

PLANNING & COMMUNITY DEVELOPMENT DEPARTMENT

STAFF REPORT

DATE: JUNE 26, 2019

TO: PLANNING COMMISSION

FROM: DAVID M. REYES, DIRECTOR OF PLANNING & COMMUNITY DEVELOPMENT DEPARTMENT

SUBJECT: ZONING CODE AMENDMENTS TO UPDATE INCLUSIONARY HOUSING REQUIREMENTS AND ESTABLISH AN AFFORDABLE HOUSING CONCESSION MENU

RECOMMENDATION:

It is recommended that the Planning Commission:

1. **Find** that the Zoning Code Amendments are exempt from the California Environmental Quality Act (CEQA);
2. **Adopt** the Findings for Zoning Code Amendments in Attachment A; and
3. **Recommend** that the City Council approve the Zoning Code Amendments as outlined in this report.

BACKGROUND:

On May 8, 2019, staff shared key findings and analysis from the Inclusionary Housing Market and Feasibility Study prepared by AECOM (AECOM Study), and presented recommendations for establishing an affordable housing concession menu. At the meeting, members of the public and the Planning Commission provided comments on the study and staff's recommendations, and the Planning Commission directed staff to prepare additional analysis and revisions to the AECOM Study. This report focuses on those revisions and new insights provided by the additional work. The May 8, 2019 staff report, which includes further background and analysis, is attached for reference.

ANALYSIS:

Revisions and Additional Analysis

The Planning Commission provided direction to staff to prepare revisions and additional analysis with regard to the Market and Feasibility Study for Raising the Inclusionary Housing Percentage Requirement (AECOM Study). The following specific comments were provided and addressed in the revisions (Revised AECOM Study):

- Revise the definition of Workforce Housing to a maximum household income of 150% of the Area Median Income (AMI), rather than the 180% that was previously analyzed. The 180% AMI Workforce definition is referred to as Workforce A, and the 150% AMI definition is referred to as Workforce B.
- Study an additional scenario in which a higher rate of Workforce Housing is required. The additional scenario studied reflects the Base Case + 10% Workforce B.
- Analyze the returns on cost for projects assuming current in-lieu fee requirements and compare to the returns based on the highest supportable increase recommendation.
- Add a glossary to define key terms used throughout the AECOM Study and staff report.

In addition to the direction from the Planning Commission, staff also directed AECOM to add two additional inclusionary scenarios in response to public comments and to provide additional insight for the Planning Commission to consider as part of their recommendation. These additional scenarios are as follows:

- 20% total inclusionary requirement, consisting of 10% Low-Income and 10% Moderate-Income.
- 20% total inclusionary requirement, consisting of 5% Very Low-Income, 5% Low-Income, and 10% Moderate-Income.

Finally, incentive options have also been revised or newly developed for each of these scenarios to include a combination of expedited processing and parking reduction, and additional background information has been added to the study regarding the inclusionary housing requirements of the Cities of Burbank and Glendale.

In-Lieu Fee

As directed by the Planning Commission, the Revised AECOM Study includes a comparison of the base case scenarios with both the currently adopted inclusionary in-lieu fee as well as the increased in-lieu fees proposed by the Inclusionary Housing In-Lieu Fee Study prepared by David Rosen & Associates, as updated in August 2018 (DRA Study). The comparison demonstrated that the existing in-lieu fee schedule offers developers substantially better returns than for on-site development of affordable housing. On the other hand, the increased fees proposed by the DRA Study, would generate returns significantly lower than those available for on-site affordable units. This indicates that if the in-lieu fee were increased, it is likely that some projects that would have otherwise chosen to pay the in-lieu fee will instead choose to build the inclusionary units on-site. However, it is still anticipated that in practice, some developers would still prefer the in-lieu fee to manage entitlement risk because of the longer entitlement timeframe required for building units on-site and obtaining an affordable housing concession permit.

Inclusionary Scenarios and Incentives

A summary of all scenarios, including revised and new scenarios, is provided in the table below:

Scenario	Total %	Income Breakdown	Offsetting Incentives*
1	20%	Base Case + 5% Workforce A 10% Low 5% Moderate 5% Workforce A (180% AMI)	- Density increase ranging from 2-6% - Expedited processing plus parking reduction of up to 23% for some prototypes - Parking reductions of up to 11%, with one prototype requiring 36% reduction
2	15%	15% Low	- Density increase ranging from 1-5% - Expedited processing for some prototypes - Fee reductions ranging from 5-28% - Parking reductions of up to 12%, with one prototype requiring 30% reduction
3	20%	10% Low 10% Workforce B (150% AMI)	- Density increase ranging from 2-6% - Expedited processing for some prototypes - Fee reductions ranging from 4-34% - Parking reductions of up to 11%, with one prototype requiring 36% reduction
4	20%	Base Case + 5% Workforce B 10% Low 5% Moderate 5% Workforce B (150% AMI)	- Density increase ranging from 2-7% - Expedited processing plus parking reduction of up to 28% - Fee reductions ranging from 12-41% - Parking reductions of up to 15%, with one prototype requiring 43% reduction

5	20%	Base Case + 5% Moderate 10% Low 10% Moderate	- Density increase ranging from 5-10% - Expedited processing plus parking reduction of up to 37% for all prototypes - Fee reductions ranging from 19-48% - Parking reduction of up to 20%, with one prototype requiring 50% reduction
6	20%	5% Very Low 5% Low 10% Moderate	- Density increase ranging from 8-20% - Expedited processing plus parking reduction of up to 45% for all prototypes - Fee reductions ranging from 16-55% - Parking reduction of up to 24%, with one prototype requiring 50% reduction
7	20%	Base Case + Very Low 5% Very Low 10% Low 5% Moderate	- Density increase ranging from 10-25% - Combination of increased density of up to 27.5%, expedited processing, and up to 3% parking reduction - Parking reduction up to 66%
8	20%	20% Low	- Density increase ranging from 9-35% - Expedited processing plus parking reduction ranging from 11-76% - Parking reduction up to 88%
*Each point represents a distinct incentive or package of incentives that would achieve feasibility.			

