



MEMORANDUM

TO: Steve Mermell, City Manager

FROM: *David M. Reyes*, Director of Planning & Community Development

DATE: July 30, 2020

SUBJECT: Update on Pending Housing Legislation

On June 23, 2020, staff presented an update to the City Council Legislative Policy Committee on various bills introduced in the State Senate focusing on housing. Since that time, these bills and several others have been progressing through the legislative process, resulting in various amendments and passage through a vote of the full Senate. The bills have now advanced to the Assembly and are currently in various Assembly policy committees for consideration. This memo provides a brief status update and short summary of several notable housing-related bills:

SB 899 (Wiener) –Housing on Higher Education and Religious Institution Sites

Status: Passed full Senate, currently in Assembly Committee on Housing & Community Development. Last amended on 7/27/20.

Summary:

- Makes affordable housing projects by-right on sites owned by independent institutions of higher education and religious institutions.
- Land must have been owned as of Jan. 1, 2020 to qualify.
- Designated historic resources or historic districts are exempt.
- Must allow at least 30 du/ac if in a residential or mixed-use zone, or the density of an adjacent parcel, whichever is more.
- Must allow at least 40 du/ac and one extra story above maximum height allowable if located in a commercial zone, but cannot request a concession to increase height if using this provision.
- All units must be affordable to lower income households, except that up to 20% can be for moderate income households.
- Units must remain affordable for 55 years if rental or 45 years if owner-occupied.
- Project must comply with all objective development standards.
- Project must pay prevailing wage to all construction workers.
- Project may include some ancillary uses, depending on which zone it's in.
- Can't require more than 1 parking space per unit, and can't require any parking if site is within ½ mile of a high-quality transit corridor or major transit stop.

SB 902 (Wiener) – Optional Re-Zoning for Housing

Status: Passed full Senate, currently in Assembly Committee on Local Government. Last amended on 5/21/20.

Summary:

- Allows local governments to voluntarily pass an ordinance to re-zone any parcel to allow up to 10 residential units at a height specified by the local government.
- Parcel must be located in a transit-rich area, jobs-rich area, or an urban infill site.
- Transit-rich means within ½ mile of a major transit stop or on a high-quality bus corridor.
- Jobs-rich areas are to be determined by HCD by Jan. 1, 2022 based on educational and economic outcomes, with focus on enabling residents to live closer to jobs and reduce commute distances.
- Urban infill site means a site located in a City that is identified as an urbanized area by the US Census Bureau, has 75% of its perimeter adjoining parcels developed with urban uses, and is zoned for residential or mixed-use.

SB 995 (Atkins) – CEQA Exemption for Certain Housing Projects

Status: Passed full Senate, currently in Assembly Committee on Natural Resources. Last amended on 7/27/20.

Summary:

- Expands an existing CEQA exemption to also include housing projects that set aside 15% of units as affordable for lower income households and result in a \$15 million investment in California.
- The project must be certified by the Governor before January 1, 2024 as a qualifying project.
- Specific requirements for hiring a skilled and high-wage workforce must be met in order to qualify for the CEQA exemption.
- Requires that legal appeals of these exemptions must be resolved within 270 business days of filing.
- Allows using a certified Master EIR that has been prepared for a General Plan or Specific Plan to conduct more limited review of subsequent housing projects that are within the scope of the Master EIR.

SB 1085 (Skinner) – Density Bonus Changes

Status: Passed full Senate, currently in Assembly Committee on Housing & Community Development. Last amended on 6/18/20.

Summary:

- Allows concessions for student housing developments with at least 20% of units affordable to lower income students.
- Allows concessions for projects with at least 20% of units affordable to low or moderate income households where rent is limited to 30% below market rate for the City.
- Increases the amount of density bonus for projects with very low income units. Specifically, a project with 11% very low income units would receive a 40% density bonus rather than 35%.
- Prohibits imposing impact fees on affordable units or bonus units

SB 1120 (Atkins) – Duplexes and Lot Splits in Single Family Residential Zones

Status: Passed full Senate, currently in Assembly Committee on Local Government. Last amended on 7/27/20.

