

Agenda Report

March 9, 2020

TO: Honorable Mayor and City Council

FROM: Planning and Community Development Department

SUBJECT: ZONING CODE AMENDMENTS TO UPDATE REGULATIONS FOR SINGLE-ROOM OCCUPANCY USES

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the Zoning Code Amendments are exempt from the California Environmental Quality Act ("CEQA") pursuant to Section 15305 (Class 5 – Minor Alterations to Land Use Limitations) and State CEQA Guidelines Section 15061(b)(3), that there are no features that distinguish this project from others in the exempt class, there are no unusual circumstances, and none of the exceptions to the exemptions apply;
2. Adopt the Findings of Consistency with the General Plan (Attachment A); and
3. Approve the amendments and direct the City Attorney to prepare an ordinance amending Sections 17.30.030, 17.50.300, and 17.80.020 to Title 17 (Zoning Code) of the Pasadena Municipal Code to make single-room occupancy a permitted use in all CD zoning districts and increase the maximum unit size to 375 square feet."

ADVISORY COMMISSION/BOARD/CITY COUNCIL COMMITTEE RECOMMENDATION:

At a public hearing on November 13, 2019, the Planning Commission recommended that the City Council find that the Zoning Code Amendments are exempt from CEQA and approve the Zoning Code Amendments that would make single room occupancy (SRO) uses permitted without a Conditional Use Permit in all CD zones and increase the maximum unit size for SRO uses to 375 square feet. The Planning Commission additionally recommended that the Zoning Code Amendments include eliminating any minimum parking requirement for SRO uses (Staff report, Attachment B).

BACKGROUND:

Single-Room Occupancy and Micro-Unit

There is a broad conversation being held throughout many cities regarding the role of smaller housing unit formats in meeting housing needs of various populations. In this conversation, the term “Micro-Unit” is often used to refer to housing units that are distinctly smaller than what has typically been developed in the past. “Micro-Unit” does not currently have a standard, widely accepted definition, and the sizes of micro-units vary across jurisdictions, where minimum unit sizes range from zero to 450 square feet. There is also variation when it comes to amenities within micro-units. Research by the Urban Land Institute (“ULI Study”, Attachment C) looked at numerous examples of micro-unit projects and regulations across the nation, and developed the following general definition:

“...a micro-unit is a purpose-built, typically urban, small studio or one-bedroom using efficient design to appear larger than it is and ranging in size from as little as 280 square feet up to as much as 450 square feet (which roughly equates to 20 percent to 30 percent smaller than conventional studios in a given market).”

Pasadena’s Zoning Code does not currently identify Micro-Unit as a land use, and does not have a definition for the term. Rather, the Zoning Code identifies SRO as a land use and includes unit size restrictions in its definition as follows:

“A facility providing dwelling units where each unit has a minimum floor area of 150 square feet and a maximum floor area of 220 square feet. These dwelling units may have kitchen or bathroom facilities and shall be offered on a monthly basis or longer.”

Approach

Through the process of researching issues surrounding micro-units and in discussions with the Planning Commission, it became clear that the features and regulation of micro-units, as observed throughout the industry, are not very different from SRO units as they are currently regulated in Pasadena, except for maximum unit size. Therefore, staff’s recommendation is to make a relatively minor change to the existing definition of SROs to allow slightly larger unit sizes, more in line with current housing industry trends, and to streamline the permitting process within the Central District Specific Plan to encourage their production in locations where SROs are most likely to succeed. This would allow additional flexibility for projects in the short-term. More in-depth discussion on creating a distinctly new land use type for micro-units with unique development standards, and potentially allowing them in more zones throughout the City, could be part of the Specific Plan Update process, which will consist of a more comprehensive review of future development throughout the City.

