



Legislation Details (With Text)

File #:	19-339	Name:	
Type:	Staff Report	Status:	Consent Calendar
File created:	4/11/2019	In control:	Special City Council
On agenda:	4/24/2019	Final action:	4/24/2019
Title:	Report regarding a Study Session on Senate Bill 50 (Wiener): Planning and Zoning: housing development incentives. (Christina Fernandez, Assistant to the City Manager)		
Sponsors:			
Indexes:			
Code sections:			
Attachments:	1. Attachment A: SB 50, 2. Attachment B: Support and Oppose.pdf, 3. Attachment C: PowerPoint Presentation, 4. SB 343 Item - M. Richardson Ltr.pdf		

Date	Ver.	Action By	Action	Result
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Report regarding a Study Session on Senate Bill 50 (Wiener): Planning and Zoning: housing development incentives. (Christina Fernandez, Assistant to the City Manager)

RECOMMENDATION

This item is informational only.

BACKGROUND/DISCUSSION

San Mateo County's median home price of \$1.3M continues to top nationwide lists as one of the most expensive counties to purchase a home. The average rent in San Mateo County is \$3,453 for a two-bedroom apartment and \$2,695 for a one bedroom. The median monthly mortgage payment in the United States is \$1,030. In order to rent a home in San Mateo County, a renter needs to earn at least \$114,823 a year to afford a typical 2-bedroom apartment, making it difficult for median income families to afford to live in San Mateo County. Only 24% of San Mateo County residents can afford to purchase an entry level home. That is lower than the Bay Area's average of 39% and the United States average of 71%.

It should come as no surprise that Bay Area residents found housing costs to be the top problem facing the region, with 46% of Bay Area Council poll respondents indicating they were likely to leave the Bay Area in the next few years.

The Bay Area is rich in jobs and poor in housing. Between 2010 and 2017, San Mateo County has created 83,000 new jobs while only building 7,100 new housing units, a 12:1 ratio. Up until a few years ago, the ratio was 16:1 so there has been progress made, however a Jobs: Housing imbalance remains.

South San Francisco Housing

South San Francisco's Regional Housing Needs Allocation (RHNA) estimates the City will need 1,864 units. The Housing Element does not require that these units are built during the allocation cycle, but it does require a City to have zoning in place to ensure that RHNA allocation can be constructed. The City has issued 264 building permits for new residential units. Forty permits were finalized this year and included the closeout of several units within the 1256 Mission Road multifamily development. The City also completed entitlement

approval for 195 units for Cadence Phase Two by Sares Regis and 172 units for 988 El Camino Real by Summerhill. In 2017, the City issued building permits for 42% of the expected housing units for the City. There have been 778 units built since 2015 and 1,500 units in the pipeline entitled or deemed complete.

South San Francisco has many tools to incentivize the building of affordable housing including: Density Bonus Ordinances, Inclusionary Zoning, In-Lieu Fees, Commercial Development Impact Fee, Updated California Compliant Second Unit Ordinance, Reduced Parking Requirements, Housing Overlay Zones, Affordable Housing Fund Use Policy, Renter Protections, and Tenant Based Assistance.

South San Francisco's Inclusionary Zoning Ordinance Chapter 20.380 promotes "the provision of housing by both public and private sectors for all income groups in the community". The inclusionary zoning ordinance is as follows:

Until November 1, 2019:

- Rental developments have a 10% requirement, all low income (up to 80% AMI)
- For-sale developments have a 15% requirement, half low and half moderate (up to 120% AMI)

After November 1, 2019:

- Rental developments have a 15% requirement, 10% low and 5% very low (up to 50% AMI)
- For-sale development remains the same (15% requirement, half low and half moderate (up to 120% AMI)

A Note about the State's Density Bonus

The State Density Bonus affords developers that meet the threshold to qualify for the density bonus three benefits whether or not they choose to build the bonus units. They get 1) waivers of development standards, 2) one to three incentives or concessions, and 3) automatic parking reductions. Waivers must be proven architecturally, so if they bonus units cannot fit in the building envelope prescribed by the zoning, developers can request a waiver of development standards like setbacks and height in order to accommodate the additional units. We could choose to waive setbacks, private open space requirements, and stepbacks before waiving height limits in order to preserve lower height restrictions. Incentives and concessions must be proven financially. Many developers are unwilling to share their pro formas publicly. In these cases, they would have to demonstrate that the construction of the bonus units makes the project financially infeasible. If it did, the City would have to consider waiving things like permit and impact fees, or provide financial assistance to these projects. Finally, the parking reductions are automatic and mostly consistent with our existing parking requirements, especially in the Downtown near Caltrain.

