



COMMUNITY DEVELOPMENT DEPARTMENT

# AUD INCENTIVE PROGRAM PLANNING COMMISSION DISCUSSION

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July 21, 2016

## Meeting Purpose

- Council direction (May 24, 2016)
- Discuss AUD Incentive Program's Trial Period Sunset
- Review and Consider
  - AUD Incentive Program objectives
    - General Plan policies
    - AUD Incentive Program ordinance
  - Possible minor ordinance amendments
    - 2016 Adaptive Management Program Report

# Agenda

- Staff presentation
- Public comment
- Planning Commission discussion and recommendation
- Conclude by 5 p.m.



# STAFF PRESENTATION

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# Adaptive Management Program

- Provides an opportunity for timely policy and implementation action adjustments
- Annual Report
  - Next report for 2016 Fall Joint Council/PC meeting (tentatively October 27<sup>th</sup>)
  - Will focus on AUD Incentive Program
    - *Is the Program meeting its objectives?*
    - *Possible minor ordinance amendments*



# BACKGROUND

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# 1960's-1980's

- **1960's--Rapid Growth But Starting To Slow**
  - Almost a 50% increase in residential units
    - *Multi-family units account for most of increase*
- **1970's—Slower Growth But More Non-Residential Development**
  - Majority of new units are multi-family
  - Living Within Our Resources
    - *Residential downzoning occurs to establish residential build-out consistent with community resources*
- **1980's--Continued Non-Residential Development**
  - Measure E - Amends City Charter setting limits to non-residential growth
    - *Focus is on managing non-residential growth to keep build-out within community's resources*

# 1990's

- General Plan Amendments
  - Land Use
    - *Reduced non-residential growth potential and prioritized residential and mixed-use development*
  - Housing Element
    - *Encouraged multi-family, mixed-use development in and around Downtown and commercial areas, and transportation corridors*
  - Circulation Element
    - *Encouraged reduced reliance on the car and increased use of alternative modes*

## 1990's

- Zoning standards and requirements revised to encourage mixed-use and residential development Downtown
  - Variable Density Standards extended to commercial zones
  - Intended to encourage more, smaller units

## 2000's

- What happened?
  - More, larger, expensive condos
- 2005 Housing Element
  - Change Zoning Ordinance so that the use of Variable Density Standards more closely matches the original intent (more, smaller units)



# AUD INCENTIVE PROGRAM

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## 2012 General Plan Land Use Element

- “...encourage smaller rental and workforce units close to transit, and easy walking and/or biking distance to commercial services and recreational opportunities”
- “...the purpose of an Average Unit-Size Density Incentive Program is to encourage smaller, more affordable units through established unit sizes, while allowing flexibility for larger units, which help subsidize the cost of the smaller units”

## 2013 AUD Ordinance Amendment Statement of Purpose

“The Average Unit-Size Density Incentive Program carries out a key program directed by the 2011 General Plan. The Program facilitates the construction of smaller housing units by allowing increased density and development standard incentives in selected areas of the City. **Housing types that provide housing opportunities to the City’s workforce are encouraged and facilitated by the program.**”

## AUD Incentive Program Objectives

- Encourage smaller rental units
- Locate units close to transit, services, and recreational opportunities
- Encourage workforce housing

# Successes

- Generating development applications for rental housing and providing additional residential units

AUD Pending And Approved 6/31/16	Net New Units
AUD Affordable	204
AUD High Density Ownership Units	4
AUD High Density Rental Units	66
AUD Medium High Ownership Units	3
AUD Medium High Rental Units	99
AUD Priority Housing Rental Units	526
<b>Grand Total</b>	<b>902</b>

## Successes

- Generating small housing unit designs
  - None over 45' height

## Other Successes

- Redeveloping under-utilized non-residential development into housing
  - *Reducing the City's non-residential footprint*
  - *~85% of AUD Incentive Program units are located in the commercial zones*
- Potentially improving the jobs/housing ratio
- Adding jobs and revenue through increased development and construction
- Streamlining the development, environmental and design review processes for rental projects



# Challenges

- Size, bulk and scale, and compatibility with existing development and historic resources
- Ensuring proposed units will serve as workforce housing
- Supply and demand of on- and off-street parking resources