Role of SRO and Micro-Units in Pasadena's Housing Strategy

Regardless of the terminology used to describe them, smaller format housing units such as SROs and micro-units have great potential to become an important part of the City of Pasadena's efforts to provide housing options that are affordable to a wide variety of households. In 2014, the Urban Land Institute published a comprehensive study evaluating the market performance and acceptance of micro-units across the United States. The ULI Study found that the top two reasons potential renters would choose a micro-unit are for lower rent compared with conventional studios and being in a desirable location/neighborhood. This means that micro-units, or in Pasadena's case, SROs, are most likely to appeal to smaller households, most likely single professionals or students, who are looking to live in neighborhoods with easy access to jobs, transit, shopping, and entertainment.

Two SRO projects have been developed in Pasadena with the primary goal of providing income-restricted affordable housing. One is Centennial Place, which is the converted YMCA building located on Holly Street near City Hall. Centennial Place contains 144 units of permanent supportive housing affordable to very-low income households and below. The other SRO project in Pasadena is the Aqua Courtyard Suites, located at the corner of Green and Holliston, which contains 89 units affordable to low- and moderate-income households. These projects have provided much needed supply of affordable housing, and while current regulations do not require SRO projects to be 100% affordable, SRO projects are subject to Pasadena's inclusionary housing ordinance, which will require a minimum of 20% of units to be set aside as affordable once recent amendments to the ordinance go into effect. The ULI Study also found that micro-unit rents are typically 20-30% less than conventional studio units. Therefore, even if new SRO projects contain a significant portion of market-rate units, those units will likely be relatively more affordable than other product types on the market.

Thus, the goal of these amendments is to encourage the production of SRO units in order to provide a more affordable housing type in areas throughout the City that provide easy access to transit, jobs, shopping, and entertainment opportunities.

Current SRO Regulations

In recent months, the City has been approached by various developers seeking to build SRO projects that would largely be rented at affordable rates. Two major issues have been identified with existing SRO regulations that have become impediments to these projects moving forward. These include the maximum unit size, which is currently 220 square feet, and the requirement to obtain a Conditional Use Permit (CUP). Upon further study of the policy issues associated with these regulations, there is good evidence to support amending these regulations in order to facilitate the production of more SRO units.

DISCUSSION:

Land Use Regulations

SRO is currently a land use that is permitted without the requirement to obtain a Conditional Use Permit (CUP) in the Commercial General (CG) zone, as well as various commercial-centric sub-areas of the East Colorado and East Pasadena Specific Plans. SRO is also a conditionally permitted use in all six sub-districts of the Central District Specific Plan, meaning that a Conditional Use Permit is required in order for a SRO to be established in those areas. These regulations are summarized in the following table:

Zone	CD 1 thru CD 6	CG	ECSP CG-5	EPSP-d1-CG	EPSP-d2-CG	EPSP-d3-CG
Permitting	C	P	P	P	P	P
<i>P – Permitted</i> <i>C – Conditionally Permitted</i>						

In all zones where SRO is a permitted use, a CUP is required only within the Central District Specific Plan. However, SRO uses are not likely to result in greater impact to surrounding uses found in the Central District than they would be in the other zones where SRO is permitted by-right. Existing and allowed uses in the Central District Specific Plan include commercial, retail, institutional, urban housing, and mixed-use, all of which would be compatible with a SRO use. Furthermore, based on findings from the ULI Study, smaller housing unit types such as micro-units or SROs are most attractive to potential tenants when they are located in urban areas that have easy, walkable access to shopping, entertainment, jobs, and transit options, all of which are prevalent in the Central District. Therefore, allowing SRO as a permitted use without a CUP in the CD 1 through CD 6 zones, consistent with other zones where SRO is allowed by-right, would be an appropriate strategy toward incentivizing the development of such uses.

One of the questions raised by the Planning Commission was whether it would be appropriate to allow SROs or micro-units in residential zones where other types of housing are allowed, outside of the CG and CD zones. After further analysis of micro-unit typologies and existing development standards for residential zones, it became clear that SROs or micro-units would not be able to meet many of the multi-family development standards, most notably open space and density, and remain a viable product. Furthermore, most residential-only zones do not have as much access to the complementary uses and transit options that make micro-units attractive to tenants. While there may be opportunities to allow micro-units in other Specific Plan areas in the future, the Specific Plan Update program would be the appropriate process through which to vet these issues with those neighborhoods and determine the best path forward.

