City of Culver City, California

City Council Agenda Item Report

Meeting Date: 08/06/07	Item Number: A-1
AGENDA ITEM: Discussion and Comment on Density and the Mixed Use Development Standards.	
Contact Person/Dept.: Thomas Gorham and Todd Tipton	Phone Number: (310) 253-5727 and (310) 253-5783.
Fiscal Impact: Yes [] No [X]	General Fund: Yes [] No [X]
Public Hearing: [] Action Item: [X]	Attachments: [X]
Public Notification: All Commercial Property Owners in Culver City (07/31/07); Signs on Planning Counter (08/01/07); All homeowners associations (07/31/07); Architects, designers and planning related consultants on file with the City (08/02/07); Development professionals working with the Redevelopment Agency (07/31/07); Speakers at the July 23, 2007 Council meeting regarding 9900 Culver Boulevard (08/02/07); Master Notification List (08/02/07).	
Department Approval: Sol Blumenfeld (08/01/07)	City Attorney Approval: Carol A. Schwab (by H. Iker) (08/02/07)
City Controller Approval: Marlee Chang (08/02/07)	City Manager Approval: Jerry B. Fulwood (08/02/07)

RECOMMENDATION:

Staff recommends the Culver City City Council (the "Council") discuss and provide input regarding the Mixed Use Ordinance Development Standards.

After considering the matter, if City Council determines changes to the Mixed Use Development Standards or Zoning Code development standard(s) are necessary, staff will begin the Zoning Code text amendments by preparing draft revisions and schedule this matter for the required public hearings before the Planning Commission and subsequently the City Council.

BACKGROUND:

On July 2, 2007 the Council conducted a hearing on proposed revisions to the Mixed Use Ordinance in order to consider reducing density in mixed use development projects. The Council's concerns on the matter were based upon recent mixed-use development permit applications that have been disapproved by the Planning Commission (based primarily on traffic, parking and neighborhood compatibility issues related to density) and concerns about several currently proposed Agency mixed use development projects.

The project denials have created uncertainty for developers, staff and the community about what types of mixed-use projects are permissible and how to evaluate new mixed-use development applications which otherwise appear to comply with the provisions of the Zoning Code. Current projects in the development pipeline are in limbo and further long-range planning by staff has been put on hold until this matter is resolved. Though several mixed-use projects have been submitted, proposed, or are in the pipeline for project review since adoption of Ordinance, none have been built.

DISCUSSION:

During the July 2nd hearing, the Council took public testimony and reviewed several key measures of development that bear upon the size and scale of a project. There was concern expressed about building height (particularly in proximity to single family residences), traffic generation, and building massing. More general concerns were expressed about project compatibility, which suggests that there are several areas of concern that may need to be addressed related to measures of development. These include “building intensity” or “site coverage” and “building height.” To a lesser degree, building setback and dwelling unit size also impact the size and scale of a project.

The Council also expressed the need to see examples of these concepts to further assist the Council in considering the potential need related to any updated to the Mixed Use Ordinance and other rules.. Staff has attached examples that illustrate building intensity, site coverage, building height, building setback and dwelling unit size. (Attachment No. 2)

It is important to note the scale and size of a project is related to the site it occupies and if a development site is large, then the development may be appear to be smaller in size or scale to a project of similar size on a smaller site. So it is essential to determine whether density or some other development measure is a concern.

The look of the project often has as much to do with the design approach as the allowable density. All projects need high quality architecture and site design that reflects the area in which the project is located. In Culver City, this is achieved by reducing building mass at the interface with residential property (terracing the rear of the building), varying roof lines and building facades. Additional measures include creating ample public and private open spaces and focusing building orientation so that it opens onto the street with public plazas, planting, public seating and other public amenities.

