

One-Year Review of Inclusionary Housing Ordinance and Concession Menu

City Council
May 10, 2021



- **Policy Goals**
 - > Increase production of affordable housing
 - > Offset costs to allow continued housing production
 - > Incentivize projects that are more consistent with expected scale and character of neighborhoods



Background

Planning and Community Development Department

- Inclusionary Housing requirements amended in 2019
 - > 15% → 20%
 - 5% Very Low, 5% Low, 10% Moderate (Rental)
 - 20% Moderate (For-Sale)
 - > No trade-downs
 - > In-lieu fees increased

- **Affordable Housing Concession Menu adopted to offset costs**
 - > Developer eligible to choose up to 2 concessions if inclusionary units are built on-site
 - > Waive Affordable Housing Concession Permit process and go directly to Design Review
 - Time savings of 6-24 months



Background

Planning and Community Development Department

- **Affordable Housing Concession Menu adopted to offset costs**
 - > Additional 0.5 FAR
 - > Additional 12 ft of height over 60% of building footprint
 - > 50% reduction in side and rear setbacks
 - > 50% reduction in parking
 - > Waiver of loading requirements

- **Results**
 - > Since amendments became effective in December 2019:
 - **1** new Affordable Housing Concession Permit (AHCP) application filed
 - **1** pipeline AHCP applications switched to using Menu
 - **0** non-concession projects switched to using Menu
 - **5** new applications filed using Menu

- **Results**

- > **7** pipeline projects required to increase number of affordable units
 - At least **17** net additional affordable units resulting from increase
 - » Up to **35** net additional units assuming all projects had traded down to Very Low Income

- **Results**

- > **4** new projects subject to new inclusionary requirements
 - At least **23** net additional affordable units resulting from increase
 - » Up to **51** net additional units assuming all projects had traded down to Very Low Income

- **Results**

- > **Takeaways:**

- Discussions with applicants indicate that menu is somewhat attractive
 - Usefulness depends on site conditions and proposed affordability
 - More time needed to assess longer-term impacts



Background

Planning and Community Development Department

- **AB 2345**
 - > Increases amount of density bonus from 35% - 50%
 - > Lowers threshold for projects to qualify for concessions
 - 20% → 17% for 2 concessions
 - 30% → 24% for 3 concessions
 - > Reduces maximum parking requirement
 - 2 spaces → 1.5 spaces per unit with 2-3 bedrooms

- **Policy Questions**
 - > Encouraging “family units”
 - Can the inclusionary requirement and/or menu be adjusted to create incentives for larger units suitable for families?
 - > Higher inclusionary for micro-unit/SRO projects
 - Can these project types support more affordability requirements?



Amendments

Planning and Community Development Department

- **Family Units**
 - > Require a minimum set-aside (i.e. 5% of affordable units)
 - > Incentivize by allowing additional concessions or greater concessions
 - > Requires focused market/feasibility study to determine best approach
 - > Market may be impacted by recent IHO changes and/or COVID-19 implications



Amendments

Planning and Community Development Department

- **SRO/Micro-Unit Projects**
 - > Most SRO projects in City have been affordable
 - Income restricted
 - “naturally” affordable due to square footage
 - > Requires focused market/feasibility study to determine best approach
 - > Market may be impacted by recent IHO changes and/or COVID-19 implications



Amendments

Planning and Community Development Department

- **Implementation Cleanup/Clarifications**
 - > Calculating Inclusionary %
 - > Setbacks
 - > Loading
 - > Height



Amendments

Planning and Community Development Department

- **Calculating Inclusionary %**
 - > Is 20% inclusionary requirement applied to the total units including Density Bonus, or base density without Density Bonus?
 - SDBL counts affordable units using base density
 - City's practice has been consistent with State law
 - *Recommendation: Clarify that inclusionary % is applied to base density, not counting any bonus units.*



Amendments

Planning and Community Development Department

- **Setbacks**

- > Do side and rear setback reductions count as one or two concessions?“ Reduction of side or rear setback requirements...”
 - *Recommendation: Reduction of both side and rear yards counts as two concessions*



Amendments

Planning and Community Development Department

- **Setbacks**

- > Do multiple side setback reductions count as one concession? Side yard setback requirement typically applies to all side yards
- > *Recommendation: One concession can be used to reduce multiple side yard setbacks.*



Amendments

Planning and Community Development Department

- **Loading**

- > Should some loading requirements be exempt from concessions?
 - *Recommendation: Allow concessions for number, size, and turning radius requirements. Remove location, ingress/egress, screening, and back-up standards from concession menu.*



