

# Agenda Report

August 15, 2005

TO: City Council

FROM: City Manager

SUBJECT: Impacts of Recent Legislation Regarding Density Bonus as Applied to the City's Inclusionary Housing Ordinance

**RECOMMENDATION:**

It is recommended that the City Council give direction to the City Attorney regarding whether the Inclusionary Housing Ordinance should be amended to include projects of fewer than ten units.

**BACKGROUND:**

In July, City Council requested further information on the application of recent density bonus legislation to projects of less than ten units. SB 1818 – *Density Bonus* (Hollingsworth), signed in 2004, lowered the threshold at which density bonus incentives must be provided and increased the density provided. It provides for a minimum density bonus of 20% and a maximum bonus of 35% for low and very low income units; a minimum of 5% and maximum of 35% applies to moderate income units. The bill also increased the number of concessions (waivers of development standards) that must be granted by law. Concessions could include waivers of setback limits, height limits, parking requirements, etc. Attached as "Attachment A" is a memorandum to the Legislative Policy Committee outlining the provisions of SB1818.

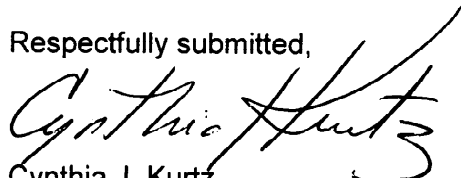
Below is a chart showing the application of SB1818 to a five, seven and nine-unit project, including the minimum affordable housing as required under the City's Inclusionary Housing Ordinance. Under the City ordinance, each project would be required to include one unit available for rent at low income rates or for sale at a price affordable to moderate income. SB1818 specifies that low income units must be affordable at a rent that does not exceed 30 percent of 60 percent of area median income (approximately \$33,060); and that very low income units be rented at 30 percent of 50 percent of area median income (approximately \$27,550).

**SB1818**  
**Application to Projects of 5-9 Units**

<u>Proposed Units</u>	<u>15% Inclusionary Requirement</u>	<u>Actual Percentage Affordable</u>	<u>Density Bonus</u>	<u>Additional Units*</u>	<u>Concessions</u>
5	1 very low (not required)	20%	35%	2	3
	1 low (for rent)		35%	2	2
	1 mod condo (for sale)		15%	1	2
7	1 very low (not required)	14%	35%	3	2
	1 low (for rent)		26%	2	1
	1 mod condo (for sale)		9%	1	1
9	1 very low (not required)	11%	35%	4	3
	1 low (for rent)		22%	2	1
	1 mod condo (for sale)		6%	1	1

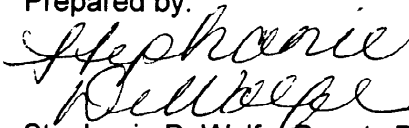
\* SB1818 states that all fractional units round up to next whole number.

Respectfully submitted,



Cynthia J. Kurtz  
 City Manager

Prepared by:

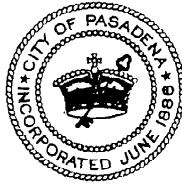


Stephanie DeWolfe, Deputy Director  
 Planning & Development Department

Approved by:



Richard Bruekner, Director  
 Planning & Development Department




PLANNING AND DEVELOPMENT DEPARTMENT

MEMORANDUM

February 22, 2005

TO: Legislative Policy Committee

FROM: Stephanie DeWolfe, Deputy Director 

SUBJECT: SB1818 (Hollingsworth) – Density Bonuses

Following a brief update on new laws effective January 1, 2005, the Legislative Policy Committee at its January meeting requested further information on SB1818 – Density Bonuses. The law seeks to increase the production of affordable housing by lowering the threshold at which the incentives are available, expanding the types of projects eligible for incentives, increasing allowable density bonuses and requiring additional concessions. The bill is described in more detail below and summarized in the attached chart:

Changes to Incentive Thresholds and Categories

Pasadena's existing zoning code allows a density bonus for the construction of 10% very low income units and 20% lower income units. SB1818 lowers that threshold to 5% very low and 10% low income. In addition, SB1818 allows a density bonus for the construction of moderate income units in condominium or PUD projects and for donation of land within a ¼ mile radius. (Land must be at least one acre in size or sufficient to permit development of at least 40 units, have the appropriate general plan designation, be appropriately zoned and be served by adequate public infrastructure; when transferred it must have all permits and approvals necessary for the development of very low income housing units.)