Development Standards

Unit Size

The Pasadena Zoning Code currently requires floor area for a SRO unit to be a minimum of 150 square feet and a maximum of 220 square feet. While it is necessary to define appropriate minimum and maximum sizes, a review of other jurisdictions' regulations as well as a number of recently proposed SRO projects indicates that the maximum of 220 square feet is a serious barrier against the production of SRO projects in Pasadena. The following table provides a comparison of Pasadena's SRO standards and micro-unit standards for various jurisdictions across the United States:

Jurisdiction	Size Restrictions
Pasadena	Min: 150 SF Max: 220 SF
Santa Monica	Min: 150 SF Max: 375 SF
Oakland	Min: 150 SF Max: None Avg: up to 175 SF
San Francisco	Min: 220 SF Max: 220 SF
New York City	Min: 275 SF Max: 300 SF
Boston	Min: None Max: 450 SF (studio)

Based on these examples, it appears that an appropriate maximum unit size would be 375 square feet. This size is consistent with the average unit sizes in projects that have been conceptually proposed to staff by various developers, including those seeking to provide 100% of the project units at affordable levels. The minimum unit size of 150 square feet remains appropriate and consistent with minimum habitability standards in California and other jurisdictions. Thus, staff recommends no change to minimum unit sizes for SROs, and recommends increasing the maximum unit size from 220 to 375 square feet.

Parking

Existing regulations for SROs in Pasadena require parking at a rate of one space per unit for market-rate projects, and one space per four units for affordable projects. In both cases, two spaces must be provided for the resident manager. Given the fact that

all SRO units would be less than 650 square feet, the requirement for one space per unit would effectively be the same as the Central District Transit-Oriented Development standards for parking, with the exception of the SRO not having to comply with the guest parking provisions. Additionally, the significant parking reduction for affordable SRO projects is appropriate and also consistent with typical demand for affordable housing projects, which are often minimal. Thus, staff recommends no changes to parking standards for SRO units as part of these amendments.

It is noted, however, that during the Planning Commission's review of these Zoning Code Amendments, the majority of Commissioners voted in favor of eliminating the minimum parking requirement for all SRO projects. The two Commissioners who did not vote in favor of the Zoning Code Amendments indicated that the sole reason for their vote was due to the provision that would eliminate the minimum parking requirement, and that they did support the other Amendments.

Issues for Future Consideration

Expanding micro-units into other zones

Staff compared research on micro-unit trends to existing development standards for typical housing uses in Pasadena, and found that significant changes may need to occur to existing standards in order to accommodate micro-units in multi-family residential or mixed-use areas. Based on the ULI Study, micro-units are most successful when they are located in walkable neighborhoods with easy access to jobs, shopping, entertainment, and transit. It is unclear whether there is a strong enough desire for allowing such a relatively unique housing type in established multi-family neighborhoods, however there may be opportunity for allowing micro-units in future higher density, mixed-use, transit oriented neighborhoods. Given that staff is currently updating all eight Specific Plans, which includes extensive community engagement, that process would be the ideal venue in which to vet these issues with the community and incorporate micro-unit regulations in appropriate contexts.

Affordability

A major goal of encouraging the production of more SROs is to increase the production of affordable housing. Micro-units generally have a 20-30% lower monthly rent than larger studio or one-bedroom units by virtue of their smaller size, making the total monthly cost of housing more affordable for smaller households. In some cases, these rents may be de facto affordable, in that the monthly rent may be the same or lower than the maximum allowed rent for moderate-income households in some locations. On the developer side, the ULI Study found that micro-units generate a significant rental income premium on a per square-foot basis over more traditional sized units. In some cases, the rent premium for a developer can be 43%. In short, although the total monthly rent would be lower for renters because of the smaller unit size, developers would be generating stronger profit margins by increasing the total number of units within a project than would otherwise be feasible with traditionally sized units.

