

City of Santa Barbara
DENSITY BONUS

I. DENSITY BONUS UNITS UNDER STATE LAW

State density bonus law requires that, for housing developments of five or more units, communities must provide a density bonus (and other benefits) if a developer proposes to provide a specified percentage of the units as affordable.

Changes to California state density bonus law became effective on January 1, 2005. The revised law requires cities and counties to provide *all* of the following incentives to applicants who include specified affordable housing in their projects:

- *density bonuses* of between 5 and 35 percent, depending on the amount and type of affordable housing provided (in other words, the city must approve projects with more units than allowed by zoning); and
- *reduced parking standards* that apply to the entire project, not just the affordable units (for example, uncovered parking and tandem parking must be approved); and
- *mandatory "concessions or incentives"* – the applicant may select between 1 and 3 exceptions from the normal development standards of the city (depending on the amount and type of affordable housing provided); and
- *additional "waivers and modifications"* of development standards if the applicant shows that they are needed to make the housing economically feasible.

The complete text of the law (Government Code sections 65915-65918) is available on-line at www.leginfo.ca.gov/calaw.html

A. Affordable Housing Requirements

Under state density bonus law, housing developments that create at least 5 dwelling units (or 5 unimproved lots) are eligible for a density bonus if a specified percentage of units are provided at affordable rents or sale prices to very low income, low income, or moderate income households.

B. Density Bonuses Available

The 2005 law requires a greater density bonus for very-low and low income housing and a lesser density bonus for moderate-income ownership housing than did the previous law.

- Housing developments are eligible for a **20% density bonus** if:
 - **5%** of units are affordable to **very-low** income households; or
 - **10%** of units are affordable to **low** income households.
- Housing developments qualify for a **5% density bonus** if :

- **10%** of the units are ownership units affordable to **moderate** income households.

In addition, projects that provide more than the minimum percentage of affordable units are entitled to a greater percentage of density bonus (up to a maximum density bonus of 35%). The following table is a summary of the requirements for each income category:

Table 1. Density Bonus under State Law

Income Category	Minimum % of Units that must be Affordable	Density Bonus Required by State Law	Additional Density Bonus for each 1% increase in Affordable Units
Very-Low	5%	20%	2.5%
Low	10%	20%	1.5%
Moderate	10%	5%	1%

The result is that applicants who provide very-low and low income affordable units are generally entitled to a greater number of density bonus units than the number of affordable units they provide. For example, on a site zoned for 10 units, the applicant who provides 1 unit for very-low income households (10% of the base density) is entitled to 4 density bonus units.

C. Reduced Parking Standards

If a project qualifies for a density bonus because it provides affordable housing, the city must grant the applicant’s request to reduce the required parking for the entire project—including the market-rate units—to no more than the following:

- zero to one bedroom – one on-site parking space
- two to three bedrooms – two on-site parking spaces
- four or more bedrooms – two and one-half on-site parking spaces.

These numbers *include guest parking and handicapped parking*. The spaces *may be in tandem or uncovered*. They cannot be on-street. If the project provides the required affordable housing, the parking standards may be requested even if no density bonus is requested.

D. Other Modifications to Development Standards

In addition to the reduced parking standards, the state law gives applicants the right to request modifications in local development standards such as zoning, subdivision controls, and design review requirements. The law mandates the approval of such incentives and concessions in specified circumstances.

E. Santa Barbara’s State Density Bonus Implementing Ordinance

The state density bonus law requires that all cities adopt an ordinance specifying how they will comply with the legislation. Santa Barbara’s density bonus ordinance has not yet been updated to reflect the 2005 changes. However, the City has complied with the new state requirements in the few applications received since the law was revised.

Upon revision of the City’s Density Bonus Ordinance, Housing Staff will recommend that the City’s implementing ordinance contain a requirement that in determining the required number of affordable units, any fractional number of required units be rounded up to the next whole number of units. Also, staff will recommend that the affordable units be required to provide at least the same average number of bedrooms as do the density bonus units.

