



SAN RAFAEL

THE CITY WITH A MISSION

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REPORT TO PLANNING COMMISSION

SUBJECT: Informational Report on Potential Amendments to the San Rafael Municipal Code to Encourage Development and Streamline Approvals

EXECUTIVE SUMMARY

This informational report provides an overview of potential changes to four main areas of the SRMC:

- A. Inclusionary Housing Requirement
- B. Density Bonus
- C. SRMC Amendments to Encourage Development and Streamline Approvals
- D. Formalize Design Review Board Subcommittee

The purpose of this informational report is to receive feedback regarding these potential changes from the Planning Commission. Feedback will be incorporated into an informational report to City Council seeking feedback and direction. This section outlines these potential changes.

RECOMMENDATION

It is recommended that the Planning Commission accept report and provide feedback regarding proposed changes to the San Rafael Municipal Code.

BACKGROUND

On August 20, 2018, the City Council was presented a comprehensive, [informational report](#) on housing. In response to the housing report information, the City Council directed staff to follow-up on four, specific housing topics and issues. One of these four topics/issues was the challenges to the approval and development of housing in San Rafael.

On September 3, 2019, City staff presented an [informational report](#) on challenges to housing development. The report presented 11 key challenges pertaining to the approval and development of housing in San Rafael. Moreover, this report identified 13 recommended measures to address these challenges. At the September 3rd City Council meeting, staff was directed to host several public housing workshops on proposed policies to address challenges to approving and developing housing. The purpose of these workshops was to gain a better understanding of the public's view on the housing crisis, as well as, to get feedback on the prioritization of on the proposed policy actions. The City hosted two housing workshops, which were attended by the Mayor, City Council, and the public. These workshops exposed the public to issues surrounding the housing crisis and obtained feedback from both the public and City Council.

On January 21, 2020, City staff presented an [informational report](#) on staff recommendations for prioritization, timing, and future City Council actions on these proposed policy actions to address challenges to approving and developing housing. As part of the acceptance of this informational report,

City Council directed staff to return with an updated informational report on potential amendments to the SRMC aimed at encouraging development and streamline approvals.

This informational report provides an overview of potential changes to four main areas of the SRMC:

- A. Inclusionary Housing Requirement
- B. Density Bonus
- C. Formalize Design Review Board Subcommittee
- D. SRMC Amendments to Encourage Development and Streamline Approvals

A. Inclusionary Housing

Current Inclusionary Housing Requirement

The City's existing Affordable Housing Requirement (adopted in 2010) is outlined in Zoning Ordinance ([SRMC Section 14.16.030](#)), which are summarized as follows:

1. Affordable housing units are required in new housing development projects. For projects containing 2-10 housing units, the inclusionary requirement is 10%. For projects containing 11- 20 housing units, the requirement is 15%, and for projects with 21 or more units, the requirement is 20%.
2. The policies and regulations favor on-site construction so that the inclusionary units are integrated into the project and throughout the community. Construction of on-site inclusionary units is priority. If such units cannot be constructed on-site, off-site construction of the required affordable units is second priority. Payment into the City's affordable housing in-lieu fee fund is last priority.
3. The required affordability levels vary by type of housing, with rental (very low- and low-income mix) versus ownership (low- and moderate-income mix).
4. The affordable housing units are required to remain affordable for the longest feasible time or at least 55 years.

When a housing project results in a fractional-unit requirement, for example a 2.3-unit requirement, two inclusionary units are required to be built on-site and the 0.3-unit equivalent is paid in affordable housing in-lieu fees.

It is important to note that non-residential projects are also subject to the affordable housing requirements of SRMC Section 14.16.030. A nexus study was conducted in 2005 to support the linkage of housing need with employment and workforce. The code provisions include a formula to determine housing need based on non-residential use type and size. While the intent is to encourage the development of inclusionary housing in non-residential development projects, housing may not be an allowed use on some commercial or industrial sites. Therefore, most non-residential development projects pay into the affordable housing in-lieu fee fund.

Affordable Housing In-Lieu Fee

Affordable Housing In-lieu fees are fees paid by developers instead of providing on-site affordable units. The City of San Rafael does not automatically give developers the option of paying in-lieu fees to fulfill inclusionary requirements, known as "feeing out." The City employs a discretionary process to allow payment of in-lieu fees if developers can establish financial need or project infeasibility. The City collects these fees for residential projects primarily when a developer is required to produce a fraction of a unit.

Residential development in-lieu fees are placed into a citywide Affordable Housing Trust Fund, along with the fees collected from non-residential developments. The account funds are used to expand the supply of affordable housing for lower and moderate-income households through a variety of activities including new construction and the acquisition of existing housing.

The City's current in-lieu fee is based on the "affordability gap" of the typical difference in price (or rent) between market rate and affordable units. For example, if a typical market rate home sold for \$300,000 and the affordable price was \$200,000 the fee would be \$100,000.

The City of San Rafael's in-lieu fee was set in 2006 ([Resolution 11942](#)) at \$236,000 per unit and is adjusted annually to account for inflation in housing and construction costs. Currently, the Affordable Housing In-Lieu Fee is set at \$343,969 per unit.

Staff estimates that the current in-lieu fee is likely lower than actual "affordability gap." However, to update this fee, the City is legally required to conduct a nexus study. The City is currently partnering with the County of Marin to conduct this nexus study, with study completion estimated by late 2021.

Inclusionary Housing- Best Practices

In 2019, Staff commissioned a inclusionary housing white paper to identify barriers to housing production related to the City of San Rafael's Affordable Housing Ordinance. This white paper recommended several citywide actions that could be taken to help incentivize housing development. Recommendations specific to modifications to the San Rafael's Affordable Housing Ordinance included:

- Provide developers with a by-right in-lieu fee option to fulfill the inclusionary housing requirement;
- Consider altering the inclusionary requirement depending on the type of development and its location; conduct further study;
- Allow developers to fulfill the inclusionary requirement more creatively and efficiently; and
- Set a schedule to review and revise the Inclusionary Housing Ordinance on a regular basis.

As part of this white paper, a review of the main elements of successful inclusionary policies. These policies often are structured to include two main parts:

- **Baseline Requirement-** The Baseline requirement is the percentage of BMR units required to be provided on-site as part of a project.
- **Additional Requirement-** The Additional requirement are still required to be meet by developers. Developers can choose between options provided by jurisdiction to meet this additional requirement.

In most jurisdictions, the additional requirement can be met four ways:

- **Additional On-Site Units:** Most inclusionary housing policies continue to allow the developer to meet their requirements through onsite units in addition to those provided as part of the baseline requirement. Jurisdictions may allow the developer additional flexibility by provide several onsite options at varied depth (the percentage of units) and breadth (the affordability level) of affordability restrictions. For instance, an additional onsite unit requirement may allow the developer to choose between providing five percent (5%) of units affordable to low income households or providing ten percent (10%) units affordable to moderate income households.
- **In-Lieu Fee:** A common element of all recently updated Inclusionary Housing policies is the acceptance of an affordable housing in-lieu fee. Allowing a developer to meet a larger portion of their inclusionary housing requirement through an in-lieu fee has proven to be beneficial for both the City and the Developer.

For the developer, an in-lieu fee can be a more economically feasible option in the long-run, even if the short-run cost is higher than the provision of a protected unit.

For the City, the funds from an in-lieu fee can be effectively leveraged to provide expanded resources for affordable housing. A recent study found that Seattle was able to realize a 3:1 leverage ratio for trust fund spending.¹ In other words, for every dollar a City spends from their trust fund dollars they see three dollars from regional, state, and federal funding sources.