Amendments

Planning and Community Development Department

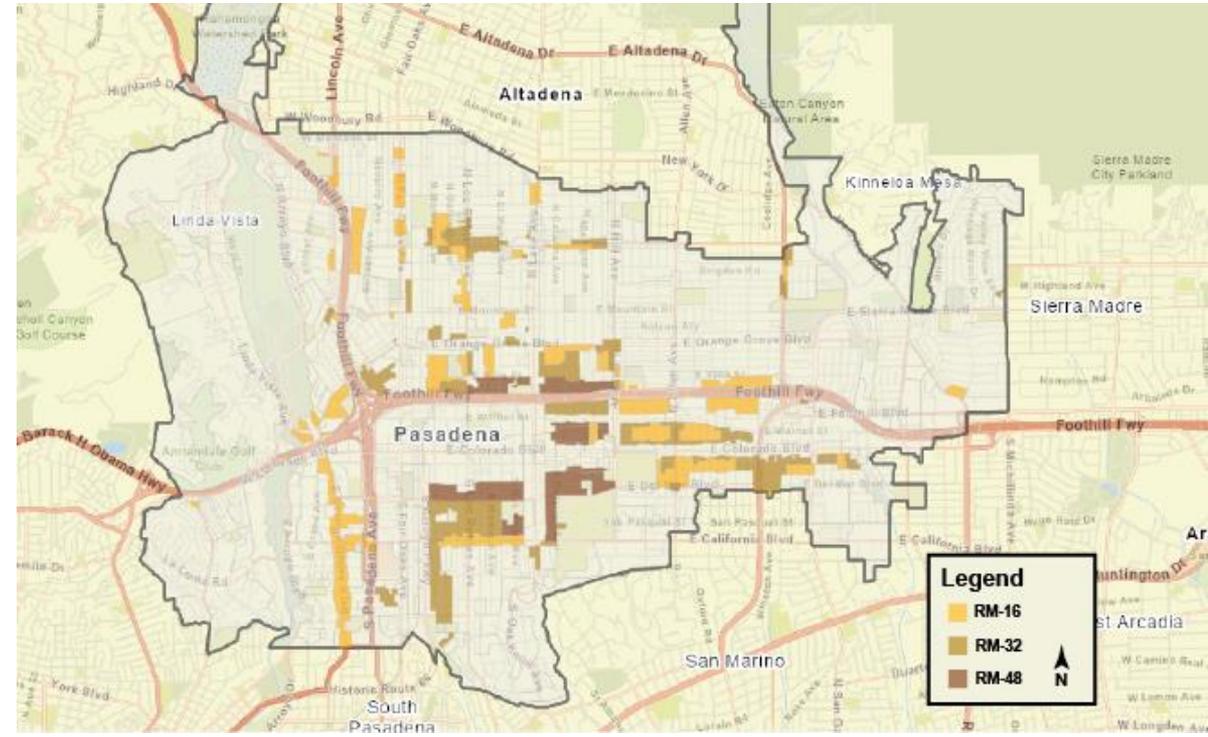
- **Height**

- > Height averaging terminology not consistent with code. Menu uses term “average height,” while zoning code uses term “Maximum Building Height”
 - *Recommendation: Revise Menu language to clarify that the height concession only applies to “Maximum Building Height”.*

Amendments

Planning and Community Development Department

- **City of Gardens**
 - > RM-16, RM-32, and RM-48
 - > Development standards and garden requirements





Amendments

Planning and Community Development Department

- **Height**

- > Some City of Gardens Standards include both a maximum numeric height measurement (e.g. 24 feet) and a maximum number of stories
 - *Recommendation: Revise to clarify that height concession cannot be used to exceed a maximum number of stories*

- **Height**

- > City of Gardens standards restrict maximum height in the rear 40% of a site adjacent to RS or RM-12 zones, unless approved through Design Review.
- > *Recommendation:*
 - *Specify that concession does not apply to any regulation limiting maximum height in rear 40% of the site in City of Gardens.*
 - *Specify that concession cannot be combined with Design Review process for additional height, nor can it be used to exempt Design Review requirement.*



Amendments

Planning and Community Development Department

- **Height**
 - > City of Gardens standards express height maximums as top plate height and ridge line height. Does the height concession apply to one or both of these standards?
 - > *Recommendation: Clarify that concession applies to top plate and ridge line height, and counts as one concession*



Conclusion

Planning and Community Development Department

- Are results consistent with policy goals?
 - > So far, the answer appears to be yes
 - More affordable units
 - Market rate housing has not stopped or slowed
 - No new AHCP applications filed, while some projects are choosing to use the Menu



Conclusion

Planning and Community Development Department

- **Looking Ahead**
 - > More time needed to monitor effects of implementation
 - > More studies needed to determine feasibility of additional incentives/requirements
 - > Amendments needed to clarify intent and strengthen protections for neighborhoods

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