Current Mixed Use Ordinance

The Mixed-Use Development Standards are intended to promote commercial revitalization, redevelopment and reinvestment by providing a new market base for new residential development and by activating commercial neighborhoods with new pedestrian activity. Mixed-use development is also an important tool for implementing the principles of Smart Growth and Sustainability i.e., minimizing auto trips and supporting alternative transportation modes such as walking, bicycling and public transit, and bringing employment and housing closer together. The Mixed Use Ordinance is also seen as an important tool to enable the City to meet its Regional Housing Needs Assessment (RHNA) requirements mandated by the State over the next seven years.

The Mixed Use Ordinance provides development standards for residential and commercial development on commercially zoned property. The Ordinance permits 65 dwelling units per acre, a 56-foot building height in most commercial zones, and a 0-foot setback along commercial frontage and a minimum 10-foot setback abutting residential zones, with a 60 degree clear-zone angle maintained as measured from the rear property line. Staff believes these are the features of the Ordinance that should be addressed as a first priority.

Potential Changes to the Mixed Use Ordinance

If the Council determines a revision to the Mixed Use Ordinance is desired, then the Council should consider the following issues related to a modification:

1. Set a cap on development by limiting it geographically to protect residential neighborhoods and to precisely quantify the outcome of the proposed changes.
2. Establish a new density limit consistent with multifamily residential development and allow increased density only where there is a demonstrated community or public benefit provided that is enumerated in the revised ordinance.
3. Ensure that the revisions will allow development consistent with State Housing Law in the RHNA.
4. Identify community benefits to ensure that the City gets the maximum benefit from each project, consistent with area revitalization and redevelopment goals.
5. Establish public participation programs with workshops and public meetings to identify public benefits that should be considered with community benefit zoning.
6. Encourage mixed-use development along major corridors and in the downtown to promote the concepts of sustainability and smart growth and promote economic development through community benefit zoning in these areas.
7. Consider projects currently in the pipeline for exemptions to the new ordinance provisions.
8. Consider development projects in a specific plan/special study area under the provisions established in the planning process.
9. Revise the ordinance to be an overlay zone that can be applied more selectively corresponding to an ordinance map.
10. Limit building height to 43’ where there is shallow lot depth (less than 100 feet) and allow building height to 56’ feet only were there is 50 feet or more of rear setback from a residential property line.

11. Establish building setbacks above the ground floor to provide building relief along street frontage and to incorporate open space for residential units.
12. Establish a minimum commercial depth for each project to ensure adequate commercial use in mixed-use projects.
13. Consider revisions to the parking ordinance in connection with mixed use development.
14. Provide incentives to make sure commercial development occurs in Culver City on mixed use sites to ensure the City receives the maximum financial benefits of the project.

Density and Financial Impacts on Development

Property values are largely based upon the site's zoning; as impacted by the site's locational and physical characteristics. In regard to density, a property that can be developed with a greater number of units is typically worth more than a property that can be developed with fewer units. It can be expected if the maximum allowable densities on properties are reduced; the land values supported by those properties will also be reduced.

It cannot be expected that land prices would immediately be impacted if the allowable densities are reduced. Rather, property owners will make business decisions based on a comparison of the financial benefits generated by continuing to own the property versus selling the property at the price achievable in the marketplace. Further, property owners may choose to continue to hold property with the anticipation that over time the values will escalate. Market forces will ultimately cause adjustments in land values, but the impact may be spread over time.

Though it might be assumed that a reduction in land value always reduces the cost to develop units in a mixed use project, this is not necessarily the case. A number of factors such as the land cost per unit, the fixed costs associated with a project, the potential modifications to unit types and the amenities provided all act together to influence the unit cost. In turn, the sales revenues achievable by a project with fewer units, at larger sizes with greater amenities can produce a comparable profit to projects with a smaller number of units. Therefore, sometimes there may be a weak association between the total number of units in a project and the per-unit cost.

The impacts on land value created by reducing the allowable density will vary widely from project-to-project. On a general basis, it can be assumed that the impacts will be more intense on small sites, because the development costs are typically dominated by fixed costs that must then be spread over fewer units. Comparatively, large site developments often have a greater percentage of variable costs that will be reduced as the project size is reduced.