- Off-Site Units & Land Conveyance: Most policies include language allowing the developer to provide the required BMR units off-site or by providing land or existing property for development. In all cases specific conditions must be met, including:
 - Off-site units or land is provided within ½ mile of the market-rate project or in an area identified as high need; and
 - Public and Financial benefit is similar to or greater than what would have been provided onsite. Appraisal required where need.
 - Subject to Director approval.

While these options are provided to allow additional developer flexibility, due to the need for approvals and additional financial analysis these provisions are rarely selected by developers.

B. Density Bonus

The City’s Density Bonus Ordinance was last amended in 2010. Since that time there have been a number of changes to State Density Bonus Law (SDBL) that are meant to encourage development of affordable housing and/or remove barriers to housing in general. Due to these SDBL changes, amendments to the City’s Density Bonus Ordinance are needed to align with the state requirements. The following is an overview of the recent changes:

State Bill	Changes
AB2501	AB2501 became effective in 2017 and made changes to SDBL as follows: <ol style="list-style-type: none"> 1. Requires adoption of clear submittal requirements, procedures, timelines, to allow an applicant to move forward with a density bonus project. 2. Requires that density calculations that result in a fractional number are to be rounded-up to the next whole number. This applies to the following: <ul style="list-style-type: none"> • Base density- base density is the density that is allowed by the Zoning District • Number of affordable units required to be eligible for the density bonus • Number of density bonus units • Number of replacement units (if applicable) • Number of required parking space 3. The ability of a local jurisdiction to require special studies (ie financial pro-formas) to justify a density bonus, waivers/reductions of development standards or concessions or waivers was eliminated, however the applicant may still be required to provide financial information when requesting financial incentives or fee waivers; 4. Requires that requested concession or incentive shall be granted unless the City makes a written finding of any of the following: <ul style="list-style-type: none"> • the concession or incentive "does not result identifiable and actual cost reductions" • the concession or incentive would have an impact on the environment or to historic resources. • the concession or incentive would violate state or federal law

¹Jacobus, Rick. 2015. *Inclusionary Housing - Creating and Maintaining Equitable Communities*. ISBN 978-1-55844-330-3. Cambridge, MA: Lincoln Institute of Land Policy.
https://www.lincolnst.edu/sites/default/files/pubfiles/inclusionary-housing-full_0.pdf

AB1943	AB1934 became effective 2017 and provides non-residential commercial development projects that enter into an agreement contribute affordable housing development bonuses that includes: <ul style="list-style-type: none"> • Up to 20% increase in height, floor area and/or intensity • Up to a 20% reduction in parking • allows for an exception to zoning regulations
AB2442	AB2442 became effective in 2017 and expands the categories of specialized/supportive housing that could qualify for a 20% density bonus to include: <ul style="list-style-type: none"> • transitional foster youth • disabled veterans • homeless persons
SB1227	SB1227 became effective in 2019 requires cities and counties to grant a 35% density bonus for housing developments that will include at least 20% of the units for low income college students.
AB1763	AB1763 became effective in 2020 and includes additional density bonus provisions for 100% affordable housing projects as follows: <ul style="list-style-type: none"> • Allows an 80% density bonus, • Eliminates limits on density for projects located within ½ mile of a major transit stop • Allows a height increase of up to three stories or 33 feet. • Provides an additional incentive beyond the three that were previously allowed for affordable housing projects. • Eliminates any parking requirements for projects that are categorized as special needs or supportive if the project provides paratransit service or is located within ½ mile from an accessible bus route.

C. Design Review Board Subcommittee

The Design Review Board (DRB) serves as an advisory body to the City for the purpose of reviewing and formulating recommendations on all major physical improvements requiring Environmental and Design Review permits. The DRB may also advise on other design matters, including minor physical improvements or administrative-level design review permits, referred to the Board by the Community Development Director, Planning Commission or City Council.

As part of the January 21, 2020 City Council informational report, staff discussed potential changes to the structure and role of the DRB. These changes were intended to address concerns regarding DRB review. At times DRB review of development projects can result in differing and conflicting opinions, which are frustrating to the applicant and the project architect. Second, at times, Board review can result in recommendations for design changes, resulting in additional Board review cycles, which lengthens the time for permit processing. Lastly, as the DRB has been structured as the first public forum for public comment, the public can express frustration over the Board’s purpose, which is to focus on design, not on bigger policy issues such as land use and traffic. The January 21 report to the City Council identified three potential options for the DRB:

1. Eliminating the DRB and structuring the Planning Commission membership to include one or two design professionals to guide and advice the Commission at-large on design matters;
2. Shifting the role of the DRB to a decision-making authority rather than an advisory body. The DRB would have review and approval authority over Environmental Design Review Permits, while the Planning Commission would continue to serve as the decision-making authority on all land use, subdivision, and legislative matters; and/or

3. Appoint a DRB liaison to review smaller housing projects in-lieu of a review by the full DRB. In the event there are challenging design issues, the DRB liaison would have the discretion to refer the application to the full DRB for review at a noticed public meeting.

On March 16th, 2020, [a Shelter-in-Place was ordered for Marin County](#) to limit the spread of COVID-19. The shelter-in-place order was cause for cancelling all City Boards and Commissions meetings. While Boards and Commission meetings were cancelled, staff continued to process Planning applications, which required a review and input by the DRB.

To keep these projects moving without the ability to schedule and conduct an open, public meeting, a DRB Subcommittee was formed to review and provide input on the current Planning applications. Implementation of this DRB Subcommittee was in line with the potential options for changes presented to City Council in the January 21, 2020 informational report.

The DRB Subcommittee has served in the same capacity as the full Board. The DRB Sub-committee is comprised of one Board member that is a licensed architect and one that is a licensed landscape architect. Currently, the Subcommittee meets via Zoom with staff, the applicant, and the project design professional. It is not a public meeting; no noticing is required. The intent is for the Subcommittee to provide professional advice on design. The public continues to be afforded public participation when the project moves forward for formal permit noticing and action, which could be through the Planning Commission, the Zoning Administrator or the Community Development Director.

While the DRB Subcommittee was intended to convene only until the shelter-in-place order is lifted, staff has received substantial positive feedback from community members and applicants. Additionally, several large projects have been reviewed by the DRB through this process with success. Due to the success of this process, staff has included in this informational report a proposal to formalize the DRB Subcommittee process permanently.

D. SRMC Amendments to Encourage Development and Streamline Approvals

Current Appeals Scheduling Process

Currently, there is no structure to the appeal process scheduling once an appeal is filed. This lack of structure often leads to awkward and time consuming coordination in setting an appeal date based on the availability of the appellant, applicant, and/or other stakeholders.

As discussed in the January 21, 2020 informational report, applicants/developers and other stakeholders often complain that our process, coupled with the low appeal fee, encourages appeals that can be unsubstantiated or intended to delay action on a project.

Staff researched the appeals process of neighboring jurisdictions and other municipalities with similar demographics and development challenges. Some municipalities set an appeal date for a City Council public hearing and action concurrent with or soon after the filing date of the appeal. By scheduling an appeals date automatically, project review and approval decisions can be streamlined. Similarly, having automatic scheduling procedures provides added transparency and a level of certainty regarding timing for applicants.

