



City of Culver City

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Staff Report

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Item #: A-2.

CC - (1) Discussion of the Preparation of a Zoning Code Amendment Relating to the Mixed-Use Development Standards and Regulations to Require a Mandatory Percentage of Affordable Housing as Part of New Mixed-Use Development Projects; and (2) Direction to the City Manager as Deemed Appropriate

Meeting Date: April 13, 2020

Contact Person/Dept: Sol Blumenfeld, CDD
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Phone Number: (310) 253-5700

Fiscal Impact: Yes ☐ No ☐

General Fund: Yes ☐ No ☐

Public Hearing: ☐ **Action Item:** ☐ **Attachments:** ☐

Commission Action Required: Yes ☐ No ☐ **Date:**

Public Notification: (E-Mail) Meetings and Agendas - City Council ();

Department Approval: Sol Blumenfeld, Community Development Department (02/20/2020)

RECOMMENDATION

Staff recommends the City Council (1) discuss the preparation of a Zoning Code Amendment relating to the Mixed-Use development standards and regulations to require a mandatory percentage of affordable housing as part of new mixed-use development projects; and (2) provide direction to the City Manager as deemed appropriate.

BACKGROUND

On December 10, 2018, the City Council directed staff to prepare an ordinance amending the Zoning Code to require a mandatory affordable housing component as part of new market rate housing developments.

DISCUSSION

Inclusionary housing is intended to address unmet affordable housing needs established in the Government Code as a local and state responsibility and mandated in the Southern California Association of Government Regional Housing Needs Assessment (RHNA). In the current RHNA housing cycle, the City must produce 28 additional very low-income housing units, 16 additional low income housing units, and 6 additional moderate income housing units in order to reach RHNA goals. The next RHNA cycle, October 2021- 2029 is approaching, and the City will have greater housing production and affordable housing targets to achieve.

In 2017 the California legislature approved AB 1505 amending Government Section 65850 and adding Section 65850.01 that enables jurisdictions to adopt Inclusionary Housing Program Ordinances that require a specific percentage of affordable units. In accordance with these Government Code provisions, jurisdictions may adopt options for compliance with affordable housing requirements including in lieu payments for producing off-site affordable units, land dedications and acquisition and rehabilitation of existing off-site units.

Density bonuses are another option to offset developer costs for required affordable housing units. State Density Bonus Law (Government Code Section 65915-65918) requires jurisdictions to provide density bonuses based upon a sliding scale ranging up to 35% of the base density depending on the level of affordability included in the project. Local jurisdictions may also provide their own density bonus programs to offset the costs of providing required affordable units.

The City retained Keyser Marston Associates (KMA) to prepare a Feasibility Study (Study) that examined the financial feasibility of imposing mandatory affordability requirements for residential units in Culver City mixed use development projects. The Study is used to help establish the percentage and level of affordability in a project through:

- 1) A Market Analysis;
- 2) An Affordability Gap Analysis; and
- 3) Pro Forma Models for Prototypical Affordable Housing Projects.

The KMA Study focuses on making affordable housing a requirement for new mixed-use developments. The Study notes that the financial impacts created by inclusionary housing requirements are often mitigated by projects obtaining higher densities through the use of the State Density Bonus Law. In order to focus the City's affordable housing requirement in areas that can support such higher density, the study recommends the City's inclusionary requirements be limited to the mixed use development areas because of the higher range of densities that would result (approximately 30% to 60% above the base multi-family density), the greater housing production it affords in Culver City, and the fact that mixed use development is permitted along all major commercial corridors, which are best served by transit and services.

KMA identifies the "affordability gap" in housing production as the difference between the achievable rents or sales prices and the allowable rent or sales price for the affordable units. Financial models are used to address the affordability gap between market rate and affordable units by projecting the percentage of units that could be designated affordable housing and their level of affordability given City development constraints.

Summary of Proposed Mixed-Use Ordinance Text Amendments

The Zoning Code Amendment for Mixed-Use development standards and regulations is proposed to include:

1. Mandatory Affordability -Requirement that not less than 15% of dwelling units in a mixed use project be affordable housing pursuant to State law and the City's requirements.
2. State Density Bonus and Community Benefits Density Bonus Incentives - Current Mixed-Use standards and regulations offer increased density in exchange for a Community Benefit. Under City policy, State Density Bonus law and Community Benefits in the form of affordable units have been applied together on a case by case basis. This practice would now be identified in the Mixed-Use Ordinance as density incentives that may be combined for a double density bonus, as authorized by Government Code Section 65915(n) for an enhanced density bonus permitted by local ordinance. For qualified projects, and at the City's sole discretion, the current Community Benefit Density Bonus that allows an increase from 35 dwelling units per acre mixed-use base density to 50 dwelling units per acre Community Benefit density¹ could be combined with a State law density bonus for an additional density increase in exchange for an accompanying increase in affordable units.

For example, if a developer elects to include 20% low income under State Density Bonus Law, the project would be entitled to a 35% increase above the base density of 35 units per acre (i.e., 48 units per acre) and would have to include 7 low income units. If the developer also applies for the enhanced mixed-use Community Benefit density bonus, the project could receive an additional density bonus that brings the density to 68 units per acre (35% of the Community Benefit density of 50 units per acre). In exchange, the developer would need to provide a total of 11 affordable units (15% of 68 units), consisting of the 7 low income units required by State Density Bonus Law plus an additional 4 affordable units required by the City (the Community Benefit Affordable Units).