Summary:

- Requires cities to allow 2 units on a parcel by-right in single-family residential zones.
 - Project cannot require demolition of deed restricted affordable housing or housing that has been occupied by a tenant in the past 3 years.
 - Doesn't allow demolition of more than 25% of existing exterior structural walls to facilitate construction of the two units, unless local ordinance allows or the site has not been occupied by a tenant in the last 3 years.
 - Cities can impose objective zoning, subdivision, and design standards as long as they don't physically preclude construction of 2 units.
- Requires cities to allow lot splits of parcels by-right in residential zones.
 - Must result in 2 new parcels of equal size, each no smaller than 1,200 square feet.
 - Lot split cannot require demolition or alteration of deed restricted affordable housing or housing that has been occupied by a tenant in the past 3 years.
 - Property owners cannot use these provisions to do multiple lot splits in sequence – can only do it once.
 - Cities can impose objective zoning, subdivision, and design standards as long as they don't physically preclude construction of 2 units on either of the two parcels.
 - Cities may require easements for public services and facilities.
 - Cities must require that uses on a lot created by these lot splits are limited to residential uses.

- Properties designated as historic or located within a historic district are exempt. This includes local, state, and national designations.
- Cities must require that rental of any units created pursuant to this bill be for a term longer than 30 days.
- Cities may require up to 1 parking space per unit, unless the parcel is within a ½ mile of a high quality transit corridor or a major transit stop.
- Cities will not be required to permit ADUs on parcels that use both the lot split provisions and the 2 unit provisions in this bill.

SB 1299 (Portantino) – Incentive to Rezone Commercial Sites for Workforce Housing

Status: Passed full Senate, currently in Assembly Committee on Housing & Community Development. Last amended on 6/18/20.

- Summary:**
- Creates a grant funding mechanism for cities that choose to re-zone idle big box retail sites and commercial shopping centers to allow by-right workforce housing.
 - Workforce Housing is defined as a project where 100% of the units are affordable to households earning between 80-120% of the Area Median Income, whether offered as rental or for-sale.
 - In order to become eligible to receive a grant, a city must do all three of the following:
 - Re-zone one or more idle sites to allow workforce housing by-right;
 - Approve and issue a Certificate of Occupancy for the site(s); and
 - Apply to HCD for an allocation of grant funds
 - Amount of the annual grant for each qualifying City is the average tax revenue from each site from the 7 years preceding the date of the application for funding.
 - Availability of funding is subject to appropriation by the State legislature.

SB 1385 (Caballero) – Allowing Housing on Commercially Zoned Land

Status: Passed full Senate, currently in Assembly Committee on Local Government. Last amended on 6/18/20.

- Summary:**
- Allows housing on land zoned for commercial office or retail uses with minimum allowable density of 30 du/ac
 - Projects would still be subject to all local zoning, discretionary requirements, public hearings, notices, and design review processes that would apply to the nearest zone that allows at least 30 du/ac.
 - CEQA, local inclusionary requirements, and density bonus provisions would all still apply to these types of projects.

- Cities can become exempt from these provisions if the density created by this bill is re-allocated elsewhere resulting in no net loss.
- Allows an applicant seeking to develop a housing project pursuant to this bill to also request that the local agency establish a Mello-Roos district to finance improvements and services to the units proposed to be developed.

AB 2345 (Gonzalez) – Density Bonus Changes

Status: Passed full Assembly, currently in Senate Housing Committee. Last amended on 7/21/20.

- Summary:
- Amends “Super Density Bonus,” which grants more density and height to 100% affordable projects, to clarify that all units, including bonus units, must be affordable to qualify for those provisions.
 - Changes threshold for density bonus projects to qualify for 3 concessions, lowering the requirement from 15% very low income units to 12% very low income units.
 - Allows 4 concessions for projects that include 31% moderate or low income, or 13% very low income units.
 - Allows 5 concessions for projects that include 33% moderate or low, or 15% very low income units.
 - Increases the number of allowed concessions from 4 to 6 for 100% affordable projects that meet “Super Density Bonus” requirements.
 - Increases maximum allowable density bonus. Current maximum is 35% density bonus in exchange for 40% moderate income units, 20% low income units, or 11% very low income units. This bill would incrementally allow up to 50% maximum density bonus in exchange for 44% moderate income units, 24% low income units, or 15% very low income units.
 - Reduces maximum parking requirements for density bonus projects

It should be noted that additional amendments may occur as these bills continue through the legislative process. Furthermore, there are numerous other housing-related bills introduced in both houses of the State legislature that are also advancing through the legislative process. However, the bills highlighted in this memo are likely to be most relevant and impactful to Pasadena.