

Informational Report on Potential Amendments to the San Rafael Municipal Code to Facilitate Housing Development and Streamline Approvals

San Rafael City Council

Roadmap

- 1) Report Background
- 2) Inclusionary Housing
- 3) Density Bonus
- 4) Design Review Board
- 5) Amendments to SRMC
- 6) Discussion & Feedback



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1) Report Background

Background

Comprehensive Report to City Council on Housing- August 20, 2018 Staff Directed to follow-up on four topics:

- Renter Protection
- Short-term Rentals
- Housing for an aging population
- Challenges to approving and developing housing

Report on Challenges to Approving/Developing Housing – September 4, 2019

Purpose: Informational report identifying challenges, which included:

- Stakeholder interviews, research, gathering best practices, data collection
- Identified 11 challenges
- Identified 13 recommended measures and actions to consider



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Housing Work Plan

January 21, 2020- City Council approved Housing Work Plan outlining 15 Policies to incentivize and streamline housing development:

- 6 policies implemented to date (Policies 1-6);
- 5 policies proposed in this informational report (Policies 7, 8, 11, 12, & 15)
- 2 policies under development (Policies 9 & 10)



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		Staff Recommendation	Next Steps*
Phase 1			Anticipated Spring/Summer 2020*
Policy 7 & 8	Adopt Changes to Inclusionary Housing Requirements & Adopt Changes to Affordable Housing In-lieu Fee	Adopt an ordinance amending the City's Inclusionary Housing requirement to provide a menu of options for developers to reach compliance and providing development incentives.	Return with an informational report on potential amendments and to the City's Inclusionary Housing Requirement and Affordable Housing In-Lieu Fee and next steps.
Policy 9	"By-Right" Zoning for Affordable Housing Projects	Adopt a resolution establishing a "By Right" Planning Process for Affordable Housing Projects	Return with "By-Right" Planning Process for City Council consideration
Policy 10	New Accessory Dwelling Unit (ADU) Ordinance	Adopt a new ADU ordinance compliant with recently passed State Legislation	Present a Draft ADU Ordinance the Planning Commission for review
<u>Phase 2</u>			Anticipated Fall/Winter 2020*
Policy 11	Update "Density Bonus" Ordinance	Adopt an Ordinance simplifying and making compliant with State Law the City's Density Bonus requirements.	Return with Draft Density Bonus Ordinance for City Council consideration
Policy 12	Consider Changes to Design Review Board	Adopt an ordinance changing the structure and role of the DRB	Return with an Informational Report on potential changes to the DRB. Ordinance to follow.
Phase 3			Anticipated 2021*
Policy 13	Changes to Payment of Development Impact Fees	Adopt a resolution changing the timing of fee payments for development impact fees	Return with an Informational Report on potential changes to the payment of development impact fees.
Policy 14	Support City/Developer Partnerships	Conduct an in-depth assessment of air rights use of the seven City-owned parking lots for development potential.	Return with an Informational Report assessing air rights use of the seven City parking lots and recommended next steps.
<u>On-Hold</u>			
Policy 15	Raise Appeal Fee and/or Change Appeal Process	No Action Recommended	No Action Necessary

*Timeline for proposed next steps represents the anticipated timing for follow-up staff actions, **not** the final implementation of the proposed policy.

Community Engagement

Housing Work Plan Development

- 3 City Council meetings
- 2 Housing Community Workshops

"Strawman" Draft Proposal

- 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)

Planning Commission- August 11th, 2020

- Present an earlier version of this informational report
- Feedback included after each policy discussion



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Community Survey

Partnered with ZenCity to conduct simple 10-question survey

Conducted between July 31st to August 19

Survey in English and Spanish, released through Snapshot, Nextdoor, Facebook, and Twitter

162 resident responses



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Community Survey- Key Findings

1. Near consensus from respondents on need for more affordable housing

 80% of San Rafael residents responding to survey believe there is a need for more affordable housing

2. Mixed response on allowing an in-lieu fee

- 43%- No
- 36%- Yes
- 19%- Unsure

3. Respondents supported denser development citywide

Where should the more housing & mixeduse be allowed? (multiple choice)

- 42%- Citywide
- 34%- Downtown
- 23%- Canal



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How do you envision these developments? (multiple choice)

- 52%- 2-4 story mixed use
- 39%- Duplex/Triplex/Fourplex
- 31%- 5-8 story Town Center

2) Inclusionary Housing

Policy Background

Current Inclusionary Housing Requirement

Rental				
2-10 Units	11-20 Units	21+ Units		
10% BMR	15% BMR	20% BMR		
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		
	For Sale			
2-10 Units	11-20 Units	21+ Units		
10% BMR	15% BMR	20% BMR		
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 household remainder affordable to Moderate Income households.		