## Size, Bulk and Scale, and Compatibility with Existing Development and Historic Resources

- Process is working
  - Existing design review process in place
  - Required PC conceptual review for larger AUD Incentive Program projects
  - ABR and HLC ability to refer any project to the PC for comments
    - *800 Santa Barbara St. & 1032 Santa Barbara St.*
- Limited appeals
  - *1818 Castillo St. & 1320 Olive St.*

## Size, Bulk and Scale, and Compatibility with Existing Development and Historic Resources

- Staff recommends
  - No ordinance changes
  - Multi-Unit/Mixed-Use Design Guidelines

## Will Units Serve as Workforce Housing?

- What is Workforce Housing?
  - Households that are overqualified for subsidized affordable housing, yet cannot afford to purchase average market-rate housing
    - *120% to 200% of the Area Median Income*

# Will Units Serve as Workforce Housing?

- Santa Barbara County AMI is \$77,100 for a household of four

		Income Categories <small>(effective 3/28/2016)</small>			
	Percentage of AMI	1 Person	2 Persons	3 Persons	4 Persons
Middle Income (Affordable Rent)	120%-160%	\$64,765 - \$86,352 (\$1,619 - \$2,159)	\$74,017 - \$98,688 (\$1850 - \$2467)	\$83,269 - \$111,024 (\$2,082 - \$2,776)	\$92,521 - \$123,360 (\$2,313 - \$3,084)
Upper-Middle Income (Affordable Rent)	160%-200%	\$86,353 - \$107,940 (\$2,159 - \$2,699)	\$98,689 - \$123,360 (\$2,467 - \$3,084)	\$111,025 - \$138,780 (\$2,776 - \$3,470)	\$123,361 - \$154,200 (\$3,084 - \$3,855)

## Will Units Serve as Workforce Housing?

- Physical development standards that most likely influence affordability:
  - Location, allowed density, unit size, building height, parking, and outdoor living space
- AUD Incentive Program ordinance addresses each of these

## Will Units Serve as Workforce Housing?

- Minimal objective data available
  - Only four units have received Certificate of Occupancy (Medium-High Density rentals)
  - New construction units' rents may be higher than comparable existing units

## Will Units Serve as Workforce Housing?

- The Marc—3885 State Street

Bd/Bath	Sq. Ft.	Rent Starts @
1/1	646	\$2,445
2/2	844	\$2,875
2/2	872	\$3,050
2/2	1026	\$3,125
3/2	1014	\$3,500

## Will Units Serve as Workforce Housing?

- Staff recommends that this issue continue to be monitored closely
  - Quarterly updates of project statistics/website
  - Semi-annual Housing Development Activity Reports
    - *Supplement with unit affordability data as available*

## Supply and Demand of On- and Off-Street Parking Resources

- Reduced parking requirement = reduced land area for parking and more density possible
- 1 space/unit
  - Regardless of location, unit size, number of bedrooms, etc.

# Supply and Demand of On- and Off-Street Parking Resources

- Challenges
  - Larger units (3+ bdrms) in R3/R4 zones
  - Guest parking requirements
  - ADA parking requirements

# Supply and Demand of On- and Off-Street Parking Resources

- Staff recommends studying a parking requirements ordinance amendment

## Other Concerns – Water Demand Impacts

- AUD Incentive Program units have low water demand (0.16 AFY per unit)
- New development is a small portion of overall water demand
- Current AUD Incentive Program projects (all status) projected:
  - 0.9% of normal demand
  - 1.3% of Stage 3 Drought demand

AUD Pending And Approved 6/31/16	Net New Units	Net New Water Demand (AFY)
AUD Affordable	204	30.17
AUD High Density Ownership Units	4	0.64
AUD High Density Rental Units	66	6.74
AUD Medium High Ownership Units	3	0.22
AUD Medium High Rental Units	99	13.55
AUD Priority Housing Rental Units	526	74.43
<b>Grand Total</b>	<b>902</b>	<b>125.75</b>

## Trial Period Sunset

“The Average Unit-Size Density Incentive Program will be in effect for a trial period of either eight years or until 250 residential units have been constructed in the areas designated for High Density residential [as defined in SBMC § 28.20.060(B)] or the Priority Housing Overlay [as defined in SBMC § 28.20.060 C)], as shown on the City’s Average Unit-Size Density Incentive Program Map, whichever occurs earlier. (SBMC § 28.20.010)”