The immediate impact created by reducing the allowable densities is that, in general, the value supported by currently improved properties are likely to exceed the price that developers will be willing to pay for properties where they will be demolishing the improvements and building new mixed use projects. However, it can be assumed that over time the market value for developable land will appreciate, and in turn improved properties will be purchased for mixed use development. The timeframe required for this shift will vary based on the sites' locations and intensity of the existing improvements.

Community Benefit Zoning

Community benefit zoning or incentive zoning is a tool to provide community benefits in exchange for the ability to develop property more intensively. Community Benefit Zoning uses a base density and other typical development standards, but allows the standards to vary when a project provides certain specified public benefits. The development incentive allows the community to achieve particular goals, such as providing day-care, senior or affordable housing, developing a project with extraordinary energy efficiency, creating public parks or supplying needed parking in a commercial area or to other specific physical, social or cultural amenities that benefit the residents of the community (attached).

Many cities have incorporated similar systems in their Zone Codes. For example, the City of San Francisco encourages developers to frame development projects within the neighborhood context and demonstrate how the project relates to essential elements of the neighborhood, by providing needed services, housing choice and promoting community character (historic, social or physical qualities reflecting the community).[1]

The idea behind community benefit zoning is that development brings with it the need to provide additional municipal services and facilities to absorb the impacts of added population and services. Thus, there must be some relationship between the benefit and the cost of providing and proportionality between the benefit and the measurable impact that the specific development will have upon the community.

When the community benefit cannot feasibly or practically be provided directly by the developer, a system of "in lieu" payments may be used. These funds are held in an account to be used exclusively for the community benefit specified. This is similar to the concept of an "impact fee" used to fund infrastructure. Community Benefit Zoning goes beyond this concept though, by allowing a developer to use the zoning flexibility as an economic incentive to provide or pay for special community benefits that may relate to more than infrastructure improvements.

Some of the obvious positive effects of incorporating Community Benefit Zoning are:

- It provides benefits to the community without additional taxes.
- It makes a project more acceptable to a community and can be designed to precisely address community needs.
- The system is voluntary and is more acceptable to developers as opposed to mandatory development impact fees.
- The incentive system can be designed as part of an overall program for community improvement, flexibly providing one type of benefit in one area and another type of benefit in another area.
- It is more comprehensive tool for community improvement and is not limited to one type of "problem" and one mitigation measure or solution.
- It is a tested zoning tool and has a track record of success in achieving desired community outcomes in cities.[1]

Proposal to Apply Community Benefit Zoning in Mixed Use Projects:

Though there are several key steps that must be detailed in order to implement Community Benefit Zoning, the following is offered for consideration:

1. Identify specific incentives (for example - density increase) that may be granted for development.
2. Identify specific benefits that are required to grant the development incentives. (Please see below).
3. Establish standards and procedures for approving the incentives including a public participation process for obtaining community input on the issue. This requires articulating the advantages to the developer and the community to make the system effective.
4. Establish the process for an "in lieu" program where it is impracticable to provide the benefit directly.
5. Revise the Mixed Use Development ordinance to incorporate Community Benefit Zoning provisions as part of the discretionary review process with findings related to neighborhood and General Plan Consistency.

The details for establishing the developer's contribution must be based on proportionality of the benefit and the financial feasibility from the developer's perspective. Unless there is proportionality, the system will be ineffective, as there will be no reason for a developer to provide the benefit if the cost of providing the benefit exceeds the financial benefit to the project.

The City Council may want to consider including the following public benefits under this zoning system:

[1] Partial list of large cities which have incorporated some form of Community Benefit Zoning: San Francisco, Pasadena, Portland Oregon.

- Community, neighborhood or pocket park.
- Public parking serving the immediate commercial area.
- Daycare, community centers and other community uses as determined by City Council or Planning Commission.
- Streetscape improvements serving the immediate commercial area.
- Green building which exceed energy efficiency standards of the 2005 Edition of the Building Code and meet highest LEED standards.
- Other amenities that serve the immediately impacted neighborhood as determined by the Planning Commission or Council.