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Current Affordable Housing In-Lieu Fee

Current Inclusionary Fee: \$343,969 per unit

- Set in 2006 at \$236,000 per unit
- Adjusted annually to account for inflation in housing and construction costs.
- Paid at same time as Building permits fees

Fee amount reflects the "Affordability Gap": the difference in price between market rate and affordable units.

Currently allow only for "fractional" units or if applicant can establish financial need or project infeasibility.

- Example: 22-unit project * 20% inclusionary requirement= 4.4 BMR units
 - ➤ 4-units provided onsite (2- low income, 2- very-low income)
 - > \$137,587 in-lieu fee (0.4 units * \$343,969 fee)



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Inclusionary Housing Impacts

PROS

Affordable units are built (quickly

Can provide some economic and racial integration



CONS

Produces fewer affordable units compared to 100% affordable housing developments



No subsidy needed from City



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Doesn't produce units for the extremely low-income

Reduces project revenues: can potentially restrict production and raise

Affordable Housing In-Lieu Fee Effectiveness

Are fees effective at producing more housing units?

- \$6:\$1 nationwide average leverage ratio of trust fund dollars for affordable housing.
- 3 units built for every 1 units worth of fees (Seattle)
- ~\$45,500 average local/county funding to make a LIHTC project feasible in Marin (\$125,000 in Oakland)

Does affordable housing need to be provided onsite to be effective at creating inclusive communities

Nearly all available studies looking at this relationship indicate that access to higher opportunity
 neighborhoods is the most important factor. Access to specific market rate buildings is not the influencing
 factor.

What are the equity impacts of changing the inclusionary housing requirements?

- Ensuring high-housing quality and robust resident services are as important to resident success housing stability.
- In neighborhoods with higher rates of poverty, LIHTC developments are providing better housing quality and stronger property management than what is available in the private market.



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Inclusionary Housing White Paper Recommendations

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Provide a by-right in-lieu fee option

to fulfill the inclusionary housing requirement.

Ensure that by-right in-lieu fees are set sufficiently high.

Alter the inclusionary requirement

depending on development type and location; conduct further study.

Consider reducing it for ownership units specifically. Allow developers to fulfill the inclusionary requirement more creatively and efficiently

E.g. provide more smaller-sized affordable units rather fewer largesized affordable Set a schedule to review and revise the Inclusionary Housing Ordinance on a regular basis.

Make sure requirements reflect market conditions. Update cycle of 3-5 years.



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Two Main Elements:

<u>Baseline Requirement-</u> A percentage of BMR units required to be provided on-site as part of <u>all</u> projects.

<u>Additional Requirement-</u>Options provided to the developer to meet the remaining inclusionary housing requirement



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Four main types of additional requirements:

- 1) <u>Additional Onsite Units-</u> Onsite BMR units provided in addition to the baseline requirement. Often the developer has several options at varied depth (the percentage of units) and breadth (the affordability level) of affordability restrictions.
- 2) <u>In-Lieu Fee-</u> A per unit fee paid to City by the developer instead of onsite units. Fee is placed in a Trust Fund to dedicated to creating more affordable housing.
- 3) <u>Offsite</u> Units- BMR units are provided offsite at a nearby site. Must provide similar economic benefit and requires Director Approval.
- 4) <u>Land Conveyance-</u> Developable land is provided to the City of future affordable housing development. Must provide similar economic benefit and requires Director Approval.



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Policy Proposal

Inclusionary Housing- Scenarios

Goal was to design requirements that are simple and transparent

Three Scenarios:

- 20% Onsite BMR Equivalent,
- 15% Onsite BMR Equivalent,
- 10% Onsite BMR Equivalent.