3. Mandatory Rental Affordability Restrictions - Mandatory affordability restrictions shall apply for not less than 55 years consistent with State law affordable housing requirements.
4. Mandatory Owner Occupied For-Sale Affordability Restrictions - Mandatory affordability restrictions shall apply to the Community Benefit Affordable Units for not less than 55 years, unless the owner exercises a buy-out option in accordance with an equity sharing agreement with the City.
5. Mandatory Replacement of Existing Rental Units - All rental units existing on the site in the five

year period preceding the project application submittal must be replaced on site and all very-low and low-income units shall be replaced at the same or lower levels of affordability pursuant to Government Code Section 65915 (c)(3) or a project is not eligible for the combined State Density Bonus and Community Benefits Density Bonus Incentives.

6. Mandatory Replacement of Affordable Housing Units Subject to Affordable Covenants - All existing dwelling units subject to affordability covenants shall be replaced.
7. Micro-units - Micro-units of 350 square feet are authorized in the mixed-use developments.
8. Deletion of Community Benefits Calculation - The provisions related to determining the value of a community benefit have been deleted. They no longer apply because there is only one community benefit, affordable housing, that is eligible for the local density bonus incentive.
9. Qualifying Incomes and Affordable Housing Cost for Affordable Housing Units - The qualifying incomes and affordable housing cost for the affordable units required under State Density Bonus Law are set forth in Government Code section 65915.

The qualifying incomes and affordable housing costs for the Community Benefit Affordable Units would be as follows:

- The qualifying income for workforce units is defined as greater than 80% and not more than 129% of County median income. Workforce rental units qualify as affordable if total housing cost does not exceed 30% of 129% of median income. Owner-occupied workforce units qualify as affordable if total housing cost does not exceed 35% of 129% of median income.
 - The qualifying income for moderate income units is defined as greater than 80% and not more than 120% of County median income. Rental units qualify as affordable if total housing cost does not exceed 30% of 110% of median income. Owner-occupied units qualify as affordable if total housing cost does not exceed 35% of 110% of median income.
 - The qualifying income for low income units is defined as greater than 50% and not more than 80% of County median income. Rental units qualify as affordable if total housing cost does not exceed 30% of 60% of median income. Owner-occupied units qualify as affordable if total housing cost does not exceed 30% of 70% of median income.
 - The qualifying income for very- low income units is defined as not more than 50% of County median income. Rental units qualify as affordable if total housing cost does not exceed 30% of 50% of median income. Owner-occupied units qualify as affordable if total housing cost does not exceed 30% of 50% of median income
10. Affordable Housing Plan and Affordable Housing Agreement- The developer must submit a Community Benefit Housing Plan for review and approval, setting forth in detail the manner in

which the affordable housing provisions will be implemented for the proposed project, and execute a Community Benefit Housing Agreement for recordation in the land records

11. First Time Homebuyer Requirement for Owner-Occupied Units- Prospective home buyers of the Community Benefit Affordable Units must comply with the HUD definition of first-time home buyer.
12. In Lieu Affordable Housing Payment - The applicant will be required to provide a minimum of 10% of the affordable units on-site. At the discretion of the applicant, payment of a fee in lieu of some or all of the Community Benefit Affordable Units could satisfy the requirement, as follows:
 - The amount of the fee shall be calculated using the fee schedule set forth in the regulations in effect at the time of issuance of the first building permit for the project.
 - One-half of the required in-lieu fee must be paid (or a letter of credit posted) prior to issuance of a building permit for any portion of the project. The remainder of the fee must be paid before a certificate of occupancy is issued for any portion of the project.
 - The fees collected shall be deposited in the City's Low-and -Moderate Income Housing Trust Fund for the purpose of providing, preserving, maintaining and administering affordable housing.
13. Off-Site Units - At the request of the applicant and subject to City approval, the applicant may provide some or all of the Community Benefit Affordable Units by constructing residential units that comply with the requirements for the Community Benefit Affordable Units at a site other than the site of the project. The criteria and conditions that will be imposed on this off-site option will be as set forth in the regulations.
14. Land Donation - At the request of the applicant and subject to the discretion of the City, the applicant may provide some or all of the Community Benefit Affordable Units by a conveyance of land to the City for the construction of the required units. The criteria and conditions that will be imposed on the land donation option will be as set forth in the Regulations.
15. Regulations - The City Council shall by resolution adopt the City's Affordable Housing Implementation Plan and Design Regulations
16. Administrative Fees - The City Council may by resolution establish reasonable fees and deposits for the administration of the Mixed-Use Community Benefit Density Bonus, which shall be set forth in the Regulations.

17. Uses - Additional ground floor uses are being recommended to address community needs.

FISCAL ANALYSIS

There is no fiscal impact associated with the discussion of a potential Zoning Code Amendment regarding the Mixed Use development standards and regulations.

ATTACHMENTS

1. KMA Feasibility Study

MOTION

That the City Council:

1. Discuss and provide direction to the City Manager on preparation of a Zoning Code Amendment relating to the Mixed-Use development standards and regulations to require a mandatory percentage of affordable housing as part of ew mixed-use development; and
2. Provide direction to the City Manager as deemed appropriate.

NOTES

¹ The Community Benefit Density is 65 units per acre in the Transit Oriented Development District, and/or where a project is located on a split jurisdiction lot where the density in the other jurisdiction is 65 units per acre or greater.