Discussion of State Density Bonus Law

The State density bonus law provides that in order to qualify for a Density Bonus, a developer must provide a minimum amount of affordable housing units. For example, if a developer provides 5% of Very Low income units, he or she is eligible for a 20% Density Bonus. This density bonus increases on a sliding scale up to a maximum of 35%.

The law is additive to the base number of units permitted in a zone. To minimize the impacts created by this requirement, it would be prudent for the City to impose a uniform base zoning standard in the mixed-use ordinance, and then allow for bonus densities tied to the Community Benefit zoning. In that way, the State mandated density bonus would only apply to the base zoning, rather than on top of any other incentive zoning that was permitted under a revised mixed-use ordinance.

A revision to the Ordinance should stipulate the maximum number of units allowed above the base density. While the Ordinance cannot preclude developers from using the State density bonus law, it can limit the use of the Community Benefit zoning incentives to ensure that the allowable number of units does not exceed the cap imposed by the Ordinance.

Options

If the Council determines it is necessary to modify the density and/or height provisions related to the Mixed-Use Development Ordinance, then it may want to consider the following four options described below and in the attached maps and summary table. (Attachments Nos. 4 and 5).

Option One – 35 units per acre base density / 50 units per acre with community benefits adjacent to commercial zone / Limits height to 43 feet

The base density in mixed-use development will be reduced from 65 du/ac to 35 du/ac. Mixed use will continue to be allowed in the Commercial Neighborhood (CN), Commercial General (CG) and Commercial Downtown (CD). In addition, mixed use would be permitted in that portion of the East Washington Overlay (EWO) that has a General Corridor General Plan designation and is east of La Cienega Boulevard and north of Washington Boulevard. Up to 50 du/ac would be permitted on properties that are adjacent to other commercially zoned properties only with a community benefit. Building height will be limited to 43 feet for all mixed use projects. A 30-foot minimum commercial depth on the ground floor would be required. Studio units would be limited to no more than 25% of all units.

The existing 10-foot setback abutting residential zones, with a 60 degree clear-zone angle will remain and a new 5-foot front set back for those portions of a building over 15 feet in height would be established along building commercial frontage. A 30-foot minimum commercial space depth on the ground floor would be required. Densities, height and setbacks in the Washington/National and Sepulveda/Jefferson Areas will be established through a special study as part of the public planning process.

Outcome: Base density reduction adjacent to residential zones results in a 54% density reduction from the existing ordinance; increased density is allowed for parcels abutting a commercial zone in return for a qualified community benefit; 43 feet height addresses compatibility; additional building step backs address building mass; allows designated special study areas to establish development restrictions through the planning process.

Estimated Maximum Theoretical Build-Out: 2,110 units over the 7 year planning period.

At 35 dwelling units per acre, a typical 5,000 sq. ft. lot could be developed with four units. At 50 units per acre, a typical 5,000 sq. ft. lot could be developed with five units. At 65 units per acre, a typical 5,000 sq. ft. lot could be developed with seven units.

Option Two - 35 units per acre base density / 50 units per acre with community benefits adjacent to commercial or residential zone / Height increase to 56 feet and only with additional setbacks for increased height

The base density in mixed-use development will be reduced from 65 du/ac to 35 du/ac. Mixed use will continue to be allowed in the Commercial Neighborhood (CN), Commercial General (CG) and Commercial Downtown (CD). In addition, mixed use would be permitted in that portion of the East Washington Overlay (EWO) that has a General Corridor General Plan designation and is east of La Cienega Boulevard and north of Washington Boulevard. Up to 50 du/ac would be permitted on properties adjacent to commercially or residentially zoned properties only with a community benefit. Building height will be limited to 43 feet abutting a residential zone with an allowance to increase up to 56 feet abutting a residential zone only on lots greater than 100 feet in depth or abutting a commercial zone. Studio units would be limited to no more than 25% of all units.