Small Lot Development

[SRMC section 14.16.300.A](#) establishes that vacant lots less than 5,000 square feet that are zoned for multiple units are not allowed to developed at the established densities. For example, a 4,999 square foot lot that is zoned to allow 1 unit per 1,000 square feet (4.9 units) can only be developed with 1 unit pursuant to this section. However, a 5,000 square foot lot can be developed with 5 units. Similarly, all other lots

larger than 5,000 square feet can be developed at their allowable densities. This limitation on development was codified in 1992, when housing supply was much different. In 2018, during the last round of Zoning Code Amendments, a few council members expressed an interest in exploring the elimination of language that precludes development of lots at their designated densities.

Streamlining Hillside Development Overlay District "Exceptions" Process

Enacted in 1992, the Hillside Development Overlay District (-H Overlay, [SRMC Chapter 14.12](#)) serves as an "overlay" to the base residential zoning districts in residential hillside areas. The provisions of the overlay district apply to single family residential lots and development where the average slope is greater than 25%. The purpose of the -H Overlay District is to promote careful and sensitive development of hillside areas in order to: a) protect health and safety (e.g., seismic and hydrologic risk); b) encourage preservation of natural features (e.g., vegetation, ridgelines); c) ensure adequate emergency access and off-street parking; and d) and promote building design that blends with the natural setting.

The -H Overlay District was established at a time when the City was experiencing a great amount of hillside development, and hillside preservation was a top priority for the City. For this reason, the City Council endorsed strict regulations and standards (including development compliance with the Hillside Residential Design Guidelines) and a comprehensive public review process for all hillside development. To minimize exceptions to or deviations from the adopted property development standards, Chapter 14.12 was adopted to require the approval of the City Council based on the recommendations of the Planning Commission and Design Review Board. This is unique as all other "quasi-judicial" zoning and land use decision-making actions in San Rafael are delegated to the Planning Commission. When Exceptions are requested, the applicant must demonstrate that the requested deviation or waiver of the required property development standards meet strict criteria.

A lot has changed since 1992. Most of the hillside areas in San Rafael have been developed or preserved in permanent open space. There are few remaining undeveloped hillside areas; they are mostly single-family residential, infill lots. Staff continues to discourage applicants from requesting deviations or waivers of the hillside property development standards, which is why there are very few Exception applications. Those Exception requests are filed with the City and supported by staff are typically noncontroversial.

PROJECT DESCRIPTION & ANALYSIS

The purpose of this informational report is to receive feedback regarding these potential changes from the Planning Commission. Feedback will be incorporated into an informational report to City Council seeking feedback and direction. This section outlines these potential changes.

A. Inclusionary Housing Requirement

Staff has prepared three scenarios to help compare the impacts of changes to the inclusionary housing requirements. Staff has adjusted the levels of the Baseline and Additional requirements to be financially equivalent to the costs to a developer for providing 20%, 15%, and 10% of total onsite units with BMR requirements.

Staff has also attempted to simplify the requirements condensing requirements by projects size from three (2-10 units, 11-20 units, and 21 or more units) to two (2-15 units and 16 or more units). Inclusionary Housing requirements for 2-15 unit projects remain the same across all three scenarios to prevent the policy for become more restrictive than the status quo.

Staff has used the [Inclusionary Housing Calculator](#) provided by the Grounded Solutions Network to estimate the feasibility of projects within each scenario. The Inclusionary Housing Calculator provides development financial data by strength of housing market and size of project. For each project estimated

cost and profit metrics are provided to help assess feasibility. Feasibility metrics are provided for low-rise rental projects (2-3 stories) and mid-rise rental (4-8 stories) projects. For all scenarios feasibility metrics reflect the cost and profit of the lowest profit combination of baseline and additional requirements. Full project assumptions can be found in Exhibit A.

Scenario 1: 20% Onsite Equivalent

Scenario 1 reflects the financial equivalent of a 20% onsite housing requirement. The baseline and additional requirements has been set at the following levels (Table 1):

Table 1. Scenario 1: 20% Onsite Equivalent

	<u>Rental</u>		<u>For Sale</u>	
	2-15 Units	16+ Units	2-15 Units	16+ Units
Baseline Requirement (All Projects)	10% Low-Income	5% Low Income 5% Very Low Income	10% Low-Income	5% Moderate Income 5% Low Income
Additional Requirement (Must choose one option below in addition to the Baseline Requirement)				
Option 1) Onsite	No Requirement	5% Very Low Income	No Requirement	5% Very Low Income
		or		or
		10% Low Income		10% Low Income
Option 2) In-Lieu Payment	Allowed for Fractional Units	15% Moderate Income Payment equal to 10% of Total units	Allowed for Fractional Units	15% Moderate Income Payment equal to 10% of Total units
		* Within 1/2 mile of project * Similar economic benefit * Requires Director approval		* Within 1/2 mile of project * Similar economic benefit * Requires Director approval
Option 3) Offsite	No Requirement	* Must be developable * Similar economic benefit * Requires Director approval	No Requirement	* Must be developable * Similar economic benefit * Requires Director approval
Option 4) Land Conveyance	No Requirement	* Must be developable * Similar economic benefit * Requires Director approval	No Requirement	* Must be developable * Similar economic benefit * Requires Director approval

* In-lieu fees allowed for fractional unit up to 0.5 Units, after 0.5 units they must provide one on-site unit

**Very Low Income- 50% AMI or lower, Low Income- 80% AMI or lower, Moderate Income- 120% AMI or Lower

As seen in Table 1, the baseline requirement for rental units has been set at 5% of onsite units required to be affordable to low-income households and 5% to be affordable to very-low income households. The baseline requirement for ownership units is set at 5% of onsite units required to be affordable to low-income households and 5% to be affordable to moderate income households.

For additional requirements, three affordability options are provided for onsite units. An in-lieu fee is allowed and set at a fee amount equal to 10% of total units. Requirements of land conveyance and off-site units are the same for all three scenarios.

Based upon these policy levels, staff estimates that projects that select either the very low or low income additional onsite requirement would not be feasible (Table 2).

Table 2. Scenario 1: Project Feasibility- Low & Very Low Income

	Low-Rise	Mid-Rise
Estimated Cost	\$19.71M	\$39.71M
Estimated Profit	\$2.82M	\$4.98M
Feasibility	Not Feasible (14.3%)	Not Feasible (12.6%)

*A project is considered feasible if profit is greater than 15% of cost

However, projects that select a moderate additional onsite requirement or in-lieu fee options would be feasible (Table 3).

Table 3. Scenario 1: Project Feasibility- Moderate Income

	Low-Rise	Mid-Rise
Estimated Cost	\$19.71M	\$39.71M
Estimated Profit	\$3.22M	\$6.16M
Feasibility	Feasible (16.4%)	Feasible (15.5%)

*A project is considered feasible if profit is greater than 15% of cost

Scenario 2: 15% Onsite Equivalent

Scenario 2 reflects the financial equivalent of a 15% onsite housing requirement. The baseline and additional requirements has been set at the following levels (Table 4):

Table 4. Scenario 2: 10% Onsite Equivalent

	Rental		For Sale	
	2-15 Units	16+ Units	2-15 Units	16+ Units
Baseline Requirement <i>(All Projects)</i>	10% Low-Income	5%- Low Income 5%- Very Low Income	10% Low-Income	5%- Moderate Income 5%- Low Income
Additional Requirement (Must choose one option below in addition to the Baseline Requirement)				
<i>Option 1) Onsite</i>	No Requirement	5%- Low Income <i>or</i>	No Requirement	5%- Low Income <i>or</i>
<i>Option 2) In-Lieu Payment</i>	Allowed for Fractional Units	10%- Moderate Income Payment equal to 5% of Total units	Allowed for Fractional Units	10%- Moderate Income Payment equal to 5% of Total units
<i>Option 3) Offsite</i>	No Requirement	* Within 1/2 mile of project * Similar economic benefit * Requires Director approval	No Requirement	* Within 1/2 mile of project * Similar economic benefit * Requires Director approval
<i>Option 4) Land Conveyance</i>	No Requirement	* Must be developable * Similar economic benefit * Requires Director approval	No Requirement	* Must be developable * Similar economic benefit * Requires Director approval

* In-lieu fees allowed for fractional unit up to 0.5 Units, after 0.5 units they must provide one on-site unit

**Very Low Income- 50% AMI or lower, Low Income- 80% AMI or lower, Moderate Income- 120% AMI or Lower

As seen in Table 4, the baseline requirement for both rental and ownership units remains the same as Scenario 1.