II. THE CITY’S DENSITY BONUS PROGRAM

To encourage a broader range of affordable housing types and targeting than specified in state law, the City has developed its own density bonus program.

The state law does not address several issues that the City has faced. What affordability requirements would be appropriate if the developer requests a density bonus greater than 35%? What about projects of four or fewer units, where state density bonus law does not apply? The City’s program is meant to compliment and expand upon state density bonus law. The procedural elements of the City’s density bonus program are outlined in §28.87.400 of the Municipal Code (attached below). This ordinance specifies the procedures to be followed by developers who request a density bonus, both for projects that meet the criteria set forth in state density bonus law and for projects that do not. The latter projects are to be reviewed by the City “for consistency with the criteria of the City’s density bonus program, described in the City of Santa Barbara Affordable Housing Policies and Procedures Manual.” The referenced description of the City’s density bonus program follows in the sections that follow.

Under the City’s program, for projects in which the units developed within the base density are to be ownership units, the density bonus units under the City’s program must generally be ownership units as well. The Community Development Director may approve exceptions to this requirement for projects in which each of the density bonus units is either rented for at least 90 years according to the City’s requirements for density bonus rental units (explained below), or sold according to the specified requirements.

A. City Density Bonus Requirements for Ownership Units Within the First 25% Density Bonus

Density bonus is sometimes expressed as a percentage. For example, if the zoning and size of a property would allow the development of 20 units but the developer is requesting approval to build 24 units, those extra 4 units would be considered to be a 20% density bonus, because the 4 density bonus units requested would be 20% of the 20 units otherwise allowed under the zoning (the “base density”). Likewise, a project zoned for 9 units that is approved for 12 would receive a 33% density bonus.

For units within the first 25% density bonus, all density bonus units must be sold at prices affordable to middle income households (or upper-middle income if the development is single family houses each on its own lot) at prices which, *on average*, are targeted to the following incomes:

- (a) for condominiums, 120% of Area Median Income (AMI)
- (b) for duplexes, 130% of AMI. Note: for especially large and desirable condominiums that approximate the livability and features that buyers might expect from duplex units, the Community Development Director may approve a target income of 130% of AMI.
- (c) for single family homes on separate lots, 160% of AMI

The prices for condos and duplexes are targeted to be affordable to middle-income first time homebuyers (that is, with incomes between 120% and 160% of AMI). Buyers with incomes below 120% of AMI are also eligible to buy these units, provided they can qualify under Affordable Housing policy requirements and obtain a mortgage loan. Buyers with incomes above 160% of AMI, adjusted for their household size, would not be eligible. The prices for single-family homes on separate lots are targeted to be affordable to upper-middle income households (160% to 200% of AMI). Buyers with incomes below 160% might be eligible, but those above 200% would not.

There is no requirement regarding the number of bedrooms in the density bonus units, unless the density bonus units are being counted to satisfy the City's inclusionary housing requirements.

The target incomes listed above are for ownership projects without City subsidies, and are higher than those allowed by any of the subsidy sources available through the City. Projects receiving City subsidies will be required to target the density bonus units to moderate income or below.

B. City Density Bonus Requirements for Ownership Units Above the First 25% Density Bonus

In order to provide incentive to developers to provide additional affordable units under the City's program, higher income targeting and pricing will be allowed for those density bonus units that are receiving greater than a 25% density bonus in the project. For example, on a site zoned for 16 units where 6 density bonus units are approved (for a total of 22 units), the first 4 density bonus units would be considered within the first 25% density bonus. The last 2 density bonus would be above the first 25% density bonus. Such units may be sold to upper-middle income (rather than middle income) homebuyers at prices which, on average, are targeted to the following incomes:

- (a) for condominiums, 160% of AMI Note: affordable condominium units at this price point are expected to be larger and more desirable than those within the first 25% that are targeted to 120%.
- (b) for duplexes, 170% of AMI
- (c) for single family homes, 180% of AMI

C. City Density Bonus for Rental Projects

Rental projects requesting density bonus that do not meet the requirements of state law must meet the following requirements:

For units within the first 25% density bonus – the density bonus units must be rented for at least ninety (90) years to low income households at rents targeted, on average, to 70% of AMI or below.