The existing 10-foot setback abutting residential zones, with a 60 degree clear-zone angle will remain and a new 5-foot front set back for those portions of a building over 15 feet in height would be established along building commercial frontage. A 30-foot minimum commercial space depth on the ground floor would be required. On those parcels qualifying for a 56 foot height, a 50-foot setback will be required for those portions of the building above 43 feet in height. Densities, height and setbacks in the Washington/National and Sepulveda Jefferson Areas will be established through a special study as part of the public planning process.

Outcome: Base density reduction adjacent to residential zones results in a 54% density reduction from the existing ordinance; increased density is allowed for a qualified community benefit; expanded to include parcels abutting residential zones; allowance for heights up to 56 feet on larger lots adjacent to residential zones and on all lots abutting commercial zones; additional building step backs address building mass; additional building setbacks related to height address residential adjacencies; allows designated special study areas to establish development restrictions through the planning process.

Estimated Maximum Theoretical Build-Out: 2,400 units over the 7 year planning period.

Option Three - <u>35 units per acre base density / 50 units per acre with community benefits adjacent to residential zone / 65 units per acre with community benefits adjacent to commercial zone / Height increase to 56 feet and only with additional setbacks for increase height</u>

The base density in mixed-use development will be reduced from 65 du/ac to 35 du/ac. Mixed use will continue to be allowed in the Commercial Neighborhood (CN), Commercial General (CG) and Commercial Downtown (CD). In addition, mixed use would be permitted in that portion of the East Washington Overlay (EWO) that has a General Corridor General Plan designation and is east of La Cienega Boulevard and north of Washington Boulevard. Up to 50 du/ac would be permitted on properties adjacent to residentially zoned properties and up to 65 du/ac on properties adjacent to commercially zoned properties only with a community benefit. Building height will be limited to 43 feet abutting a residential zone and 56 feet abutting a residential zone only on lots greater than 100 feet in depth or abutting a commercial zone. Studio units would be limited to no more than 25% of all units.

The existing 10-foot setback abutting residential zones, with a 60 degree clear-zone angle will remain and a new 5 foot front set back for those portions of a building over 15 feet in height would be established along building commercial frontage. A 30-foot minimum commercial space depth on the ground floor would be required. On those parcels qualifying for a 56-foot height, a 50-foot setback will be required for those portions of the building above 43 feet in height. Densities, height and setbacks in the Washington/National and Sepulveda Jefferson Areas will be established through a special study as part of the public planning process.

Outcome: Limits base density adjacent to residential zones to 35 du/ac; allows for increased density up to 50 du/ac with a qualified community benefit on all parcels abutting residential zones; gives more flexibility for higher density abutting commercial zones by allowing for increased density up to 65 du/ac with a qualified community benefit on all parcels abutting commercial zones; allowance for heights up to 56 feet on larger lots abutting residential zones and on all lots abutting commercial zones; additional building step backs address building mass; additional building setbacks related to height address residential adjacencies; allows designated special study areas to establish development restrictions through the planning process.

Estimated Maximum Theoretical Build-Out: 2,600 units over the 7 year planning period.

Option Four - <u>65 units per acre base density / 43 foot height adjacent to residential and 56 foot height only with additional setbacks for increased height or where adjacent to commercial.</u>

The base density in mixed-use development will remain at 65 du/ac. Mixed use will continue to be allowed in the Commercial Neighborhood (CN), Commercial General (CG) and Commercial Downtown (CD). In addition, mixed use would be permitted in that portion of the East Washington Overlay (EWO) that has a General Corridor General Plan designation and is east of La Cienega Boulevard and north of Washington Boulevard. Building height will be limited to 43 feet abutting a residential zone and 56 feet abutting a residential zone only on lots greater than 100 feet in depth or abutting a commercial zone. Studio units would be limited to no more than 25% of all units.

The existing 10-foot setback abutting residential zones, with a 60 degree clear-zone angle will remain and a new 5-foot front set back for those portions of a building over

15 feet in height would be established. A 30-foot minimum commercial space depth on the ground floor would be required. On those parcels qualifying for a 56-foot height, a 50-foot setback will be required for those portions of the building above 43 feet in height. Densities, height and setbacks in the Washington/National and Sepulveda Jefferson Areas will be established through a special study as part of the public planning process.

