



City of Culver City

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Staff Report

File #: 21-143, **Version:** 1

Item #: PH-1.

PC - Consideration of a Zoning Code Amendment (P2020-0238-ZCA), Amending Zoning Code Section 17.400.065 Related to Mixed-Use Development Standards to Include Affordable Housing Provisions.

Meeting Date: October 14, 2020

Contact Person/Dept: Sol Blumenfeld, CDD
Michael Allen, Current Planning Division
Tevis Barnes, Housing Division

Phone Number: (310) 253-5700

Fiscal Impact: Yes ☐ No ☒

General Fund: Yes ☐ No ☒

Public Hearing: ☒

Action Item: ☐

Attachments: ☒

Public Notification: (Email) Master Notification List (09/24/20); (Posted) City website (09/24/20); (Published) Culver City News on 09/24/20.

Department Approval: Sol Blumenfeld, Community Development Department (10/05/2020)

RECOMMENDATION

That the Planning Commission adopt Resolution No. 2020-P014 (Attachment No. 1) recommending to the City Council approval of Zoning Code Amendment (P2020-0238-ZCA), amending Culver City Municipal Code (CCMC), Title 17 - Zoning (Zoning Code) Section 17.400.065 - Mixed Use Development Standards, 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, which incorporate community benefits to achieve increased density.

PROCEDURES:

1. Chair calls on staff for a brief staff report and Planning Commission poses questions to staff as desired.
2. Chair opens the public hearing, providing the applicant the first opportunity to speak, followed by the general public.

3. Chair seeks a motion to close the public hearing after all testimony has been presented.
4. Commission discusses the matter and arrives at its decision.

BACKGROUND

On December 10, 2018, the City Council considered a staff report on the elements of a Mixed Use Zoning Code Amendment incorporating additional affordable housing requirements and directed staff to prepare an ordinance amending the Zoning Code to include options providing an additional affordable housing component as part of new market rate housing developments. On April 13, 2020 the City Council reviewed draft provisions for the Zoning Code Amendment and provided direction related to community outreach and some of the ordinance provisions.

On September 15, 2020 staff reached out to developers, non-profit developers and other real estate professionals in the development community to gather input on the drafting of the Zoning Code Amendment and many of their ideas are reflected in the current draft document. Their recommendations are summarized in Attachment No. 5.

DISCUSSION

The Zoning Code Amendment is focused upon mixed use development and based upon a feasibility study (Study) prepared by Keyser Marston Associates (KMA) which examines the local real estate market, affordability gap for new development and prototypical affordable housing project modeling.

The Study notes that the financial impacts created by inclusionary housing requirements are often mitigated by projects obtaining higher densities using 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 additional affordable housing 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 -For mixed-use projects incorporating affordable units as a Community Benefit, a requirement that not less than 15% of dwelling units 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 11% very-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 4 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 4 very-low income units required by State Density Bonus Law plus an additional 7 affordable units required by the City (the Community Benefit Affordable Units). The Community Benefits Units can be provided at any income category from very-low income to workforce at the developer's discretion.

3. New Use Provisions - Two new use provisions have been added that permit, by City Council resolution: 1) New ground floor uses that help activate the adjacent streets; and 2) Mixed-Use projects in the Open Space (OS) Zone when it does not displace park space and is consistent with the "Purposes" provisions of Zoning Code Section 17.250.030.A, findings 1-5. In addition, the proposed amendment includes the reduction of ground floor use restrictions to eliminate a gross floor area requirement which has proven to be impractical for larger mixed-use development projects particularly given the changing retail environment of the times.

4. Mandatory Rental Affordability Restrictions - Mandatory affordability restrictions shall apply for not less than 55 years consistent with State law affordable housing requirements.

5. 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.

6. 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.
7. Mandatory Replacement of Affordable Housing Units Subject to Affordable Covenants - All existing dwelling units subject to affordability covenants shall be replaced.
8. Location and Unit Mix of Community Benefit Affordable Units - Required to be dispersed throughout the project. The bedroom mix provided in the Community Benefit Affordable Units are required to be proportional to the bedroom mix provided for the market rate units.
9. Micro-units - Micro-units at 350 square feet are authorized in mixed-use developments. An additional density bonus of approximately 14% is recommended for micro units providing that there is only marginal increase in the overall size and volume of the development that is otherwise permitted under the density bonus provisions of the Ordinance. (Please see Attachment No. 4 - Example)
10. New Development Standards - A new provision has been added to allow building rehabilitation on properties of 5,000 sf or greater to encourage mixed-use development building conversions on all commercial lots.
11. Allowance for Additional Density and Parking Reduction at Major Transit Stop or within a Transit Priority Area - Language added consistent with the Code of Federal Regulations related to increased density and reduced parking requirement or when demonstrated through a shared parking analysis that such parking reduction will not negatively impact surrounding commercial or residential neighborhoods.
12. 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.

13. 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 as 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. For the purposes of this requirement, the source of the County median income is the memorandum published annually by the State of California Department of Housing and Community Development (HCD). Both the minimum and maximum incomes will be calculated mathematically using the published County median income as the base. 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. For the purposes of this requirement, the source of the County median income is the memorandum published annually by HCD. Both the minimum and maximum incomes will be calculated mathematically using the published County median income as the base. 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 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 and ownership units qualify as affordable if total housing cost does not exceed 30% of 50% of median income.

14. Affordable Housing Plan/Design Regulations & Affordable Housing Agreement- The developer must submit an Affordable 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 an Affordable Housing Agreement for recordation in the land records.

15. 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.

16. 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.

17. 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 are set forth in the regulations.

18. 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 are set forth in the Regulations.

19. Regulations - The City Council shall by resolution adopt the City's Affordable Housing Implementation Plan and Design Regulations

20. 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. These will be presented to Council at a subsequent meeting.

ENVIRONMENTAL DETERMINATION:

The Project is considered exempt from CEQA pursuant to CEQA Guidelines Section 15061(b)(3) because it can be seen with certainty there is no possibility that the Project to amend the Zoning Code will have a significant effect on the environment. The proposed Zoning Code Amendment,

modifying the mixed-use development standards, by itself does not result in any physical changes nor any significant effects on the environment. Furthermore, the proposed Zoning Code Amendment is not in conjunction with the specific approval of any existing development or use permit applications. Therefore, any projects seeking approval subsequent to the proposed Zoning Code Amendment, would be subject to appropriate CEQA analysis at that time of any such application.

MOTION:

That the Planning Commission:

Approve the attached Resolution No. 2020-P014 (Attachment No. 1) recommending to the City Council approval of Zoning Code Amendment (P2020-0238-ZCA), amending Culver City Municipal Code (CCMC), Title 17 - Zoning (Zoning Code) Section 17.400.065 - Mixed Use Development Standards, 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.

ATTACHMENTS

1. Resolution No. 2020-P014 and Exhibit A
2. Draft Affordable Housing Implementation Plan
3. KMA Feasibility Study
4. Example of micro unit 14% density increase with marginal increase in building volume
5. Summary of stakeholder meeting comments

NOTES

¹ The Community Benefit Density is 65 units per acre in the Transit Oriented Development District, within a Transit Priority Area, within ½ mile of a transit stop as defined in the Public Resources Code, 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.