All scenarios include the below elements:

- Condense project size categories from three (2-10 units, 11-20 units, 21+ units) to two (2-15 units, 16+ units)
- Baseline Requirement
- Additional Requirement

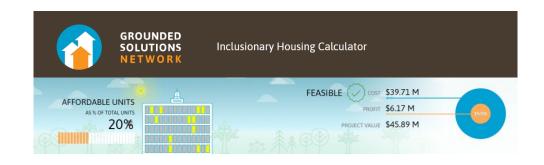


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Feasibility:

- Low-Rise (36 unit) & Mid-Rise Prototype (72 unit)
- Analyzed for Additional Onsite BMR units
- Feasible if profit is greater than 15% of cost.



Scenario 1-20% Equivalent

	Rental		For Sale	
	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 opti	on below in addition to th	ne Baseline Requireme	ent)
		5%- Very Low Income		5%- Very Low Income
		or		or
Option 1) Onsite	No Requirement	10%- Low Income	No Requirememt	10%- Low Income
		or		or
		15%- Moderate Income		15%- Moderate Income
Option 2) In-Lieu Payment	Allowed for Fractional Units	Payment equal to 10% of Total units	Allowed for Fractional Units	Payment equal to 10% of Total units
		* Within 1/2 mile of project		* Within 1/2 mile of project
Option 3) Offsite	No Requirememt	* Similiar economic benefit	No Requirement	* Similiar economic benefit
		* Requires Director approval		* Requires Director approva
		* Must be developable		* Must be developable
Option 4) Land Conveyance No Requirement		* Similar economic benefit	No Requirememt	* Similar economic benefit
		* Requires Director approval		* Requires Director approva

* 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

Feasibility- Low/Very-Low

	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

Feasibility- Moderate

	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



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Scenario 2-15% Equivalent

	Rental		For Sale	
	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 opti	on below in addition to th	ne Baseline Requireme	e <u>nt)</u>
- ·		5%- Low Income		5%- Low Income
Option 1) Onsite	No Requirememt	or	No Requirememt	or
		10%- Moderate Income		10%- Moderate Income
Option 2) In-Lieu Payment	Allowed for Fractional Units	Payment equal to 5% of Total units	Allowed for Fractional Units	Payment equal to 5% of Total units
Option 3) Offsite	No Requirememt	* Within 1/2 mile of project * Similiar economic benefit * Requires Director approval	No Requirememt	* Within 1/2 mile of project * Similiar economic benefit * Requires Director approval
Option 4) Land Conveyance	No Requirememt	 * Must be developable * Similar economic benefit * Requires Director approval 	No Requirememt	 * Must be developable * Similar economic benefit * Requires Director approval

Feasibility- Low

	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

Feasibility- Moderate

-	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

* 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



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Scenario 3-10% Equivalent

	Rental		For Sale	
	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 opti	on below in addition to th	e Baseline Requireme	ent)
		5%- Low Income		5%- Low Income
Option 1) Onsite	No Requirement	or	No Requirememt	or
		10%- Moderate Income		10%- Moderate Income
Option 2) In-Lieu Payment	Allowed for Fractional Units	Payment equal to 5% of Total units	Allowed for Fractional Units	Payment equal to 5% of Total units
Option 3) Offsite	No Requirememt	 * Within 1/2 mile of project * Similiar economic benefit * Requires Director approval 	No Requirememt	 * Within 1/2 mile of project * Similiar economic benefit * Requires Director approval
Option 4) Land Conveyance	e No Requirememt	 * Must be developable * Similar economic benefit * Requires Director approval 	No Requirememt	 * 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 Iower, Low Income- 80% AMI or Iower, Moderate Income- 120% AMI or Lower



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Feasibility- Overall

	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

Buyouts for Entitled Projects

Approached by several developers with entitled projects about potential for paying in-lieu for a portion of their onsite below market rate units.

Entitled Projects (pre-construction)

- Lower opportunity cost
- Mutual incentives-
 - <u>City</u>: expedite construction, funding for affordable housing
 - <u>Developer</u>: reduced onsite requirement

If pursued by City Council, staff recommends:

- Allow only for entitled projects who have not pulled building permits;
- Setting buyout amount at \$609,000 per unit for up to half of approved onsite units;
- Building permits within one (1) year of agreement;



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Entitled Projects (construction)

- High opportunity cost
- Lack of incentive-
 - <u>City:</u> high in-lieu fee to account for opportunity cost; project already under construction
 - <u>Developer</u>: Fee too high, likely already financed

Overall supportive of allowing in-lieu fee and any policy changes necessary to encourage housing development.