For additional requirements, two affordability options are provided for onsite units. An in-lieu fee has been reduced relative to Scenario 1 and set at a fee amount equal to 5% of total units. Requirements of land conveyance and off-site units are the same for all three scenarios.

Based upon these policy levels, staff estimates that only low-rise projects that select either the very low or low income additional onsite requirement would be feasible (Table 5).

Table 5. Scenario 2: Project Feasibility- Low & Very Low Income

	Low-Rise	Mid-Rise
Estimated Cost	\$19.71M	\$39.71M
Estimated Profit	\$2.98M	\$5.48M
Feasibility	Feasible (15.1%)	Not Feasible (13.8%)

*A project is considered feasible if profit is greater than 15% of cost

However, both low-rise and mid-rise projects that select moderate additional onsite requirement or in-lieu fee options would be feasible (Table 6).

Table 6. Scenario 2: Project Feasibility- Moderate Income

	Low-Rise	Mid-Rise
Estimated Cost	\$19.71M	\$39.71M
Estimated Profit	\$3.48M	\$6.40M
Feasibility	Feasible (17.6%)	Feasible (16.1%)

*A project is considered feasible if profit is greater than 15% of cost

Scenario 3: 10% Onsite Equivalent

Scenario 3 reflects the financial equivalent of a 10% onsite housing requirement. The baseline and additional requirements has been set at the following levels (Table 7):

Table 7. Scenario 3: 10% Onsite Equivalent

	<u>Rental</u>		<u>For Sale</u>	
	2-15 Units	16+ Units	2-15 Units	16+ Units
Baseline Requirement (All Projects)	10% Low-Income	5% Low Income	10% Low-Income	5% Low Income
Additional Requirement (Must choose one option below in addition to the Baseline Requirement)				
		5% Low Income		5% Low Income
<i>Option 1) Onsite</i>	No Requirement	or	No Requirement	or
		10% Moderate Income		10% Moderate Income
<i>Option 2) In-Lieu Payment</i>	Allowed for Fractional Units	Payment equal to 5% of Total units	Allowed for Fractional Units	Payment equal to 5% of Total units
<i>Option 3) Offsite</i>	No Requirement	* Within 1/2 mile of project * Similar economic benefit * Requires Director approval	No Requirement	* Within 1/2 mile of project * Similar economic benefit * Requires Director approval
<i>Option 4) Land Conveyance</i>	No Requirement	* Must be developable * Similar economic benefit * Requires Director approval	No Requirement	* Must be developable * Similar economic benefit * Requires Director approval

* In-lieu fees allowed for fractional unit up to 0.5 Units, after 0.5 units they must provide one on-site unit

**Very Low Income- 50% AMI or lower, Low Income- 80% AMI or lower, Moderate Income- 120% AMI or Lower

As seen in Table 7, the baseline requirement for both rental and ownership has been reduced relative to Scenarios 1 & 2 to 5% of onsite units affordable to low-income households. For additional requirements, Scenario 2 and 3 are the same. Requirements of land conveyance and off-site units are the same for all three scenarios.

Based upon these policy levels, staff estimates that both the low-rise and mid-rise projects are considered financial feasibility no matter the additional requirement option chose (Table 8).

Table 8. Scenario 3: Project Feasibility

	Low-Rise	Mid-Rise
Estimated Cost	\$19.71M	\$39.71M
Estimated Profit	\$3.92M	\$6.72M
Feasibility	Feasible (19.8%)	Feasible (16.9%)

*A project is considered feasible if profit is greater than 15% of cost

Discussion

Under all scenarios, developments with total project units between 21-25 units, 31-35 units, 41-45 units etc. will have a higher incentive to provide additional on-site units. The percentages used to calculate the onsite baseline and additional onsite requirement will create fractional units below the rounding up threshold (0.5 units). By staying below this threshold, the developer can avoid providing an additional onsite and instead pay the in-lieu fee for the fractional unit.

However, developments with total project units between 16-20 units, 26-30 units, 36-40 units, etc. will have a higher incentive to pay the in-lieu fee. The percentages used to calculate the onsite baseline and additional onsite requirement will create fractional units above the rounding up threshold (0.5 units). As a result, the developer will be providing additional onsite units as part of the baseline requirement. The developer can avoid the rounding up unit created through the additional onsite requirement, by paying the in-lieu fee instead.

B. Density Bonus

The purpose of the code amendments to the Density Bonus provisions is that our code is no longer aligned with state density bonus law. Allowable Density Bonus for developments and other provisions related concessions/incentives and waivers/reductions have changed in recent years. Staff is proposing changes to the City's Density Bonus Tables as well as sections of our density bonus provisions to align with SDBL. Additional changes are currently being proposed at the state level as part of Assembly Bill (AB) 2345 and Senate Bill (SB) 1085. Staff will likely update the Density Bonus tables to align with those changes if adopted by the state legislature. Below are some key amendments that are proposed to respond to changes to SDBL since 2017:

- Density Bonus of 80% for certain projects. Projects that propose 100% of units for affordable housing are allowed an 80% density bonus.
- Proactive Disclosure of Allowable Density Bonus. The City is now obligated to disclose the maximum allowable density bonus as part of completeness review for an application.
- Waivers or reductions of development standards. The applicant may request a reduction or waiver of development standards if the applicant can demonstrate that that the development standard will have the effect of physically precluding the construction of a development. No additional report (including a financial proforma) is required.
- Concessions & Incentives.
 - a. Concessions and Incentives allowed for certain types of projects have increased. For example, certain development projects that commit to 100% affordable housing units will be allowed 1 additional concession; a by-right height bonus of 33 feet; and additional parking reductions. Projects near transit are also allowed addition parking reductions. Additional changes are currently being proposed at the state level as part of Assembly Bill (AB) 2345 and Senate Bill (SB) 1085. Staff will likely update the concessions tables to align with those changes if adopted by the state legislature.
 - b. Applicants are required to provide reasonable documentation to establish eligibility for a requested incentives or concessions including a request for financial incentives. This would be in addition to any incentives already spelled out in the code (parking reductions, height bonus etc). While the City can only request documentation outlined by SDBL, requests for financial incentives and fee waivers would require justification to demonstrate need. In this instance, a financial proforma may be required by the City.

- 100% Affordable Housing Projects. If a housing development proposes 100% affordable units and is located within one-half mile of a major transit stop, the city, cannot not impose any maximum controls on density.

Additional Possible Amendments to Consider

Housing development continues to be a challenge even amongst the smaller development projects 5 units or less. The City currently does not provide a density bonus, incentives or concessions, or waivers/reductions for these types of smaller projects. In conversations with developers of smaller housing projects it would be difficult to take advantage of the SDBL even if was an available option.