## Trial Period Sunset

- “Any application... deemed complete prior to the expiration of the Program... may continue to be processed and potentially approved under the Average Unit-Size Density Incentive Program. (SBMC § 28.20.040)”
  - An AUD Incentive Program project application is considered “complete” if ready for:
    - *Project Design Approval (PDA) at ABR or HLC*
    - *Action by the Staff Hearing Officer*

# Trial Period Sunset

AUD Incentive Program Trial Period-250 Units (6/30/16)  
(High Density Residential & Priority Housing Overlay Area Units)

Trial Period-250 Unit Applications	New Units <sup>1</sup> (Trial Period)
Pending <sup>2</sup>	340
Approved	163
Building Permits Issued	122
<b>Grand Total</b>	<b>625</b>

<sup>1</sup> “New Units” are newly built units. This number does not include conversion of existing units but does include replacement of demolished units. These count as “new” units under the AUD trial period.

<sup>2</sup> Includes all applications (including pre-applications, concepts and halted projects)

## Trial Period Sunset

- No Certificate of Occupancy issued to Trial Period projects
- Anticipate the AUD Incentive Program would sunset in the next 24 to 30 months
- 4-5 approved or under construction projects identified that possibly will comprise the trial period-250 Units

Zone	C-2/SD-2
Units	46
Density	60 du/ac
Lot Size	33,910 sf
Ave Unit Size	794 sf
Com. Size	631 sf
Parking Residential	46 spaces
Parking Commercial	5 spaces
Max Height	45 feet
Stories	4
Studios	13
1-bedroom units	30
2-bedroom units	3
3-bedroom units	0

# 15 S Hope Ave



Zone	C-M
Units	29
Density	62 du/ac
Lot Size	20,670 sf
Ave Unit Size	595 sf
Com. Size	2,028 sf
Parking Residential	29 spaces
Parking Commercial	8 spaces
Max Height	43 feet
Stories	3
Studios	16
1-bedroom units	10
2-bedroom units	3
3-bedroom units	0

# 604 E Cota St



Zone	C-2
Units	73
Density	46 du/ac
Lot Size	69,610 sf
Ave Unit Size	700 sf
Com. Size	6,656 sf
Parking Residential	73 spaces
Parking Commercial	18 spaces
Max Height	45 feet
Stories	4
Studios	0
1-bedroom units	32
2-bedroom units	41
3-bedroom units	0

# 711 N Milpas St



# 1330 Chapala St – Arlington Village

Zone	C-2
Units	33
Density	16* du/ac
Lot Size	91,000* sf
Ave Unit Size	821 sf
Com. Size	895 sf
Parking Residential	33 spaces
Parking Commercial	2 spaces
Max Height	41.5 feet
Stories	3
Studios	2
1-bedroom units	9
2-bedroom units	18
3-bedroom units	4



