



Planning Commission Agenda Report

June 27, 2018
Item 6.c.

SUBJECT:	P17-0903
APPLICANT:	City of Pleasanton
PURPOSE:	Consider an amendment to Chapter 17.44 - Inclusionary Zoning of the Pleasanton Municipal Code to promote City goals and policies related to affordable housing by requiring the construction of compact units within all single-family development projects of 15 units or more.
LOCATION:	Citywide
GENERAL PLAN/ SPECIFIC PLAN/ ZONING:	Various
EXHIBITS:	A. Draft Resolution with Draft Amendments to the Pleasanton Municipal Code (clean and redlined versions) included as Attachment 1 B. Agenda Report and Minute Excerpt of the November 8, 2017, Housing and Planning Commission Joint Workshop

STAFF RECOMMENDATION

Staff recommends that the Planning Commission take the following actions:

1. Find that the proposed amendment to the Pleasanton Municipal Code is statutorily exempt from CEQA; and
2. Adopt a resolution recommending approval of Case P17-0903, amendment to the Pleasanton Municipal Code with the proposed amendments shown in [Exhibit A, Attachment 1](#), and forward the proposal to the City Council for public hearing and consideration.

EXECUTIVE SUMMARY

Based on direction from the City Council, the Housing Commission and Planning Commission are considering amendments to Chapter 17.44 of the Pleasanton Municipal Code, known as the Inclusionary Zoning Ordinance ("IZO"). Per the Pleasanton Municipal Code (PMC) the Planning Commission is responsible for making recommendations to the City Council and/or establishing policies regarding affordable housing projects. Accordingly, the draft amendments are before the Planning Commission for its consideration and recommendation. The

amendments, which incorporate input from the Housing Commission and Planning Commission at a Study Session held on November 8, 2017, are intended to further promote City goals and policies related to affordable housing by increasing the availability and variety of housing available to all income levels. As such, and as detailed in this staff report, staff recommends the Planning Commission recommend the City Council adopt the proposed amendments.

The proposed amendments were also presented to the Housing Commission on May 17 and June 21 2018. At the May 17, 2018 meeting only four commissioners were present, and the Commission was unable to reach consensus on a recommendation to the City Council. The Commission continued the item so more commissioners could deliberate and make a recommendation to Council. The item was brought back to the commission on June 21, 2018. Due to the timing of the Housing Commission meeting their final recommendation will be reported verbally to the Planning Commission. Recommendations from both commissions will then be brought to the City Council, as they consider adoption of the amendments.

BACKGROUND

The City's IZO was adopted in 2000, with a key purpose to ensure that private development projects incorporate affordable residential units as part of those projects. Projects may propose alternative means to satisfy their inclusionary housing requirements, including payment of a Lower Income Housing Fee (LIHF) in lieu of constructing units on-site. Additional background information on the existing IZO is provided in the November 8, 2017 Joint Commission Agenda Report, included as Exhibit B.

The City has generally been successful in obtaining inclusionary units within multi-family rental developments. However, developers of new single-family developments often opt out of constructing affordable units, suggesting that it is more costly to construct affordable units than it is to pay the LIHF, and that building affordable ownership units may create equity issues. Although no below market rate detached ownership units have been constructed in recent years, the LIHF has been important to the City in facilitating the construction of other affordable projects, such as Kottinger Gardens and the future Sunflower Hill community. The LIHF has also been used to support other City programs that promote housing affordability.

In recent years, Pleasanton, along with many other jurisdictions, has been considering ways to further increase the availability and variety of housing available to all income levels – the City and the Housing Commission has supported this goal and recent efforts to provide more affordable units, such as the recent adoption of streamlined review procedures for Accessory Dwelling Units (ADUs).

Due to the lack of affordable units being constructed as part of detached single family developments within the City, the Housing Commission expressed interest in exploring other options for providing housing that would be available to the City's workforce that is not currently being produced. In February 2017, the City Council established a work program priority to update the IZO to help address affordable housing needs that were not being met.

Joint Housing Commission/Planning Commission Workshop

On November 8, 2017, the Planning Commission and Housing Commission held a joint workshop to discuss potential amendments to the IZO that could further support the production of affordable housing within single-family residential projects, including a potential amendment

to the IZO that would require single-family projects of 15 units or more to include a proportion of “compact units” that are smaller than typical detached single family homes, and therefore “affordable by design.” As originally proposed, compact units would be defined as being between 500 and 1,800 square feet which could be attached or detached or constructed as Accessory Dwelling Units (ADUs).