As part of Staff's analysis of the Density Bonus amendments one possible solution to incentivize density in smaller housing developments was identified. Simple zoning code amendments could be made to allow one additional unit with a floor area of less than 500 square feet. This unit would not count towards maximum density and would qualify for a reduced parking ratio of .5 spaces. as a way of accommodating units that are more affordable by design.

Since these amendments would be outside what is needed to align the SRMC with the SDBL, they have not been included in the proposed changes. However, this amendment could be included with the broader amendment easily and would be a simple and effective way to incentivize additional housing development without significant impact the review and approval these developments.

C. Formalize Design Review Subcommittee

As discussed in the Background section, the DRB Subcommittee process currently being implemented during the Shelter-in-Place has shown to be very successful. As such, staff is proposing formalizing this process as a Design Review Advisory Committee (DRAC). Formalizing this process would mean the DRB would be replaced permanently by the DRAC.

Like the current process, the DRAC would serve in the same capacity as the full Board. The intent is for the DRAC to provide professional advice on design. The public would continue to be afforded public participation when the project moves forward for formal permit noticing and action, which would be through the Planning Commission, the Zoning Administrator or the Community Development Director.

Exhibit B shows the SRMC amendments to SRMC Chapter [14.25.060](#) and [14.25.070](#) necessary to permanently formalize the DRAC process. These amendments include:

- Eliminating the public noticing and hearing requirements for the new process;
- Refining the Purpose and Authority of the DRAC to focus solely on providing professional design advice;
- Reducing the number of members from five (5) regular members and one (1) alternate to two (2) regular members and one (1) alternate. Regular members would include one (1) Licensed Architect and one (1) Licensed Landscape Architect; and
- Minor procedural and administrative changes to reflect the reduced size of the subcommittee.

Recent analysis estimates that on average for every month saved during the approvals process a project can save nearly \$140,000.² Staff estimates that these changes to the DRB process will save the average project between two to six months in the time it take to receive a planning approval. At a savings of

² "If a developer is required to return 12% per year to a pension fund on a project in which the fund has invested \$10 million upfront in plans, land, and other consulting costs, a one year delay can mean an additional \$1.7 million in project costs when the project is finally built 3 years later as the cost is compounded over time." http://turnercenter.berkeley.edu/uploads/The_Effect_of_Local_Government_Policies_on_Housing_Supply.pdf

\$140,000 per month, the average project could save between \$280,000 \$840,000 through the implementation of this policy.

D. SRMC Amendments to Encourage Development and Streamline Approvals

Staff has identified the following SRMC Amendments that could streamline the approvals process and encourage development without significant impact to current staff processes or public participation.

Amendment to SRMC Section 14.12.040- Hillside Exception

To streamline the process, Staff is recommending amending [SRMC Section 14.12.040](#) to downgrade the review and action on Hillside Exception requests to the Planning Commission. Currently, Hillside Exception requests are reviewed and acted upon by the City Council (Exhibit C).

While the proposed amendment to the Hillside Overlay District Exception process would promote streamlined review, there are other practical and logical benefits to this amendment. First, granting an Exception is a “quasi-judicial” zoning action which, by City charter, should be held with the Planning Commission. Second, an Exception is always linked to the Environmental and Design Review Permit that is required for all hillside development. The Planning Commission holds decision making authority on such applications when they are deemed to be major. Lastly, while this amendment would afford the Planning Commission the decision-making authority on all Exception requests, this action coupled with the action on the Environmental and Design Review Permit would be appealable to the City Council.

Amendment to SRMC Chapter 14.16.190- Height Bonus

As mentioned in the Background section, the SDBL now allows developments that commit 100% of the units as units affordable to very low, low, and moderate-income households are eligible to a by right height bonus of 33 feet. Staff is proposing an amendment to [SRMC section 14.16.190](#) -Height Bonus accordingly (Exhibit D). This amendment would add the following language:

- Residential Development projects that make 100% of the total units available to lower income households, and such development project is located within one-half mile of a major transit stop, as defined in subdivision (b) of Section 21155 of the Public Resources Code, the applicant shall also receive a height increase of up to 33 feet.

Amendment to SRMC Chapter 14.16.300- Small Lots

As mentioned above, [SRMC section 14.16.300.A](#), adopted in 1992, establishes limits on development for lots under 5,000 square feet in area. Staff is proposing amendments to SRMC (Exhibit E) in effort to remove barriers to housing production. This would require amendments to the following SRMC sections:

- [14.16.300.A](#). would be deleted
- [14.04.040](#) - Property development standards (DR, MR, HR). This section includes Table 14.04.040 which outlines the required development standards and special provisions identified as footnotes. Footnote ‘A’ make reference to development limitations for small lots. This footnote would be deleted.
- [14.05.030](#) - Property development standards (GC, NC, O, C/O, R/O, FBWC). This section includes Table 14.05.030 which outlines the required development standards and special provisions identified as footnotes. Footnote ‘N’ make reference to development limitations for small lots. This footnote would be deleted.

Amendment to SRMC Chapter 14.28- Appeals

Staff has developed an amendment to [SRMC Chapter 14.28 \(Appeals\)](#) to streamline the scheduling and action on an appeals (Exhibit F). These amendments would:

- Establish scheduling procedures
- Clarifies public noticing requirements

The proposed amendment to the Appeal process has several benefits. First, it would streamline time frame for the process. Scheduling an appeal for and holding a public hearing can add two-four months to the Planning review process, as the scheduling of the appeal for a hearing is open to coordinating and negotiating date availability with numerous stakeholders. Second, the proposed amendment would provide the stakeholders, the decision-making body, and the public with a level of certainty as to the appeal hearing date when the appeal is filed.

Staff estimates that these changes to the appeals process will save the average project two months in the time it take to receive a planning approval. At a savings of \$140,0000 per month, the average project could save \$280,000 through the implementation of this policy.

ENVIRONMENTAL DETERMINATION

This report is provided for informational purposes and therefore will have no physical impact on the environment. The report is classified as a planning study, which qualifies for a Statutory Exemption from the provisions of the CEQA Guidelines under 14 CRR Section 15262.

NEIGHBORHOOD MEETING / CORRESPONDENCE

Notice of hearing for the project was conducted in accordance with noticing requirements contained in Chapter 29 of the Zoning Ordinance. A Notice of Public Hearing was mailed to all property owners and occupants within a 300-foot radius of the subject site and the Canal Neighborhood Association, and all other interested parties, 15 calendar days prior to the date of all meetings, including this hearing. Public notice was also posted on the subject site 15 calendar days prior to the date of all meetings, including this hearing.

Note, the Planning Commission notice that was mailed to stakeholders did not mention the report discussion of the formalizing the DRB Subcommittee. As this agenda item is an information report, noticing is not required for Planning Commission consideration of this item.

As described in the Background section, in addition to the City Council meetings of August 20, 2018 and September 3, 2019, Staff held two evening public workshops dedicated to the housing topics and policies presented in the January 21, 2020 staff report:

- Housing Workshop #1 was held on November 3, 2019. This workshop: a) provided in-depth information on the current housing crisis; and b) focused on the recommended policy actions specific to the regulation/zoning and permit streamlining. Workshop attendance: 40.
- Housing Workshop #2 was held on November 14, 2019. This workshop: a) included a presentation on housing development financing and funding sources; and b) focused on the recommended policy actions specific to City's inclusionary housing requirements and use of the City's Affordable Housing Trust Fund. Workshop Attendance: 35

As part of the development of this information report, Staff developed a “Strawman” Draft Proposal of the Inclusionary Housing Policy to elicit feedback from interested stakeholders (Exhibit G). With this “Strawman,” staff conducted the following outreach:

- One-on-One meetings with interested community stakeholders;
- Presentations to Marin Environmental Housing Collaborative and San Rafael Chamber of Commerce Governmental Affairs Committee (including representative of the Marin Builders Association)

Feedback from this outreach informed the development of the policy scenarios proposed by staff. Additionally, the “Strawman” Draft proposal also included discussion of a “Housing Development Incentive Pilot Program.” Based upon feedback received during outreach, this “Pilot Program” has not been included in this informational report or in Exhibit G as further analysis is needed.

