

Attachment 5

SB 35 Summary of Impacts on Santa Monica if Streamlining Applies

Affordable Housing Production Program

The City's Affordable Housing Production Program ordinance ("the AHPP") currently allows development applicants to elect the percentage of inclusionary affordable housing units, based upon targeted household income levels. For example, multi-family project applicants may restrict 5% of units, if the units are targeted to 30% AMI households, 10% of units if the units are restricted to 50% AMI households, and 20% of total units if the units are restricted to 80% AMI households. While the original intent of the AHPP was to incentivize the development of deed restricted units for 30% AMI households, it has resulted in the over-production of 30% AMI units at the expense of other income categories, which may result in the City not meeting its RHNA goals for all income categories. Staff anticipates that future legislation will continue to rely on demonstrating progress to meeting RHNA allocations with requirements to produce housing at each income affordability level. As such, it is important that any inclusionary units and market rate units closely follow the percentage mix of RHNA allocations instead of options or policies that favor one income level over another. This is the approach taken in the Downtown Community Plan ("DCP") and based on Council's direction to study options for housing production on the boulevards and Bergamot, staff anticipates needing to amend the AHPP so that future housing production is appropriately allocated to the full spectrum of income levels.

SB 35 requires applicants to provide affordable housing units if the City has not submitted an annual progress report or the report demonstrates that the RHNA allocations have not been met for each affordability category. The requirements are either 10% or 50% or defer to local ordinance (e.g. AHPP) if the local ordinance establishes a greater requirement. Table 1 outlines the differences in affordability requirements between the AHPP and SB35 (if applicable):

Table 1: Comparison of AHPP and SB35 affordability requirements

Affordability Level	AHPP	SB35	
		If City has not submitted annual progress report or has not produced sufficient above-moderate income units	If City has not submitted APR or has not produced sufficient below 80% income household units
Extremely Low	5%	Greater of 10% or AHPP	Greater of 50% or AHPP
Very Low	10%		
Low	20%		

Prevailing Wage

The prevailing wage provision may be a potential deterrent to developers who may be interested in the provisions of the bill. However, with recent interest in pre-fabricated construction methods, the increased labor costs associated with this provision may not be as significant a financial/feasibility barrier as first thought. Currently, the City only requires prevailing wage for Public Works Projects and Contracts. There is no requirement for private development.

Concerns on Loss of Local Control/Unintended Consequences

SB 35 explicitly declares housing a matter of statewide concern and is intended to minimize if not eliminate discretionary review of housing projects. The bill was opposed by the League of California Cities due to the erosion of local control over local land use matters. Staff held legislative discussions with the bill’s authors to propose language that would not result in unintended consequences. While some language was changed (e.g. adding historic resources on local registers), staff remains concerned about the loss of local control, in particular the potential limitation on discretionary design review by the ARB.

Santa Monica has a successful track record of producing not only sufficient housing units but also projects that are well-designed, context sensitive, and livable for residents. Feedback from residents and the development community that prior design standards in Downtown were too prescriptive resulted in a complete overhaul of

Downtown design standards to allow significantly more flexibility in building design. The bill's requirement that projects only need meet "objective design review standards" appears to require the City to establish very prescriptive standards that provide no flexibility or discretion. This would setback 6 years of work in developing new approaches to building design and urban form in Downtown. The current design review process would be largely eliminated with housing projects turning essentially into plan check review.

Parking Standards

SB 35 eliminates minimum parking requirements in any of the following circumstances:

- Development located within ½ mile of public transit
- Development located within an architecturally and historically significant historic district
- When on street parking permits are required but not offered to the occupants of the development
- When there is a car share vehicle located within one block of the development

The City has taken a thoughtful approach to parking standards with reduced or eliminated parking requirements in transit-rich areas, such as within the Downtown Community Plan area and the areas immediately around Expo Stations. Council eliminated minimum parking requirements in the DCP area based on the availability of alternative modes, the thousands of existing parking spaces with several thousand anticipated with new development, the potential for housing affordability, and opportunity to incentivize change of use. Parking standards in the remainder of the City balance appropriate parking need against constructing too much parking that run counter to the City's Mobility goals. These parking requirements take into account commercial activity adjacent to residential neighborhoods and neighborhoods that are already experiencing parking impacts due to employee and customer incursions into residential neighborhood.