Changes to Density Bonuses

Pasadena's current code allows a maximum density bonus of 25% for very low or low income units in all zoning districts except the Central District; a 50% bonus is allowed in the Central District with approval of a Use Permit. SB1818 introduces a sliding scale dependent on the number and type of units with a maximum 35% bonus as follows (see attached chart also):

At the threshold level, very low and low income units begin with a 20% density bonus. In addition, very low income units may receive a 2.5% density bonus increase for each 1% increase in units above 10%. Lower income units may receive a 1.5% density bonus increase for each 1% increase in units above 10%.

At threshold level, moderate income units begin with a 5% density bonus. In addition, they may receive a 1% density bonus for each 1% increase in units above 10%. Land donation equivalent to 10% of the units may receive a 15% density bonus with a 1% density bonus for each 1% increase in units. Each category has a maximum of a 35% bonus.

#### Changes to Concessions

Under current law, the City must grant one concession to development that includes the threshold level of affordable housing. Under SB1818 up to three concessions must be granted based on a sliding scale of number and type of units (see attached chart). The applicant must demonstrate how the concession result in "identifiable, financially sufficient, and actual cost reductions" that allow the affordable units to be constructed. Concessions could be requested for changes in minimum lot size, side yard setbacks, placement of public works improvements, increase in height limit, reduction/increase in parking, reductions in green space, etc.

#### Restrictions on Affordable Units

Under SB1818 low and very low income units must remain affordable for 30 years or longer if required by the construction or mortgage financing assistance program or rental subsidy program. Lower income units must remain affordable at a rent that does not exceed 30 percent of 60 percent of area median income. Very low income units shall be affordable at a rent that does not exceed 30 percent of 50 percent of area median income.

In the case of moderate income units, only the initial occupant of the unit must be of moderate income. Upon resale, the seller retains the value of improvements, down payment, and seller's proportionate share of appreciation. The local government recaptures its proportionate share of appreciation which must be used within three years for the purpose of promoting homeownership. (Equal to percentage by which the initial sale price was less than the fair market value.)

Cc: Richard Bruckner  
Denver Miller  
Greg Robinson  
John Poindexter  
Bill Trimble

DENSITY BONUS CALCULATIONS SB 1818

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**I. Very Low Income\***

<u>Percentage Very Low Income Units</u>	<u>Percentage Density Bonus</u>
5	20
6	22.5
7	25
8	27.5
9	30
10	32.5
11	35

**II. Low Income\*\***

<u>Percentage of Low Income Units</u>	<u>Percentage Density Bonus</u>
10	20
11	21.5
12	23
13	24.5
14	26
15 ( <b><u>Inclusionary</u></b> )	27.5
16	30.5
17	32
18	33.5
19	35

**III. Moderate Income\*\*\***

<u>Percentage of Moderate Income Units</u>	<u>Percentage Density Bonus</u>
10	5
11	6
12	7
13	8
14	9
15 ( <b><u>Inclusionary</u></b> )	<b>10</b>
16	11
17	12
18	13
19	14
20	15
21	16
22	17
23	18
24	19

### **III. Moderate Income ((con't)\*\*\***

<u>Percentage of Moderate Income Units</u>	<u>Percentage Density Bonus</u>
25	20
26	21
27	22
28	23
29	24
30	25
31	26
32	27
33	28
34	29
35	30
36	31
37	32
38	33
39	34
40	35

### **IV. Senior Citizen Housing**

50% or more of the units set aside for Senior Citizens entitled to 20% Density Bonus. No sliding scale.

#### **Sliding Scale Density Bonus Formula**

- \* Very Low Income: 2.5% increase in density for each 1% increase in Very Low Income affordable units to a maximum density bonus of 35%.
- \*\*Low Income: 1.5% increase in density for each 1% increase in Very Low Income affordable units to a maximum density bonus of 35%.
- \*\*\*Moderate Income 1% increase in density for each 1% increase in Very Low Income affordable units to a maximum density bonus of 35%.