OPTIONS

The Planning Commission has the following options to consider on this matter:

1. Accept report and provide feedback regarding proposed changes.
2. Direct staff to return with more information.
3. Take no action.

EXHIBITS

- A. Inclusionary Housing Pro-Forma Assumptions
- B. Proposed SRMC Amendments to 14.25.070 - Design review
- C. Proposed SRMC Amendments to 14.12.040 - Exceptions to property development standards
- D. Proposed SRMC Amendments to 14.16.190 - Height bonus
- E. Proposed SRMC Amendments to 14.16.300 & 14.04.040- Small Lots
- F. Proposed SRMC Amendments 14.28.040- Appeals
- G. “Strawman” Draft Proposal of the Inclusionary Housing Policy

EXHIBIT A. Inclusionary Housing Pro-Forma Assumptions

Project Summary

	Low-Rise	Mid-Rise
Base Units	30	60
Density Bonus	20%	20%
Total Units	36	72
Overall Square Feet	38,527	77,739

Unit Mix

	Studio	1-Bed	2-Bed	3-Bed
% of Units	26%	32%	32%	10%
Unit Size (SF)	727	858	1,114	1,322

Rent

	Studio	1-Bed	2-Bed	3-Bed
Market Rate	\$2,828	\$3,479	\$3,857	\$5,174
120% AMI	\$3,005	\$3,434	\$3,864	\$4,293
80% AMI	\$2,003	\$2,290	\$2,576	\$2,862
50% AMI	\$1,252	\$1,431	\$1,610	\$1,789

Pro Forma

Site Area	1.00 acre
Parking Ratio	1.25 spaces per unit
Construction Costs	\$250 per square foot
Land Cost	\$7.5 M per acre
Vacancy Rate	5%
Operating Costs	20%
Construction Loan Interest Rate	5%
Loan to Cost Ratio	70%
Cap Rate	4.75%
Median Family Income	\$143,100 San Francisco, CA HUD Metro FMR Area

Assumptions were entered into the Inclusionary Housing Calculator provided by Grounded Solutions Network on July 27, 2020 available here: <https://inclusionaryhousing.org/calculator/>

EXHIBIT B. Proposed SRMC Amendments to 14.25.070 - Design review

Deletions are shown as ~~strikethroughs~~

Additions are shown underlined

14.25.020 - Authority.

The planning commission, zoning administrator or community development director shall approve, conditionally approve or deny applications for environmental and design review permits. This authority is identified as follows:

A. Major Environmental and Design Review Permit. The planning commission shall make determinations on environmental and design review applications for any major physical improvement listed under Section 14.25.040(A).

B. Minor Environmental and Design Review Permit. The zoning administrator shall make determinations on environmental and design review applications for any minor physical improvement listed under Section 14.25.040(B), and one-time extensions to major and minor environmental and design review permit approvals. When, in the opinion of the zoning administrator, an applicant or a member of the public, any matter set forth in Section 14.25.040(B) does not meet the applicable review criteria set forth in Section 14.25.050, the application shall be forwarded to the design review ~~board~~ board advisory committee for its recommendation. Requests for referral to the design review ~~board~~ board advisory committee made by an applicant or member of the public must be made in writing within the public review period and prior to the conclusion of the zoning administrator's public hearing, and must set forth specific reasons why it is believed that the proposed design does not meet the applicable review criteria.

14.25.030 - Application.

A. Initial Consultation. An initial consultation may be initiated by requesting an appointment with the community development director or a designated representative. Sketches of the design of a proposed structure or alteration should be submitted for informal staff review so that an applicant may be informed of the city's environmental and design review board policies prior to preparing detailed drawings.

B. Conceptual Review Required. The applicant of a development subject to major environmental and design review shall submit an application for conceptual review by the design review board advisory committee. Conceptual review focuses on the conceptual design approach, and gives both the design review board advisory committee and the applicant the opportunity to work together to achieve a quality design by providing an opportunity for the board advisory committee to identify and discuss relevant issues and indicate the appropriateness of the design approach. Submittal materials shall include a site plan, floor plans and building elevations with sufficient detail to convey the proposed design direction. The applicant's presentation should have a level of detail adequate to show the architect's analysis of the problem and to explain the proposed design solution. Conceptual review is optional for development subject to minor environmental design review.

14.25.060 - Public notice and hearing.

A. Major Environmental and Design Review Permit.

1. The planning commission shall hold a public hearing on an application for a major environmental and design review permit.
2. Notice of ~~design review board meetings~~ and planning commission hearings shall be given consistent with [Chapter 14.29](#), Public Notice.

B. Minor Environmental and Design Review Permit.

1. The zoning administrator shall hold a public hearing on an application for minor environmental and design review permit.
2. Notice of ~~design review board meetings~~ and zoning administrator hearings shall be given consistent with [Chapter 14.29](#), Public Notice.

C. Administrative Environmental and Design Review Permit. Public notice and hearing are not required for issuance of an administrative environmental and design review permit, except for development subject to Sections [14.14.030](#) and [14.25.040](#)(C)(19), modifications to properties in the EA overlay district, which shall comply with the notice provisions in [Chapter 14.29](#) of this title.

14.25.070 - Design review ~~board~~ advisory committee.

A. Purpose and Authority. The design review ~~board~~ advisory committee shall serve as an advisory body to the city for the purpose of reviewing ~~and formulating recommendations on~~ all major physical improvements requiring environmental and design review permits and on other design matters, including minor physical improvements or administrative design permits, referred to the board by the community development director, planning commission or city council. The design review ~~board~~ advisory committee shall provide professional design analysis, ~~evaluation and judgment~~ as to the completeness, competence and appropriateness of development proposals for their use and setting ~~and to recommend approval, approval with conditions, redesign or denial based on design standards adopted by the city council.~~

B. Membership of the Design Review ~~Board~~ Advisory Committee. The design review ~~board~~ subcommittee shall consist of a total of ~~five (5)~~ two (2) regular members and may include one alternate member appointed by the city council. The design review ~~board~~ advisory committee shall be qualified as follows:

1. At least ~~two (2)~~ one (1) members shall be licensed architects or licensed building designers;
2. At least one member shall be a licensed landscape architect;
- ~~3. At least one of the five (5) members shall have background or experience in urban design;~~
4. The alternate member may have qualifications in any of the above fields of expertise; and
5. All ~~board~~ advisory committee members shall reside in the city of San Rafael; ~~and~~
- ~~6. In addition to the five (5) council-appointed board members and one alternate member, one planning commissioner shall attend board meetings. This liaison planning commissioner shall be appointed by the commission chairperson. An additional commissioner shall be appointed to serve as an "alternate liaison" in case of absence. The planning commission liaison should be present at all design review board meetings to offer advice and direction to the board on matters of commission concern.~~

C. Alternate Member. The alternate member may temporarily fill a vacancy created when a regular member: (1) leaves office prior to completion of the member's term; (2) cannot attend a meeting; or (3) cannot participate on a particular matter due to a conflict of interest.

