

APPENDIX E

Supplemental Information Requested by the Planning Commission

Planning Commission discussions of the AUD Incentive Program were held on July 21, 2016 and September 6, 2016 to inform staff and City Council as to whether or not the AUD Incentive Program is meeting its intended objectives. At both meetings, the Planning Commission had many questions and data requests on specific topics, and suggestions on potential ordinance amendments, AUD Incentive Program project monitoring, review process improvements, program recommendations, and application pacing. Any topics specifically relevant to the General Plan Implementation and Adaptive Management Program Report were included in the body of the Report. Others topics, of a more general nature or not directly related to adaptively managing the AUD Incentive Program, are addressed in this Appendix.

AUD Incentive Program's Relationship to the S-D-2 Overlay Zone

The Planning Commission requested information regarding adjustments made to the AUD Incentive Program to accommodate the S-D-2 Overlay Zone. The S-D-2 Overlay Zone designation (SBMC Chapter 28.45, Section .008) is applied to the Upper State Street Area. The purpose is to impose certain traffic related development restrictions greater than those provided in the base zones to prevent volumes of traffic from exceeding acceptable limits.

When the AUD Incentive Program was developed, concern was expressed by several members of the public regarding the application of the AUD Incentive Program development standards to properties also subject to the S-D-2 Overlay Zone requirements. The AUD Incentive Program includes development incentives for the S-D-2 Overlay Zone as follows:

- In the High Density and Priority Housing Overlay areas with an S-D-2 Overlay Zone, AUD Incentive Program development standards would apply to all AUD Incentive Program projects.
- In the Medium-High Residential Density areas with an S-D-2 Overlay Zone and Commercial zoning, AUD Incentive Program development standards would only apply to rental AUD Incentive Program projects. Ownership AUD Incentive Program projects would be required to comply with the S-D-2 Overlay Zone standards.
- In the Medium-High Residential Density areas with an S-D-2 Overlay Zone and R3/R4 zoning, R3/R4 development standards would apply to all rental and ownership AUD Incentive Program projects (the only standard R3/R4 difference being the elimination of the 50% third story setback reduction provision).

In the High Density and Priority Housing Overlay density areas, within the S-D-2 Overlay Zone, and including both rental and ownership types, 220 market rate and 148 Affordable (3869 State Street and 251 S. Hope Avenue) rental units using the AUD Incentive Program have been proposed as of August 31, 2016. No projects/units have been proposed in the Medium-High Residential density area within the S-D-2 Overlay Zone.

AUD Incentive Program Projects Fees

The Planning Commission requested information about the impact of new units on City supplies and services, including water and sewer buy-in fees per unit for multi-family projects, and whether or not the new units fund any of the City's capital costs.

Water and Sewer Buy-In Fees

Santa Barbara Municipal Code (SBMC) Sections 14.08.050 and 14.48.010 authorize the fees to be paid for connections to the City water and sewer systems. Water and sewer buy-in fees are assessed on the basis of the flow capacity of the meter serving a given use. For Fiscal Year 2017, the water buy-in fees are the same for single and multi-family residential dwelling units, ranging from just over \$6,000 to nearly \$700,000 depending on the meter size per unit. The sewer buy-in fee is the same for single and multi-family residences, assessed at \$4,977 per dwelling unit. More details on water and wastewater connection fees are available on the City's website at: www.santabarbaraca.gov/gov/depts/pw/resources/rates/wtrsewer/default.asp

Capital Costs

Public improvements are required on a case by case basis and limited to what is allowed under SBMC Chapter 22.44 (generally limited to frontage improvements to street centerline) unless there is a California Environmental Quality Act (CEQA) or other nexus. One example is the approved AUD Incentive Program project under construction at 3885 State Street (The Marc), which included a dedication of 3.5 feet along the entire State Street frontage to provide for sidewalk improvements as directed by the Pedestrian Master Plan. Other infrastructure improvements are required where the existing infrastructure does not have capacity to serve the project (e.g., new water mains).

In many other communities, development impact fees are applied to new development where new capital improvements, public services, or community amenities are required to serve the use, with the exception of certain developments, such as affordable housing. In California, the types of facilities that are eligible to receive impact fees include affordable housing, roads, water, sewer, storm water, parks, fire, police, library, solid waste, and schools. Currently, the only development impact fee in the City is a School Impact Fee. However, the General Plan includes several policies and implementation actions related to creation of development impact fees, primarily envisioned for acquisition of new parks and open space areas and financing capital improvements.

In August 2016, City Council discussed the potential merits and drawbacks of development impact fees and decided to delay a decision on the matter until spring 2017 when the Planning Division provides an overview of all major Division work efforts at a joint meeting of the City Council and Planning Commission.