Senate Bill 50

In December 2018, Senator Wiener introduced Senate Bill 50 to create more homes near public transportation and jobs. According to Senator Wiener, current patterns encourage development on farmlands and wild open space while inducing lengthy commutes. Senate Bill 50 would incentivize development of small and medium sized apartment buildings near public transportation and high opportunity job centers.

Incentives to build denser, multifamily housing near transit and job centers would include requiring local governments to provide an ***equitable communities incentive*** to developers. Equitable communities incentives

include waivers from maximum controls on density, minimum parking requirements, maximum height requirements, and maximum floor area ratio. Dependent on the project, there is also opportunity for up to three additional incentives and concessions under the Density Bonus Law.

In order to obtain an equitable communities incentive, the residential development must be in either a jobs-rich or transit-rich housing project. A transit-rich housing project is defined as “a residential development in which the parcels are all within a ½ mile radius of a major transit stop or ¼ mile radius of a stop on a high quality bus corridor.” A high quality bus corridor has 6 to 15 minute headways between the hours of 6-10am and 3-7pm. A major transit stop was amended to include ferry terminals that are major transit stops. Samtrans services South San Francisco with high frequency bus routes, specifically on El Camino Real and Grand Avenue.

A jobs-rich housing project means a residential development within a jobs-rich area as defined by the Department of Housing and Community Development (HCD) and the Office of Planning and Research (OPR). These areas meet both high opportunity and jobs rich based on regional analysis. The analysis takes into consideration tracts that enable residents to live in jobs rich area measured by: (1) employment density and job totals and (2) new housing sited in the tract that allows for shorter commutes.

The *Equitable Communities Incentive* allows Transit-Rich or Jobs-Rich projects to have no maximum residential density, a minimum parking requirement of 0.5 spots per unit, with no changes to maximum height and Floor Area Ratios (FAR). Potential developments located 0-1/4 miles from a major transit stop include no maximum residential density, no minimum parking requirement, a maximum height limit of 55 feet unless the current height limit is higher, and 3.25 floor area ratio unless the current maximum FAR is higher. Those developments ¼ to ½ mile of a major stop will not have a maximum residential density, no minimum parking requirements, a maximum height limit of 45 feet unless the current height limit is higher and 2.5 floor area ratio unless the current maximum FAR is higher.

	Transit-Rich or Jobs-Rich Projects	0-1/4 mile of Major Transit Stop	1/4-1/2 mile of Major Transit Stop
Density Restriction	No maximum residential density	No maximum residential density	No maximum residential density
Parking Requirement	Minimum parking requirement of 0.5 spots per unit (unless current minimum is less)	No minimum parking requirement	No minimum parking requirement
Maximum Height Limit	No change	55 feet (unless current height limit is higher)	45 feet (unless current height limit is higher)
Maximum FAR	No change	3.25 (unless current max FAR is higher)	2.5 (unless current max FAR is higher)

In addition to building denser housing in a jobs-rich or transit-rich area, the development must also:

- Locate on a site that is zoned to allow housing an underlying use

- Prohibit sites (1) occupied by tenants within seven years preceding the date of the application and (2) on any parcel on which an owner of residential real property has exercised their rights to withdraw accommodations from rent within 15 years prior to the date of the application
- Adhere to all applicable labor, construction, employment, and wage standards required by law
- Complies with relevant standard requirements and prohibitions imposed by local government regarding architectural design, restrictions on or oversight of demolition, impact fees, and community benefit agreements
- Remain affordable for 55 years for rental units and 45 years for units offered for sale

Affordable Housing Requirements

Senate Bill requires affordable units remain affordable for 55 years for rental units and 45 years for units offered for sale. If the local government has adopted an inclusionary housing ordinance, and if the ordinance is more than 20% for low income and 11% for very low income then the local ordinance will remain in effect. If the local government has not adopted an inclusionary ordinance or if the ordinance is less than those are required in Senate Bill 50, then the following Inclusionary Housing Requirement will be compulsory.