D. Term of Office. The term of office for each design review board advisory committee member shall be four (4) years. ~~Of the members of the board first appointed, one shall be appointed for the term of one year; one for the term of two (2) years; one for the term of three (3) years; and two (2) for the term of four (4) years. The term of office for the alternate board member shall be four (4) years concurrent with the term of the chairperson.~~

E. Removal or Vacancy of Membership. Any member of the board advisory committee or the alternate member can be removed at any time by a majority vote by the city council. A vacancy shall be filled in the same manner as the original appointment. The person appointed to fill a vacancy shall serve for the remainder of the unexpired term.

F. Meetings. At least one (1) regular design review board advisory committee meeting shall be held each month on a date selected by the board, unless there is no business to conduct. The design review board advisory committee may adopt and amend as necessary, Rules of Order ensuring efficient and responsive board meetings.

G. Quorum. ~~Three (3)~~ two (2) of the members of the board advisory committee, either regular members or ~~two (2)~~ one (1) regular members and the alternate board member, shall be required to constitute a quorum for the transaction of the business of the board advisory committee and the affirmation vote of a majority of those present is required to take any action.

H. Compensation of the Design Review Board Advisory Committee. All members of the board advisory committee shall serve as such without compensation.

I. The design review board advisory committee may adopt, and amend as necessary, Rules of Order to ensure efficient and responsive board advisory committee meetings.

EXHIBIT C: Proposed SRMC Amendments to 14.12.040 - Exceptions to property development standards.

Deletions are shown as ~~strikethroughs~~

Additions are shown underlined

14.12.040 - Exceptions to property development standards.

~~City Council~~ Planning Commission Exception Required. Exceptions to the property development standards of this chapter may be approved by the ~~city council~~ planning commission, ~~upon the recommendation of the design review board and the planning commission,~~ when the applicant has demonstrated that alternative design concepts carry out the objectives of this chapter and are consistent with the general plan based on the following criteria:

A. The project design alternative meets the stated objectives of the hillside design guidelines to preserve the inherent characteristics of hillside sites, display sensitivity to the natural hillside setting and compatibility with nearby hillside neighborhoods, and maintain a strong relationship to the natural setting; and

B. Alternative design solutions which minimize grading, retain more of the project site in its natural state, minimize visual impacts, protect significant trees, or protect natural resources result in a demonstrably superior project with greater sensitivity to the natural setting and compatibility with and sensitivity to nearby structures.

EXHIBIT D. Proposed SRMC Amendments to 14.16.190 - Height bonus

Deletions are shown as ~~strikethroughs~~

Additions are shown underlined

14.16.190 - Height bonus.

- A. Downtown Height Bonuses. A height bonus may be granted by a use permit approved by the planning commission in the following downtown zoning districts. No more than one height bonus may be granted for a project.
1. In the Fourth Street retail core, a twelve-foot (12') height bonus for any of the following:
 - a. Affordable housing, consistent with Section 14.16.030 (Affordable housing);
 - b. Public courtyards, plazas and/or passageways, with the recommendation of the design review board that the public improvements are consistent with downtown design guidelines;
 - c. Public parking, providing it is not facing Fourth Street and it is consistent with the downtown design guidelines.
 2. In the Lindaro district, on lots south of Second Street and fronting Lindaro Street, a twenty-four-foot (24') height bonus for any of the following:
 - a. Park area adjacent to Mahon Creek, accessible to the public and maintained by the property owner;
 - b. Community facility, ten thousand (10,000) square feet or more in size. The facility must be available to the public for cultural and community events, and maintained and operated by the property owner.
 3. In the Second/Third mixed use east district, a twelve-foot (12') height bonus for any of the following:
 - a. Affordable housing, consistent with Section 14.16.030 (Affordable housing);
 - b. Public parking, providing it is consistent with the downtown design guidelines;
 - c. Skywalks over Second or Third Streets, with the approval of the traffic engineer, and the recommendation of the design review board;
 - d. Mid-block passageways between Fourth Street and parking lots on Third Street, with the recommendation of the design review board that the design is attractive and safe.
 4. In the West End Village, a six-foot (6') height bonus for any of the following:
 - a. Affordable housing, consistent with Section 14.16.030 (Affordable housing);
 - b. Public parking, providing it is consistent with the downtown design guidelines;
 - c. Public passageways, with the recommendation of the design review board that the public passageway serves an important public purpose and is attractive and safe.
 5. In the Second/Third mixed use west district, on lots located on the north side of Third Street and east of C Street, an eighteen-foot (18') height bonus for the following:
 - a. Public parking, providing it is consistent with the downtown design guidelines.

- B. Lincoln Avenue Height Bonus. A twelve-foot (12') height bonus may be granted for affordable housing on Lincoln Avenue between Mission Avenue and Hammondale Ct., on lots greater than one hundred fifty (150') in width and twenty thousand (20,000) square feet in size, consistent with Section 14.16.030, (Affordable housing).
- C. ~~Marine~~-Marin Square Height Bonus. A twenty-four-foot (24') height bonus may be granted for affordable housing at the Marin Square and Gary Place properties, consistent with Section 14.16.030 (Affordable housing).
- D. North San Rafael Town Center Height Bonus. A twenty-four-foot (24') height bonus may be granted for affordable housing in the North San Rafael Town Center, consistent with Section 14.16.030 (Affordable housing).
- E. Hotel Height Bonus. A height bonus of twelve feet (12') may be granted for a hotel provided the planning commission finds that the hotel will be a significant community benefit and the design is consistent with design review board recommendations.
- F. Residential Development projects that make 100% of the total units available to lower income households, and such development project is located within one-half mile of a major transit stop, as defined in subdivision (b) of Section 21155 of the Public Resources Code, the applicant shall also receive a height increase of up to 33 feet.

EXHIBIT E. Proposed SRMC Amendments to 14.16.300 & 14.04.040- Small Lots

Deletions are shown as ~~strikethroughs~~

Additions are shown underlined

14.16.300 - Small lots.

Development of small lots shall be permitted in accordance with all the requirements of the district. Such development shall be considered conforming with the following additional limits in residential districts:

- A. ~~Vacant small lots less than five thousand (5,000) square feet in size shall be developed with only one unit in accordance with all the requirements of the district, and no additional units shall be added to developed small lots less than five thousand (5,000) square feet in size. Small downtown lots are exempt from this section; they shall be developed in accordance with all the requirements of the district.~~
- B. No small lot shall be further reduced in area or width, except as required for public improvements.
- C. Small lots which are contiguously owned are subject to the merger provisions of the State Subdivision Map Act.
- D. This section does not apply to the PD district.

14.04.040 - Property development standards (DR, MR, HR).

This section includes Table 14.04.040 which outlines the required development standards and special provisions identified as footnotes. In line with the amendments to section 14.16.300 the footnotes in this section would amended as follows:

- (A) ~~Outside of downtown, only one unit is permitted, and no additional units are permitted, on lots less than five thousand (5,000) square feet, per Section 14.16.300 (Small lots).~~
- (B) The minimum lot area for a boarding house is five hundred (500) square feet per guest room.
- (C) A density bonus may be granted, as provided for in Section 14.16.030 (Density bonus).
- (D) Where two (2) or more lots in a block have been improved with buildings, the minimum required shall be standard, or the average of improved lots on both sides of the street for the length of the block, whichever is less.
- (E) Where there is a driveway perpendicular to the street, any garage built after January 1, 1991, shall be set back twenty feet (20').
- (F) Parking and maneuvering areas, excluding access driveways, shall be prohibited in all required yards, per Section 14.18.200 (Location of parking and maneuvering areas) of this title.
- (G) In the DR and MR district, on a reverse corner lot, the rear twenty feet (20') of the street side shall have a fifteen-foot setback.
- (H) In the MR or HR districts, where development is adjacent to a single-family district, the rear yard setback shall be ten feet (10').