Highly supportive of the proposed policy design (i.e. baseline requirement and additional requirement) but not clear recommendation for a specific scenario.



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3) Density Bonus

Policy Background

AB2501

AB2501 became effective in 2017

- 1) Clear submittal requirements
- 2) Fractional number are to be rounded-up to the next whole number. Applies to:
 - 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



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- 3) Limitations on the studies/reports that the City can require of the applicant.
- 4) Granting of concession or incentive is mandatory unless the City makes a written finding :
 - •"does not result identifiable and actual cost reductions"
 - •impact on the environment or to historic resources.



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AB1934 became effective 2017

Provides non-residential commercial development projects that enter into an agreement to contribute affordable housing development bonuses that includes:

- 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



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AB2442 became effective in 2017

Expands the categories of specialized/supportive housing that could qualify for a 20% density bonus to include:

- transitional foster youth
- disabled veterans
- homeless persons



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SB1227 became effective in 2019

Allows a 35% density bonus for housing developments that will include at least 20% of the units for low income college students.



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AB1763

AB1763 became effective in 2020

Density bonus provisions for 100% affordable housing projects:

- Allows an 80% density bonus;
- No density limits for projects located within ¹/₂ mile of a major transit stop;
- Height bonus of 33 feet [by right if near major transit stop];
- Up to 4 concessions;
- No parking requirements for special needs/supportive housing if the project provides paratransit service or is located within ½ mile from an accessible bus route.



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Policy Proposal

Changes to SRMC Chapter 14.16

Section 14.16.030 would be amended to include:

- 1) Establish submittal and procedural requirements
- 2) Tables will be modified to align with SDBL
- 3) Expands definition of specialized housing and expands concessions/incentives for this type of housing
- 4) Incorporate special incentives for 100% affordable housing projects
 - 33-foot height bonus
 - one additional incentive



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Changes to SRMC Chapter 14.16

- 6) Allows additional parking incentives for:
 - 100% affordable housing
 - Specialize/supportive housing
 - Senior housing
 - Housing with 1/2 mile of transit
- 7) Include special provisions for non-residential projects that partner with affordable housing developers



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Support for the proposed changes

Solution should be adaptable to everchanging state regulations



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4) Design Review Board

Policy Background

History of Design Review Board

Created in the 1970 with to provide input on major development in the downtown district as an informal advisory board

• Expanded to citywide

Transformed to a more formal format in 1990s

Current Full DRB format:

- Meets in City Council chambers
- Public notification is provided
- Intended to be design focuses but public comments are often policy-focused



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Background

DRB Purpose- 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.

Housing Work Plan- Three options identified to change the DRB process

- 1. Eliminate the DRB
- 2. Shifting the role of the DRB
- 3. Appoint a DRB Liaison to review smaller housing projects

DRB Subcommittee

- Established to respond to Shelter-in-Place restrictions
- Has been highly successful



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Policy Proposal

Replaces the full DRB

Includes one (1) licensed architect, one (1) licensed landscape architect, one (1) alternate

Provide professional advice on design to applicant

Meetings are not a public meeting; no noticing is required.

Public continues to be afforded public participation when the project moves forward for formal permit noticing and action (Zoning Administrator, PC, or CD Director).



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Concerns about eliminating or reducing public participation.

Option of creating a Hybrid

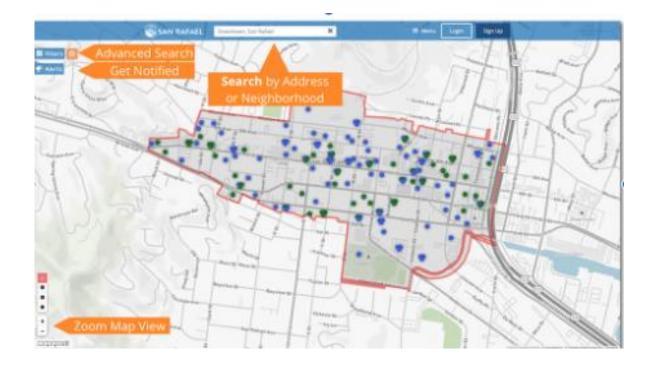
- Smaller project would be reviewed by the DRAC and
- Larger projects could be referred to the full DRB