Affordable Housing Concession Menu

Many of the comments received at the May 8, 2019 Planning Commission meeting related to the list of potential concessions that would be available as part of the Affordable Housing Concession Menu (Concession Menu). Specifically, concerns were raised about potential impacts to historic resources and protected trees, and there was direction to further reduce parking requirements and loading requirements as additional incentives. As a result, staff has revised the recommended list of concessions as follows, with changes underlined:

- Increase in maximum height of up to 12 feet beyond current standards over no more than 60% of the building footprint
 - Alternatively, based on the median of all height concessions requested to date, the maximum increase can be raised to 15 feet.
- Increase in maximum floor area ratio of up to 0.65 beyond current standards
- Reduction of side or rear setbacks by up to 50%, provided that the project site is not adjacent to a single family residential zoning district or a Historic Resource (including designated or eligible districts, landscapes, objects, signs, sites, or structures)
 - Setback reductions do not exempt a project from meeting the requirements of the Tree Protection Ordinance, which shall be based on setback requirements in place prior to any reduction
- Eliminate loading requirements
- Reduction of minimum parking requirements by up to 50% if the project site is located within the Central District Transit Oriented Development area, or within a one half mile radius of the Metro Fillmore or Allen Gold Line Stations
 - (Eliminated requirement that the reduction cannot result in less than one space per unit and one half space per affordable senior citizen unit)

Conclusions and Recommendation

As made evident by the feasibility studies and incentive options, any inclusionary scenarios that require a total of 20% affordable housing would require incentives to offset the costs of the additional inclusionary. All of these scenarios may be achieved through a density bonus incentive alone. However, the deeper the levels of affordability required, the higher the density bonus needed in order to achieve feasibility. The highest density bonus required to achieve feasibility would be Scenario 8, which would require all 20% of units to be set aside for Low-Income households. In order to make this scenario feasible, a density bonus of up to 35% would be necessary. According to SDBL, the 20% Low-Income set-aside would automatically qualify a project for a 35% density bonus.

A key consideration is the number and amount of concessions that would be required in order to accommodate the additional density required. For example, a 35% density bonus would make a project eligible for up to two concessions under SDBL. Typically, these concessions would take the form of increased height and floor area ratio. Due to the variability of lot sizes and configurations, it is difficult to predict whether the limits established in the Concession Menu would be sufficient to allow projects with 35% density bonus to be built, and it is possible that some projects will be forced to request larger concessions in order to become feasible. Thus, while the 20% Low-Income scenario would achieve the goal of increasing affordable housing production, it is possible that some projects will seek larger concessions than would be allowed under the menu, or alternatively, would not be built at all. On the other hand, it is also possible that a different combination of concessions available through the menu, such as height increase and parking reduction, or FAR increase and setback reduction, along with the time savings of streamlined review, would allow a project to remain feasible within the limits of the Concession Menu.

Based on the findings of the AECOM study and the uncertainties surrounding which concessions a project might need in order to achieve feasibility, staff continues to recommend against an outright increase in the inclusionary housing requirement, and continues to support the creation of the Affordable Housing Concession Menu as a mechanism to incentivize the creation of additional affordable housing. Previously, staff recommended that the inclusionary requirement

to become eligible for the Concession Menu should be either Scenarios 1 or 2 as identified in this report. However, based on comments from the Planning Commission and members of the public, staff finds that Scenarios 3, 4, 5, and 6 could also meet the goals of increasing affordable housing production while limiting impacts on neighborhood character. However, although Scenarios 7 and 8 could also potentially meet these goals, they are more likely to result in off-menu concession requests, which may not be consistent with the desire of limiting impacts on neighborhood character.

Finally, staff continues to recommend elimination of the trade-down provisions and increasing the in-lieu fee to the maximum supportable rates identified by the DRA Study.

ENVIRONMENTAL DETERMINATION

The Zoning Code Amendments have been assessed in accordance with the criteria contained in the CEQA Guidelines, and qualify for Categorical Exemption pursuant to Section 15305 (Class 5 – Minor Alterations in Land Use Limitations), and there are no features that distinguish this project from others in the exempt class; therefore there are no unusual circumstances. Section 15305 exempts projects that consist of minor alterations in land use limitations in areas with an average slope of less than 20%, which do not result in any changes in land use or density. The properties affected by these Zoning Code Amendments have an average slope of less than 20%. Furthermore, the Zoning Code Amendments would result in changes to the City’s inclusionary housing requirements and the way in which the City implements State density bonus law, and would not result in any changes to regulation of land uses or base density standards in the Zoning Code. Therefore, staff recommends that the Planning Commission find that the proposed Zoning Code Amendments are exempt from further review under the provisions of CEQA.

Respectfully Submitted,




DAVID M. REYES
Director of Planning & Community
Development

Prepared by:



Andre Sahakian, AICP
Senior Planner

Reviewed by:



David Sanchez
Principal Planner

Attachments:

- Attachment A: Findings for Zoning Code Amendments
- Attachment B: May 8, 2019 Planning Commission Staff Report (without attachments)
- Attachment C: Revised Market and Feasibility Study for Raising the Inclusionary Housing Percentage Requirement
(Revised AECOM Study)
- Attachment D: Inclusionary Housing In-Lieu Fee Study (DRA Study)