- (I) In order to provide adequate privacy and sunlight, additional separation may be required through design review.
 - (J) The height limit in the Latham Street neighborhood ranges from thirty feet (30') to thirty-six feet (36'). See the downtown height map for lot-specific information.
 - (K) A height bonus may be granted, as provided for in Section 14.16.190 (Height bonus).
 - (L) Private yard areas shall have a minimum dimension of six feet (6'). In the HR districts, common indoor area suitable for recreational uses may be counted toward the usable outdoor area requirement.
 - (M) Where a driveway is located in a side yard, a minimum of three feet (3') of buffer landscaping shall be provided between the driveway and side property line. The required rear yard shall be landscaped to provide a buffer.
- (N) Setback distances apply to areas that provide a primary pedestrian access only. benefit and the design is consistent with design review board recommendations.

EXHIBIT F. Proposed SRMC Amendments 14.28.040- Appeals

Deletions are shown as ~~strikethroughs~~

Additions are shown underlined

14.28.040 - ~~Public notice and hearing~~ Scheduling and noticing for a public hearing.

A. Public hearing required. The planning commission or city council, as the case may be, shall hold a public hearing on an appeal. At the public hearing, the appellate body shall review the record of the decision and hear testimony of the appellant, the applicant, and any other interested party.

B. Public hearing scheduled. Following the timely filing of an appeal, said appeal shall be scheduled for the next available planning commission or city council meeting, as the case may be, and allowing sufficient time for giving notice pursuant to subsection (C) of this section and State law.

C. Public hearing N~~notice~~. Notice of a ~~public hearings~~ shall be given in the manner required for the decision being appealed, as set forth in SRMC Section 14.29.020.

Exhibit G- "Strawman" Draft Proposal of the Inclusionary Housing Policy

Inclusionary Housing Requirements		Rental				For Sale					
		2-10 Units		11-20 Units		2-10 Units		11-20 Units		21+ Units	
Existing Requirement	Minimum 50% of BMR units affordable to Very Low Income households; remainder affordable to Low Income households	Minimum 50% of BMR units affordable to Very Low Income households; remainder affordable to Low Income households	Minimum 50% of BMR units affordable to Very Low Income households; remainder affordable to Low Income households	Minimum 50% of BMR units affordable to Very Low Income households; remainder affordable to Low Income households	Minimum 50% of BMR units affordable to Low Income households; remainder affordable to Moderate Income households.	Minimum 50% of BMR units affordable to Low Income households; remainder affordable to Moderate Income households.	Minimum 50% of BMR units affordable to Low Income households; remainder affordable to Moderate Income households.	Minimum 50% of BMR units affordable to Low Income households; remainder affordable to Moderate Income households.	Minimum 50% of BMR units affordable to Low Income households; remainder affordable to Moderate Income households.	Minimum 50% of BMR units affordable to Low Income households; remainder affordable to Moderate Income households.	Minimum 50% of BMR units affordable to Low Income households; remainder affordable to Moderate Income households.
Proposed New Inclusionary Requirement											
Baseline Requirement (All Projects)	10% Low-Income In-lieu fee for fractional unit up to 0.5 Units, after 0.5 units they must provide one on-site unit	5% Moderate Income 5% Very Low Income Must provide at least one unit in each income category	5% Moderate Income 5% Very Low Income Must provide at least one unit in each income category	10% Low-Income In-lieu fee for fractional unit up to 0.5 Units, after 0.5 units they must provide one on-site unit	5% Moderate Income 5% Low Income Must provide at least one unit in each income category	5% Moderate Income 5% Low Income Must provide at least one unit in each income category	5% Moderate Income 5% Low Income Must provide at least one unit in each income category	5% Moderate Income 5% Low Income Must provide at least one unit in each income category	5% Moderate Income 5% Low Income Must provide at least one unit in each income category	5% Moderate Income 5% Low Income Must provide at least one unit in each income category	5% Moderate Income 5% Low Income Must provide at least one unit in each income category
Additional Requirement (Must choose one option below in addition to the Baseline Requirement)											
		5% Extremely Low Income, must provide at least one unit or 10% Low Income, must provide at least one unit		10% Half Very Low Income & Half Low Income, must round up for fractional units but rounded unit can be in the higher income category. or 15% Low Income		5% Extremely Low Income, must provide at least one unit or 10% Half Very Low Income & Half Low Income, must round up for fractional units but rounded unit can be in the higher income category. or 15% Low Income		5% Low Income, must provide at least one unit or 10% Half Low Income & Half Moderate Income, must round up for fractional units but rounded unit can be in the higher income category. or 15% Moderate Income		5% Low Income, must provide at least one unit or 10% Half Low Income & Half Moderate Income, must round up for fractional units but rounded unit can be in the higher income category. or 15% Moderate Income	
		20% Moderate Income		20% Moderate Income		20% Moderate Income		20% Moderate Income		20% Moderate Income	
Option 1) Onsite	No Requirement	5% Low Income, must provide at least one unit or 10% for Moderate Income, must round up for fractional units		10% Half Very Low Income & Half Low Income, must round up for fractional units but rounded unit can be in the higher income category. or 15% Low Income		5% Low Income, must provide at least one unit or 10% Half Very Low Income & Half Low Income, must round up for fractional units but rounded unit can be in the higher income category. or 15% Low Income		5% Low Income, must provide at least one unit or 10% Half Low Income & Half Moderate Income, must round up for fractional units but rounded unit can be in the higher income category. or 15% Moderate Income		5% Low Income, must provide at least one unit or 10% Half Low Income & Half Moderate Income, must round up for fractional units but rounded unit can be in the higher income category. or 15% Moderate Income	
Option 2) Offsite	No Requirement	* Must be within 1/2 mile of project * Must have same economic benefit * Requires Director approval		* Must be within 1/2 mile of project * Must have same economic benefit * Requires Director approval		* Must be within 1/2 mile of project * Must have same economic benefit * Requires Director approval		* Must be within 1/2 mile of project * Must have same economic benefit * Requires Director approval		* Must be within 1/2 mile of project * Must have same economic benefit * Requires Director approval	
Option 3) Land Conveyance	No Requirement	* Must be developable * Must have same economic benefit * Requires Director approval		* Must be developable * Must have same economic benefit * Requires Director approval		* Must be developable * Must have same economic benefit * Requires Director approval		* Must be developable * Must have same economic benefit * Requires Director approval		* Must be developable * Must have same economic benefit * Requires Director approval	
Option 4) In-Lieu Payment	Allowed for Fractional Units	* Must be within 1/2 mile of project * Must have same economic benefit * Requires Director approval * Payment equal to 10% of Total units		* Must be within 1/2 mile of project * Must have same economic benefit * Requires Director approval * Payment equal to 10% of Total units		* Must be within 1/2 mile of project * Must have same economic benefit * Requires Director approval * Payment equal to 10% of Total units		* Must be within 1/2 mile of project * Must have same economic benefit * Requires Director approval * Payment equal to 10% of Total units		* Must be within 1/2 mile of project * Must have same economic benefit * Requires Director approval * Payment equal to 10% of Total units	
* Extremely Low Income- 30% AMI or lower, Very Low Income- 50% AMI or lower, Low Income- 80% AMI or lower, Moderate Income- 50% AMI or Lower											