



Planning Commission Report

Planning Commission Meeting: February 17, 2021		Agenda Item: 10-B
To:	Planning Commission	
From:	Jing Yeo, City Planning Division Manager	
Subject	Discussion and Possible Recommendation to City Council on Potential Interim Amendments to the Zoning Ordinance to Establish Temporary Land Use Restrictions in order to Retain Potential Housing Sites Pending the Completion of the Housing Element Update	

Executive Summary

On January 12, 2021, City Council directed staff to return with proposed emergency interim zoning regulations to: 1) prohibit 100% non-residential projects of greater than 7,500 sf in the Industrial Conservation District with possible consideration for exceptions such as schools; 2) prohibit single-unit dwellings in any non-residential zone; and 3) impose additional restrictions to ensure that potential housing development sites are preserved pending the completion of the Suitable Sites Analysis and 6th Cycle Housing Element Update. This report presents a proposal for the Planning Commission’s discussion and possible recommendation to Council.

Every eight years, cities are required to update their Housing Elements. For the 2021-2029 planning period (also referred to as the 6th Cycle Housing Element), Santa Monica received an allocation to plan for 8,873 housing units of which approximately 70% are affordable housing units. This represents approximately a five-times increase over the Regional Housing Needs Allocation (“RHNA”) in the current cycle (2013-2021).

The Housing Element is required to include a Suitable Sites Inventory (“SSI”), which is a listing of sites throughout the city that hold realistic potential for housing development based on a jurisdiction’s RHNA number. Staff is in the process of preparing a draft SSI for the 6th Cycle Housing Element. However, in recent years, staff has seen an uptick in applications submitted for non-residential development on potential housing sites in the city’s commercial districts – largely consisting of office space. The largest amount of office space has been proposed in the Bergamot Area Plan (“BAP”) area, the Hospital Mixed Use (“HMU”) zone, and the Industrial (“IC”) Conservation zone.

The IC Zone is the only zone in the city that does not allow multi-unit housing development as a permitted land use. This policy dates back to the adoption of the Land Use and Circulation Element (“LUCE”) and establishment of the IC district as an area that had traditionally been the city’s job base, housing former industrial and manufacturing uses. Over time, buildings in the area have been adaptively reused to affordable workspace,

primarily to cultivate start-up and incubator space for creative industries. However, in recent years, staff has seen turnover in a handful of properties to creative office redevelopment potentially signaling that the existing building stock may be coming to the end of its useful life barring further investment. While the IC District has not been an area that has traditionally accommodated housing, its proximity to the Expo Line, aging building stock, and availability of larger parcels makes it an area that should be evaluated for housing potential as part of the Housing Element Update.

The City's overall land use strategy contemplates housing production along the City's boulevards. In addition to receiving a number of applications for non-residential development in commercial boulevards in recent years, staff has also received recent inquiries for single-unit dwellings in commercial zones on the boulevards. While the Zoning Ordinance has permitted single-unit dwellings in commercial zones for decades, this allowance does not maximize the housing potential for the limited number of potential housing sites and therefore, is being re-evaluated in light of the City's RHNA for the 6th Cycle housing element.

Given the very large RHNA allocation, and in order to preserve the opportunity to plan for housing on as many available sites as possible, staff recommends interim zoning regulations to temporarily suspend processing and approval of applications for new single-unit dwellings in commercial zones and new non-residential construction citywide with the following exceptions:

- Attached and free-standing additions to existing buildings
- Changes of use in existing buildings
- Schools including facilities owned and operated by the school
- Industrial Conservation zone South of Olympic Boulevard

These exceptions balance the need to temporarily curtail single-unit dwellings and non-residential development on potential housing sites with continuing support for economic recovery efforts that have included greater flexibility in changes of use. They also acknowledge that the areas closest to the I-10 freeway are unlikely to be ideal locations for housing.

Background

The LUCE was adopted in 2010 with a growth strategy that focused new housing development in areas with the greatest access to high frequency transportation systems – the commercial boulevards and the areas surrounding the Expo Light Rail stations – Downtown, Bergamot, and Memorial Park. As a counter balance, the LUCE also established the IC land use designation, which was intended to conserve small light industrial and service/commercial uses that have traditionally populated the area and formed part of Santa Monica's employment base. The IC district also was intended to support existing and new creative businesses reliant on the affordable workspace created from adaptive reuse of former industrial buildings. This vision was carried through the 2015 zoning ordinance update that prohibited housing out of concern that introducing residential uses would have the potential to increase real estate speculation thereby

displacing the creative industries and small-scale industrial uses supported by affordable workspace.

The Zoning Ordinance has also allowed for single-unit dwellings in all zones for decades. There continue to be very limited pockets where single-unit dwellings exist in commercial zones in the city, derived from the city's early settlement patterns. Based on assessor data, there are currently approximately 232 parcels with single-unit dwellings in commercial zones.