# 3885 State St— The Marc

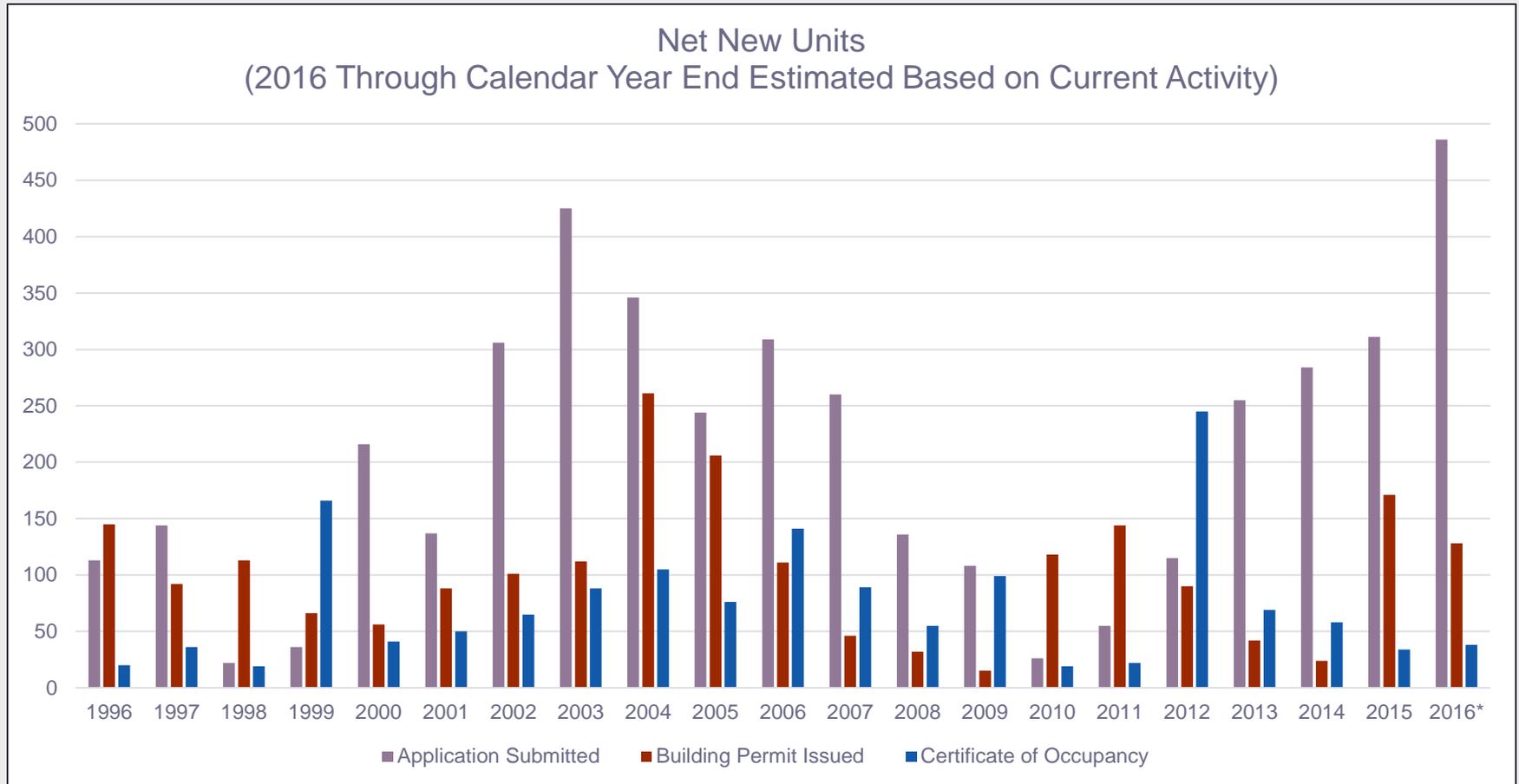
Zone	C-2/SD-2
Units	89
Density	63 du/ac
Lot Size	61,797 sf
Average Unit Size	811 sf
Commercial Size	4,469 sf
Parking Residential	127 spaces
Parking Commercial	18 spaces
Max Height	45 feet
Stories	4
Studios	0
1-bedroom units	11
2-bedroom units	72
3-bedroom units	6



## Development Trends – Last 20 Years

- 2016 estimated to have highest number of units in application phase
- Recent increase in units per project
- Annually, 2.8 times more units in the application phase than units receive Certificate of Occupancy

# Development Trends



## Trial Period Sunset

- Staff recommends discussion of the existing trial period of eight years or 250 units constructed
  - If not amended, residential density defaults to the Variable Density Standards
  - Methods
    - *Pace applications or building permits*
    - *Adjust incentives and/or geographic area*



# STAFF RECOMMENDATIONS

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## Staff Recommendations

- Review, discuss, and provide direction on whether AUD Incentive Program is meeting its objectives?
  - ✓ *Encourage smaller rental units*
  - ✓ *Locate units close to transit, services, and recreational opportunities*
  - ? *Encourage workforce housing*

## Staff Recommendations

- No ordinance changes are necessary to address size, bulk and scale, and compatibility with existing development and historic resources
  - Advocate for Multi-Unit/Mixed-Use Design Guidelines

## Staff Recommendations

- Continue to monitor AUD Incentive Program projects and specifically unit affordability

## Staff Recommendations

- Study a parking requirement ordinance amendment

## Staff Recommendations

- An ordinance amendment to address the sunset of the trial period of eight years or 250 units issued C of O
  - Pace number of applications or building permits
  - Pace by adjusting incentives and/or program area

# PUBLIC COMMENT & PC DISCUSSION AND RECOMMENDATION

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## Staff Recommendation Summary

- Review, discuss and provide direction on AUD Incentive Program meeting it's objectives
- Advocate for Multi-Unit/Mixed-Use Design Guidelines
- Study a parking requirement ordinance amendment
- Continue to closely monitor unit affordability