For units above the first 25% density bonus – the density bonus units must be rented for at least ninety (90) years to low income households at rents targeted, on average, to 80% of AMI or below.

Note: these target rents are higher than those allowed by most subsidy sources available from the City. Projects receiving City subsidies will generally be required to target the affordable units to 60% of AMI or below.

**§28.87.400 of the City of Santa Barbara Municipal Code
Density Bonus and Development Incentives**

A. INTENT. The intent of this section is to provide incentives for the development of housing affordable to very-low income, low income, senior and other qualifying households. State law mandates the provision of density bonuses to senior, very-low, and low income households under certain circumstances. The City of Santa Barbara has created a separate density bonus program for certain other households. Both the State mandated and City created density bonus programs use terms defined in this section.

B. DEFINITIONS. The following words and phrases have the meaning indicated unless the context or usage clearly requires a different meaning:

1. Density. The number of residential units allowed on a parcel based on the lot area requirements specified in the zone and General Plan.

2. Density Bonus. A density increase over the otherwise maximum allowable residential density under the applicable Zoning Ordinance and Land Use Element of the General Plan as of the date of application by the developer to the City.

C. PROJECTS WHICH MEET THE CRITERIA SET FORTH IN STATE DENSITY BONUS LAW.

1. Qualifying housing developments as defined in Government Code Section 65915. When a developer of housing agrees or proposes to construct at least:

a. 20% of the total units of a housing development for low income households; or

b. 10% of the total units of a housing development for very low income households; or

c. 50 percent of the total dwelling units of a housing development for senior citizens;

The applicant must submit the project for review by the Community Development Director or his/her designee to determine whether the project meets the criteria set forth in State density bonus law. If the Director determines that the project meets the criteria of State law, the project may be granted a density bonus and at least one other incentive as required by State law, and processed as required by State law unless otherwise requested by the applicant. The incentives and processing provisions required by State law are described in Government Code Section 65915.

2. Procedure for review of projects submitted under State density bonus law. A project which meets all the requirements of State law shall be processed according to the usual discretionary review procedure, subject to the following exceptions:

a. LOT AREA MODIFICATION. Notwithstanding any other section in this Code, when a proposed project complies with all of the requirements of State density bonus law, and the density bonus requested is no more than the density bonus mandated by State law, the Community Development Director or his/her designee shall deem the project's density consistent with the Zoning Ordinance, and exempt from the requirement for a lot area modification as set forth in Section 28.92.110.

b. NOTICE OF DESIGN REVIEW BOARD HEARING. When the Community Development Director determines that a proposed project meets all the requirements of State law and the requirements of the residential zoning category in which the project is proposed, and does not cause any unavoidable, significant, environmental impacts, and requires design review as its only City discretionary approval, the appropriate Design Review Board (Historic Landmarks Commission or Architectural Board of Review) will review the project. Notice of the meeting at which the project is considered by the Design Review Board will be provided in accordance with the requirements for noticing of public hearings in Municipal Code Section 28.92.060.

D. PROJECTS WHICH DO NOT MEET THE CRITERIA SET FORTH IN STATE DENSITY BONUS LAW.

1. Qualifying housing developments. When a developer proposes a development which does not meet the criteria listed above and requests a density bonus, the Community Development Director or his/her designee will review the project for consistency with the criteria of the City's density bonus program, described in the City of Santa Barbara Affordable Housing Policies and Procedures Manual. If the proposed project is determined to be consistent with the criteria of the City's density bonus program, it will be approved or disapproved under the provisions of that program.

2. Procedures for approval of projects which are consistent with the City density bonus program. A project which does not meet all the requirements of State law, but does meet the standards of the City density bonus program will be processed according to the discretionary review procedures in effect and applicable to the project. (Ord. 5380, 2005; Ord. 4912, 1995.)