Option of reducing the review process for certain projects small projects to staff level



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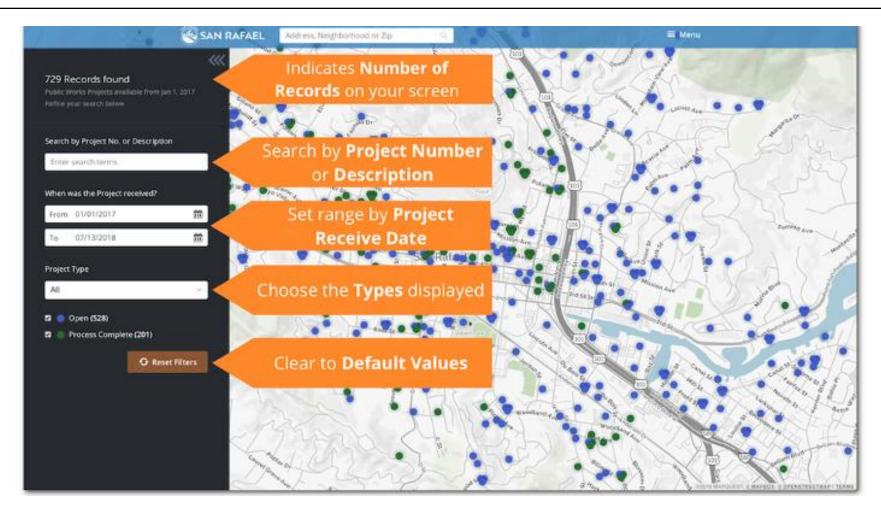
Staff Response-Public Participation:





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Staff Response-Public Participation:





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Staff Response-Hybrid DRAC/DRB:

Will the Hybrid concept go far enough / accomplish the goal of streamlining housing production?



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Staff Response-Reducing the level of review for minor projects:

Additional research is needed to determine where streamlining can occur.

Proposed Amendments to the Zoning Code could be ready for City Council consideration in 2021



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5) Amendments to SRMC

Policy Background

Background

As part of Housing Work Plan, City Council encouraged staff to continue to look for amendments that could be made to encourage development and streamline approvals.

Proposed amendments reflect an initial review of amendments that could be made to meet these goals.

Additional amendments may be identified and would be brought later for future consideration.



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Policy Proposal

Proposed Amendments to SRMC

SRMC Section	Amendments
SRMC Section 14.12.040 <i>Hillside Exception</i>	 Downgrades review and action to Planning Commission rather than City Council. Decision can still be appealed to City Council.
SRMC Section 14.16.190 <i>Height Bonus</i>	 Per state law, allows up to 33 ft. height bonus for 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.
SRMC Section 14.16.300 Small Lots	 Removes references to development limitations on lots under 5,000 SF, Allows these lots to be developed at currently established density.
SRMC Section 14.28 Appeals	 Establishes scheduling procedures; Clarifies public noticing requirements.



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Other possible Future Amendments to SRMC

Ways to provide opportunities for smaller housing developments to incorporate affordable units within their development.

Changes to Accessory Dwelling Unit Ordinance

Establishing Objective Standards for by-right projects



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Support for the proposed changes



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6) Discussion & Feedback

Framing Questions

Policy	Key Staff Questions
Inclusionary Housing	 Should the City allow developers expanded options to pay an affordable housing in-lieu fee instead of onsite units? Should the City move forward with an inclusionary housing policy design with baseline and additional requirements, as proposed by staff? If yes, at which levels should these requirements be set? If no, how would the City Council like the policy designed? Should the City allow buyouts for entitled projects?
Density Bonus	Comments or Concerns?
Formalize Design Review Subcommittee	 Should the City formalize the DRB subcommittee process replacing the DRB with the DRAC?
SRMC Amendments to Encourage Development and Streamline Approvals	Comments or Concerns?



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The City Council has the following options to consider on this matter:

1. Accept report and provide staff direction regarding proposed changes.

2. Direct staff to return with more information.

3. Take no action.



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Thank You!