Pasadena's inclusionary housing requirements, which were recently increased to a total of 20%, would be applicable to any new SRO project. In light of the financial benefits for developers, it is worth considering whether a higher inclusionary requirement specifically for SROs can be justified in order to ensure that as many units as possible remain affordable for specific populations, such as students, seniors, or other lower-income households within transit- and amenity-rich neighborhoods. It should be noted that upon approval of the recent amendments to the inclusionary housing ordinance, the City Council directed staff to conduct a review of the ordinance after one year and return with recommendations for refinement and updates based on shifting market conditions. Further analysis and study on the appropriate inclusionary rate for SROs could be part of this review.

Conclusion and Recommendations

The goal of these Zoning Code Amendments is to encourage greater production of a unique housing type that is generally more affordable, even when offered at market rates. The amendments would increase the maximum unit size for SRO uses from 220 square feet to 375 square feet, and would eliminate the requirement to obtain a CUP for SRO developments in CD zones, consistent with regulations in other zones where SRO is allowed. These amendments will provide flexibility and remove regulatory barriers in order to increase production of SRO units in areas of the City that have easier access to amenities and support a transit-oriented lifestyle. Finally, while the Planning Commission recommended that the Zoning Code Amendments include eliminating minimum parking requirements for all SRO projects, staff feels that the existing parking requirements are appropriate and not overly burdensome, particularly for affordable SRO projects.

COUNCIL POLICY CONSIDERATION:

The proposed Amendments would advance a number of General Plan goals and policies, as further described in the findings provided in Attachment A. These policies include:

Land Use Element

- Goal 2. Land Use Diversity
 - Policy 2.1 (Housing Choices)
- Goal 4. Elements Contributing to Urban Form
 - Policy 4.11 (Development that is Compatible)
- Goal 21. Desirable Neighborhoods
 - Policy 21.1 (Adequate and Affordable Housing)
 - Policy 21.2 (Equitable Distribution of Affordable Housing)
 - Policy 21.4 (New Residential Development)

Housing Element

- Goal HE-1
 - Policy HE-1.1 (Neighborhood Character)
- GOAL HE-2
 - Policy HE-2.1 (Housing Diversity)
 - Policy HE-2.4 (Affordable Housing)
 - Policy HE-2.6 (Housing Incentives)
 - Policy HE-2.7 (Entitlement Process)

ENVIRONMENTAL ANALYSIS:

The adoption of the proposed Amendments is exempt from the California Environmental Quality Act (CEQA) under Section 15305 (Class 5 – Minor Alterations to 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 percent, 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 percent. Furthermore, the Zoning Code Amendments would not introduce a new use that is not currently allowed. They would instead change the permitting process for a use that is currently conditionally permitted, making it a permitted use and thus eliminating the requirement for a CUP. The Zoning Code Amendments would also increase the maximum allowed floor area per unit for SRO uses, but would not change the maximum allowed density. Finally, at a public hearing on November 13, 2019, the Planning Commission recommended that the City Council find the Zoning Code Amendments exempt from CEQA based on this analysis.

FISCAL IMPACT:

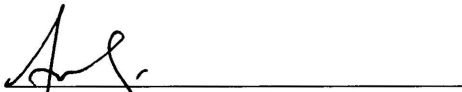
There is no fiscal impact as a result of this action, and will not have any indirect or support cost requirement. The anticipated impact to other operations programs or capital projects as a result of this action will be none.

Respectfully submitted,



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Attachments: (3)

Attachment A – Planning Commission Recommended Findings for Zoning Code Amendments
Attachment B – November 13, 2019 Planning Commission Staff Report (without attachments)
Attachment C – “The Macro View on Micro Units” (ULI Study)