important since both are used in the MRC study. Vacancy rate is that portion of all rentable units which are vacant, either at a fixed point in time or over a period of time. It is the single most important variable in measuring supply-demand within the existing multiple family market. This conclusion is supported by its wide use in other jurisdictions for measuring housing shortages, particularly related to condo conversions. Turnover rate on the otherhand expresses the frequency that a unit or units change occupancy. It is far less valuable (HUD uses the term "supplementary" indicator) as a measure of supply-demand and, to be accurate in this respect, must record only the amount of units (usually during a year period) that are occupied by households coming into the complex from outside it. (The shifting of a household from one unit to another within the same complex is usually a short-term transaction that neither adds or removes rentable units from the market.) Turnover rate is not used widely, if at all, by other jurisdictions as an indicator of supply-demand.

Staff is unclear as to MRC's use of the two terms. Both appear to be used synonymously in several parts of the report. A review of the questionnaires indicates that vacancy rate was recorded rather than turnover rate expressing new occupants from outside.

In summary, staff feels that the HUD data on multiple unit complexes accurately reflects vacancies. The number of available units for rent has shrunk between November 1979 and July 1980 and at 4.4 percent is well below the critical threshold of 5.0 percent for an adequate rental housing supply. Even MRC's survey forecasts a further reduction in available units for the next 12 months (the vacancy rate of 4.1 percent is derived from dividing the last column total by the first column total on page 96, then dividing by 12 to get a monthly rate.)

2. There are 25,296 rental units in the Arden-Arcade and East Sacramento Planning Areas. The City currently has applications to convert 832 units in this area. The County has approved 2,000 units for conversion in this area. These units represent 11 percent of the rental housing stock in these two planning areas.

According to the MRC Vacancy and Social Impact Study, this would be a minimum of 296 tenants who would have to relocate if these four complexes were to convert. The report additionally states that only 128 of these tenants would be able to find comparable units in this area. Due to the heavy conversion activity by the County in this area, the number of displaced tenants may very well increase if this and other proposed projects are allowed to convert.

In an effort to address the concern of tenant displacement and relocation problems, the study points out that the turnover rate may be a better indicator of available units. Although the turnover rate shows the number of units that become available over a period of time, this rate does not adequately reflect the demand for housing in this area.

According to the study submitted by MRC, survey results indicate that approximately 70 percent of these tenants would seek rental housing within a four-mile radius of where they presently live. Based on this relocation tendency and the vacancy rate of the areas, the turnover rate appears to more accurately reflect an exchange of units within the area rather than a clear picture of the demand for rental housing.

Based on the vacancy rate adequate comparable replacement housing will not be available in this area if this complex and others in the area are allowed to convert. Tenant dislocation will occur since adequate replacement housing is not available.

3. At the present time this complex does not comply with all required development and building standards for conversion to condominium. For this complex to comply with required codes and standards, the conditions attached in Exhibit No. 1 will be necessary should the Commission decide to approve this project for conversion.
4. A study of the organizational documents was completed by the Sacramento Area Condominium Association. A number of recommendations have been made which are believed to be in the best interest of the homeowners should this project be approved for conversion. A report detailing the concerns and recommended changes is attached in Exhibit No. 3.

STAFF RECOMMENDATION: Staff recommends the Commission deny this special permit and tentative map to convert 140 apartment units to 140 condominium units based on the following findings:

Findings of Fact

1. The proposed conversion is not consistent with the General Plan and Housing Element as required by Section 28-C-6(a)(i) of the Comprehensive Zoning Ordinance.
  - a. The vacancy rate of the community plan area is below five percent and a significant impact on the rental housing stock will occur with this conversion.
  - b. The applicant has not successfully demonstrated that adequate relocation provisions will be made for these tenants.

2. The proposed conversion project is located in the combined Arden-Arcade and East Sacramento Community Plan Areas where the current vacancy rate is low at 4.4 percent for all units.
  - a. Based on this vacancy rate there is an inadequate supply of rental housing in this area.
  - b. The applicant has not proposed measures that will effectively mitigate the displacement of tenants and any adverse effects upon the rental housing stock in this area.
3. The applicant has not provided adequate comparable replacement housing for all eligible tenants.
  - a. The average vacancy rate of the complexes surveyed as comparable units is 3.6 percent.
  - b. The study indicates that for all eligible tenants to find comparable replacement housing many will have to leave this area to locate such housing.

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