Discussion

Limited Land Area Available for Housing Projects

The LUCE growth strategy that focused development opportunities in the limited areas of Downtown, Bergamot and the boulevards represents approximately 12% of the city's total land area. As a first step in preparing the SSI analysis, a preliminary sites analysis has been conducted to filter out parcels that would not likely be potential housing sites based on the following criteria:

- Parcels with existing Landmarks or Historic Resources
- Parcels that are under construction, have recently completed projects, approved entitlements, and pending entitlement for commercial uses only
- Parcels that have unique land uses such as hospitals, cemetery, schools, parks, churches/religious facilities, utilities, government offices, libraries, police/fire stations, transportation infrastructure/Metro Expo LRT and airport
- Parcels developed with affordable housing and condos
- Parcels with newer buildings developed post 1980

Once the filters were applied, parcels were prioritized for their likelihood to produce housing resulting in an even smaller subset of parcels representing approximately 3% of the city's total land area identified as potentially having the highest housing potential.

Likelihood of Commercial vs. Housing Projects

In 2019, the City Council directed that staff prepare an analysis of the likelihood of housing development based on existing development standards and testing various inclusionary housing requirements (Attachment A). The analysis demonstrated that at current inclusionary housing levels for Tier 2 projects on the boulevards (i.e. minimum 15% Very Low Income), housing projects were less likely than commercial projects to proceed due to lower height and FAR (resulting in fewer units) and lower rents. The results of the study are consistent with the trends toward applications being filed for non-residential development on the boulevards, particularly in areas where there is no distinction in height and FAR between housing and commercial projects.

Overview of Approved and Pending Non-Residential Projects

In recent years, staff has received applications for non-residential development on possible housing sites - predominantly consisting of 319,000 square feet of total office space, all of which are currently pending. The largest amount of office space has been proposed in the Bergamot area, the Hospital Mixed Use zone, and the Industrial Conservation zone. Other pending non-residential projects include a Downtown hotel and electric vehicle charging facility on two surface parking lots. As a point of reference, in the past five years, 11 projects consisting of approximately 184,000 square feet of non-residential uses has been approved including 99,000 square feet of office, 36,000 square feet of retail, and 49,000 square feet of other uses ranging from daycare to auto dealerships. The majority of these projects (6 of 11) have largely consisted of additions to existing buildings in the Downtown area.

Proposed Temporary Prohibition on Non-Residential Development

The combination of Santa Monica's very large RHNA allocation of 8,873 units and with only 3% of the City's total land area available as the highest potential for housing, the turnover of even a handful of sites to non-residential development instead of housing projects would greatly impact the City's ability to have sufficient sites for the SSI and would very likely hamper future Housing Element updates. As a result, a temporary prohibition on non-residential development is proposed to ensure that the Housing Element Update has the opportunity to evaluate all available areas of the city for housing potential. In order to ensure that potential housing sites are also not underdeveloped, it is also proposed that single-unit dwellings be temporarily prohibited in all commercial zones.

Staff also considered a temporary prohibition on single-unit dwellings in multi-unit zones. The purpose of the proposed ordinance is to retain the opportunity to plan for sites with housing potential for the SSI and therefore, multi-unit residential neighborhoods are not being prioritized (relative to commercial zones) due to concerns regarding displacement of existing tenants. However, as a matter of policy, the continued inclusion of single-unit dwellings as a permitted use in multi-unit zones will be evaluated as part of the 6th Cycle Housing Element update.

Exceptions to Proposed Ordinance

In order to ensure that there continues to be support for economic recovery efforts from the impacts of COVID-19, it is proposed that the ordinance not apply to:

- Additions to existing buildings
- Changes of use in existing buildings
- Schools including facilities owned and operated by schools

This would allow continued maintenance and investment in existing commercial buildings that are unlikely to be housing sites while also ensuring that the flexibility in changes of use afforded by Interim Zoning Ordinance No. 2657 (citywide economic recovery IZO) remains to support tenancing of vacancies throughout the city.

A further exception is proposed for the Industrial Conservation zone south of Olympic Boulevard. This is not an area that has historically seen development activity and would be unlikely to have significant turnover. Further, the area is largely located within 500 feet of the I-10 freeway and therefore, is not an ideal location for housing.

In addition, the proposed interim zoning regulations would not affect the Bergamot Area Plan (BAP) area. Because the land use regulations for the BAP are contained in the plan, rather than the Zoning Ordinance and any changes to that area would require an amendment to the BAP. Since the adoption of the BAP, very little development activity has occurred in the Bergamot area and therefore, staff does not believe that potential housing sites are at risk of turnover in this area over the next eight months. However, per Council's direction, staff will continue to examine potential amendments to the BAP to encourage housing production as part of the 6th Cycle Housing Element Update.

Applicability of Proposed Ordinance

Staff proposes that the ordinance apply only to applications submitted after January 12, 2021, which is the date that Council first gave direction to staff to prepare emergency zoning regulations. This is consistent with the approach the City has taken with respect to previous interim zoning regulations.

Staff considered a broader applicability to projects that were pending as of January 12, 2021, however, most of these projects have been in process for years and would likely continue to proceed as non-residential projects. The purpose of the ordinance is to provide the opportunity to plan for high potential housing sites, and it is not clear that capturing pending projects would align with that goal. It is more likely, given the amount of time these projects have been in process, that the proposed interim zoning regulations would only have the effect of temporarily delaying one or more of these projects, rather than incentivizing the property owner to instead convert the site into a housing project.

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Attachments

- A. HR&A AHPP Financial Feasibility Results 11-13-2019