Outcome: Maintains base density for properties abutting residential zones at 65 du/ac; additional building step backs address building mass; additional building setbacks related to height address residential adjacencies; allows designated special study areas to establish development restrictions through the planning process.

Estimated Maximum Theoretical Build-Out: 2,900 units over the 7 year planning period.

Examples of Mixed Use Development Projects
Staff has attached examples of mixed use projects ranging from 30 to 65 units per acre.

FISCAL ANALYSIS:

During the July 2nd meeting, staff was directed to better define potential fiscal impacts by modeling a hypothetical mixed-use project. Staff and Keyser Marston accomplished this by analyzing a 10,000 square foot lot developed with 3,000 square feet of ground floor commercial space and, varying numbers of residential units. The number of residential units was based on the density and height options previously discussed; and the necessary amount of at grade and subterranean parking.

The results of this analysis were generalized to provide order-of-magnitude estimates of the on-going City General Fund revenues and service costs that may be generated for each density option at maximum build out based on current economic conditions. The analysis also estimates the property tax increment that could potentially be received by the Agency on an annual basis. These revenues and costs are presented as a total for each alternative, and on a per unit basis. A summary of this analysis is attached.

It is noted for your information that the analysis is for demonstration purposes and represents the relative amount of revenues and costs associated with the options being considered. These estimates should only be used for comparison purposes;

the actual costs and revenues will be dependent on the location, scope and timing of development.

The results of the analysis can be summarized as follows:

- The vast majority of the properties impacted by the Ordinance are located within redevelopment project areas. As such, the City's General Fund will not receive any property tax revenues over the base year amounts from these properties until the Agency stops receiving property tax increment revenues.
- The City's additional General Fund revenues will be derived primarily from the sales tax, business tax and utility user's tax revenues generated by the ground floor commercial space. The residential units will also produce utility user's tax revenues.
- New development will create demand for services provided by the City. As can be seen in the attached analysis, the increased City costs exceed the projected City General Fund revenues in each of the alternatives being evaluated.
- The property tax increment revenues generated to the Agency far exceed the services costs associated with the development under each alternative. However, it should be noted that these revenues will only be collected until the termination of the redevelopment project area in which the development is located. Thereafter, the City's General Fund will receive property tax revenues, but the amount will be substantially less because the City only receives 10% of the tax levy, while the Agency receives approximately 80% of the levy.

In addition, any traffic mitigation measures, including traffic control systems put in place, will require ongoing maintenance and upgrades. Developer contributions toward this may be considered when other mitigation measures are deemed to be infeasible.

The analysis shows that the most significant financial impacts associated with reducing the allowable density will be the reduction of land values and the decrease in property tax increment that will be received by the Agency. In addition, it should be assumed that a reduction in the allowable densities will in all likelihood slow down the recycling of properties located in the mixed use zones. Mixed use development on currently improved sites is unlikely to occur until the prices that developers can feasibly pay for mixed use development meet or exceed the value the property owner receives from the improved property.

There is also indirect value from mixed-use projects which are hard to quantify. For example, mixed-use projects provide needed housing for the community; promote working, shopping, and living in the community which may result in a reduction of traffic and pollution.

Traffic analysis related to the ordinance changes:
To be provided under separate cover.

ATTACHMENTS:

1) Zoning Code Section 17.400.065 – Mixed Use Development Standards
2) Definitions of zoning terms
3) Examples of building intensity, site coverage, building height, building setback and dwelling unit size
4) Examples of mixed use density
5) Four Mixed Use Density Option Maps
6) Mixed Use Density Option Summary Table
7) Keyser Marston Summary Table
8) Keyser Marston Analysis
9) Zoning Map
10) Notes from the City Council Meeting of July 2, 2007

MOTION:

That the City Council

Discuss and provide input regarding the Mixed Use Ordinance Development Standards.