Inclusionary Requirements for Rental Housing

The Planning Commission requested information about how other communities are requiring inclusionary housing with rental housing developments. In 2015, the California Supreme Court upheld a San Jose law requiring developers of large (over 20 units), for-sale residential projects

to include a percentage of inclusionary units for purchase at an affordable housing cost based on area median income. The inclusionary units can be constructed on-or off-site, or the developer can propose other options including payment of an in-lieu fee into a city fund to build affordable housing, dedicating land in lieu of constructing the units, or converting existing market rate units to Affordable units. The California Supreme Court ruling was appealed in 2016 but the Supreme Court declined to address the constitutionality of the law. Although San Jose's ordinance also included inclusionary requirements for rental units, a separate appellate court decision bars inclusionary zoning for rental housing based on provisions in the 1995 Costa Hawkins Rental Housing Act that limits rent control.

Alternatively, some communities, such as the City of San Jose, prepared nexus studies and financial feasibility analysis to legally impose affordable housing impact fees on market rate rental units. San Jose is implementing the Affordable Housing Impact Fee in conjunction with the Inclusionary Housing Ordinance and its guidelines. The fee is applicable to all market-rate projects with three or more rental units and the initial adopted fee is \$17.00 per net square foot. Residential developments that include both rental and for sale dwelling units are subject to the Affordable Housing Impact Fee Resolution with respect to the market rate rental units, or the Inclusionary Ordinance with respect to the for sale dwelling units.

In 2016, the California Legislature introduced a bill that would allow local jurisdictions to impose inclusionary requirements on rental housing (AB 2502). As of June 2016, the bill was re-referred to the Committee on Local Government and the deadline has passed for the Legislature to pass the bill.

AUD Incentive Program Project Environmental Review Process

The Planning Commission requested more information about the environmental review process for AUD Incentive Program projects.

The 2011 General Plan Certified Final Program Environmental Impact Report (EIR) assessed citywide impacts associated with General Plan policies focused on prioritizing residential development, including the AUD Incentive Program policies, over the twenty-year planning period. Under California Environmental Quality Act (CEQA) Guidelines §15183 Exemptions, projects with net new development (nonresidential square footage or residential units) may qualify for an exemption from further environmental review if (1) they are consistent with the General Plan development density evaluated in the General Plan Program EIR, and (2) any potentially significant project-specific impacts are addressed through existing development standards. As with all projects, planning staff determines the type of CEQA documentation required and Section 15183 exemptions are determined based on a preliminary environmental review process. The preliminary environmental review for AUD Incentive Program projects is the same as for all other types of projects and can require additional submittal requirements, special studies, and the involvement of other departments and outside agencies. A decision-maker CEQA finding is required for a Section 15183 exemption. To date, all AUD Incentive Program

projects have been exempt from environmental review beyond the preliminary environmental review process under CEQA Guidelines Section 15183.

Housing Element Implementation

The Planning Commission requested detail about other implementation programs being completed from the Housing Element, specifically mentioning residential second units, inclusionary housing, opportunity sites, and an affordable housing facilitator.

At the March 3, 2015 joint City Council and Planning Commission work session, the focus was prioritizing Housing Element Implementation programs that could realistically be accomplished in the short-term (approximately five years) based on compliance with state law, staffing, workload and funding availability. A status update of the five programs identified as priority programs is summarized below and a more robust discussion was provided in the April 7, 2016 Housing Development Activity & Housing Element Implementation Report.

HOUSING ELEMENT PROGRAMS	STATUS
Update Bonus Density Ordinance (H11.5 and H5.1)	Limited scope draft ordinance reviewed by PC and recommended for Council adoption. To be scheduled at Council in late 2016
AUD Incentive Program Monitoring (H11.1 and H11.2)	On-going and the subject of this report
Multi-Family Design Guidelines (H16.9)	Some initial work was done in 2015; interim guidelines are currently being drafted
Zoning Standards to Facilitate Housing (H17.1 and H17.2)	NZO is addressing zoning standards related to Outdoor Living Space, Setbacks, and Reduction to the Minimum Unit Size
Preserve Rental Units (H13.1, H13.2, and H13.3)	On-going through the comprehensive, multi-year enforcement program of illegal vacation rentals

Other programs identified as being possible implementation actions to be considered include:

- Secondary Dwelling Unit Ordinance Amendments: Housing Element Program H15.1 directs amendments to the Secondary Dwelling Unit Ordinance to provide more flexibility in unit design and site planning. Discussions during the General Plan Update revealed that permitting second units “across the board” might not be the best approach. Not all single family neighborhoods support such units; therefore, it is important to assess the level of supportability for each neighborhood. Additionally, the use of secondary dwelling units as vacation rentals has also emerged as a potential challenge in preserving existing housing stock for local residents. Completing this program will be complex and require extensive outreach and conversation with neighborhoods, as well as significant staff resources and time.
- Illegal Dwelling Units: Housing Element Program H20.5 directs consideration of ways to legalize illegal units in accordance with the Zoning Ordinance. The Housing Element Work Program instructs that studies be completed to identify methods and implications of increased enforcement on illegal units.