Project Size	Inclusionary Requirement
1-10 units	No affordability requirement.
11-20 units	Development proponent may pay an in-lieu fee where feasible toward housing offsite affordable to lower income households.
21-200 units	15% low income; or 8% very low income; or 6% extremely low income
201-350 units	17% low income; or 10% very low income; or 8% extremely low income
351 or more units	25% low income; or 15% very low income; or 11% extremely low income

If a development contributes toward housing offsite by paying an in-lieu fee, the local government will make every effort to ensure that affordable housing is located within ½ mile of the original project location. If no housing sites are available, the local government will designate a site for affordable housing within the boundaries of its jurisdiction.

Sensitive Communities

Senate Bill 50 asserts that communities of color and those with high concentrations of poverty are disenfranchised with the community planning process. In order to provide more flexibility to those communities, the bill contains a delay for sensitive communities until July 1, 2020 as well as a process for those communities to identify their own plans to encourage multifamily housing development at a range of

income levels to meet unmet needs, protect residents from displacement, and address other identified priorities.

A sensitive community is defined as “those communities where thirty percent or more of the population live below the poverty line, and the residential racial segregation in the census tract is at least 1.25 as defined by the Department of Housing and Community Development. In addition, it is an area designated by the Metropolitan Transportation Commission (MTC) as the intersection of disadvantaged and vulnerable communities. This designation will be updated every 5 years by the Department of Housing and Community Development.”

Amendments

At the Government and Finance Committee on April 2, 2019, Senator Wiener introduced new amendments including the inclusion of ferries, setting minimum requirements for low-income housing, defining a jobs-rich area, and protection of mobile homes.

As of April 2, 2019, ferry terminals and ports are included in new density requirements. “Any area within a quarter or one half mile of a planned rail or ferry station will also be rezoned to meet new density requirements.”

Development near transit hubs will also face a minimum inclusionary zoning requirement of 15 to 25 percent creation of low-income homes depending on the size of the project.

An amendment defining “jobs-rich area” which would allow people to live close to where they work, or new housing developed that would reduce vehicle miles traveled (VMT).

Mobile homes are also included in displacement protections.

Challenges

The League of California Cities (“League”) is opposing Senate Bill 50 unless amended. In a letter to Senator Wiener dated March 27, 2019, the League has significant concerns regarding the potential to undermine locally adopted General Plans and Housing Elements.

According to the League, local zoning is a primary function of cities and is an essential component of home rule. The process of adoption, implementation, and enforcement of zoning ordinances should be open and fair to the public and enhance the responsiveness of local decision-makers.

In addition, housing developers and transit agencies would have the power to determine housing densities, heights up to 55 feet, parking requirements, and design review standards for “transit rich housing projects”.

Senate Bill 50 would require cities to allow greater density in communities that are high opportunity and jobs rich, but lack access to public transit. This is at odds with state policies that encourage and incentivize more dense housing near transit.

Further, some communities are exempt and able to provide their constituencies the opportunity to participate in community led planning. All communities should have this opportunity as long as state objectives are still met.

Support and Opposition

There is no question that housing remains the top problem facing Californians. However, the way to solve this

problem remains a very divisive one. Senate Bill 50 is co-sponsored by California YIMBY and the California Association of Realtors. Other supporters include apartment associations, associations of students, building and trades, housing alliances, and chambers of commerce. Opposition includes the AIDS Healthcare Foundation, American Planning Association, the League of California Cities, resident/homeowners associations, anti-displacement groups, and anti-growth organizations. For a full list, please see Attachment B.

Next Steps

Senate Bill 50 passed out of the Senate Committee on Housing on April 2, 2019 with a vote of 9-1 (Ayes: Caballero, Durazo, Moorlach, Morrell, Roth, Skinner, Umberg, Wieckowski, and Wiener - Noes: Bates). Next, SB 50 will be heard before the Senate Committee on Governance and Finance on April 24, 2019.

FISCAL IMPACT

The fiscal impact is unknown.

RELATIONSHIP TO STRATEGIC PLAN

This item is informational only.

CONCLUSION

While the majority of Californians agree that housing is the biggest problem facing the state, few can agree on the right solution. Senate Bill 50 provides incentives for developers to develop denser and more affordable housing near transit and jobs rich areas. However, residents, cities, and others maintain that the State overreaches its authority in prescribing density, height, and parking requirements maintained as the prerogative of cities and counties.

Attachment:

- A. Senate Bill 50 (as of 4/2/19)
- B. List of Supporters and Opposition
- C. Senate Bill 50 PowerPoint Presentation