Comments from commissioners at the workshop varied widely and included:

- Interest in providing incentives for affordable housing, both in addition to and instead of mandates or requirements.
- Support for the concept of housing variety in single-family projects, such as incorporation of duets/duplexes and other similar small, attached housing types, as well as ADUs.
- Acknowledgement that housing costs, in general, are high in Pleasanton, which means that even smaller units are expensive.
- Interest in increasing the LIHF, since it appears to be set at a level that does not encourage on-site inclusionary housing.
- A range of opinions on the “ideal” size of compact units, with suggested maximum sizes ranging from 1,200 to 1,800 square feet.

The November 8, 2017 Agenda Report and Minutes are included as Exhibit B.

Housing Commission Hearing

On May 17, 2018, the Housing Commission held a public hearing to discuss potential amendments to the IZO that could further support the production of housing that would be more affordable to the market within single-family residential projects, including a potential amendment to require single-family projects of 15 units or more to include a proportion of “compact units” that are smaller than typical detached single-family homes, and therefore “affordable by design.”

Comments from commissioners at the hearing varied and included:

- Support for the concept of compact units creating housing variety in single-family projects, but request for alternatives including the incorporation of duets/duplex units.
- Support for ADU’s but concerns that ADUs may not be rented, so they may not provide the additional housing stock that is envisioned through an IZO amendment.

As noted, only four Housing Commissioners were present, and the Commission was unable to come to consensus on the draft IZO; a continued public hearing is scheduled for June 21. Staff will report on the outcomes of that meeting at the June 27 Planning Commission meeting.

DISCUSSION

Revised IZO Amendments

Although there was not consensus by either Commission on the details of the amendments, both emphasized the need for single-family projects to include a variety of housing types to better meet a wider range of housing needs. Staff has considered ways to incentivize developments to build affordable units. However, staff believes, at this time, that integrating requirements into the IZO remain the most viable strategy, particularly for single-family projects. This does not preclude future consideration of incentives such as further fee reductions or waivers, permit streamlining, or density bonuses (beyond those already included

in the Code) for affordable housing. After reviewing current development trends however, staff believes that the inclusion of ADU's in new single family development has been and will continue to happen naturally without requiring it as part of the IZO update. Therefore, Exhibit A, Attachment 1, provides the proposed draft IZO amendments which require the inclusion of compact units, excluding ADUs.

Remove Accessory Dwelling Units as Compact Unit Option

One change made in response to Commission comments has been to revise the draft IZO amendments to remove the reference to ADUs from the definition of compact units. Recent application trends suggest that ADUs are being proposed much more frequently as an integral part of new single-family developments. Staff believes that if building ADUs is an option to meet compact unit requirements, that they will likely become the “default” type of compact unit proposed by developers. As has been discussed by the Commission, while ADUs are an important source of new (and potentially affordable by design) housing, they do not provide ownership opportunities, and there is no guarantee that a homeowner will choose to make an ADU available for rent.

Accordingly, the language in Chapter 17.44 of the draft IZO amendments has been modified as summarized below:

- At least 20 percent of the total units in all detached single-family projects with 15 units or more will be required to be “compact” units. This would be in addition to the requirement to provide inclusionary units or pay the LIHF. Compact units would be defined as a dwelling unit between 750 and 1,800 square-feet in size, intended to be small, and designed to accommodate a household of two or more people which could include detached, attached, and duplex/duet units.

Income Restriction

The IZO amendments do not require that the compact units be income-restricted. Due to their limited size, compact units are considered to be “affordable by design” and would diversify the City’s housing stock, providing more options for new homeowners or households wanting or needing to downsize. Although such units would not be considered “affordable” under conventional definitions, they are likely to be priced lower in the market than larger units and should result in a lower cost of ownership (other variables being equal). For example, at a typical sales price of \$532/square foot¹, a 1,500 square foot home would sell for approximately \$798,000 while a 3,000 square foot home for twice that, or approximately \$1.6 Million. The \$798,000 sales price is still unaffordable for moderate- and below moderate-income households, based on the Area Median Income (AMI) for Alameda County. However, the lower price may help to close the affordability gap for some households and put additional units within the financial reach of some households, particularly given that median household incomes in Pleasanton are higher than in other Alameda County communities.

Unit Type

As proposed, the amended IZO allows applicants to choose whether to construct detached homes or attached duplex/duet units within a development, or a combination of both. Staff believes the proposed amendment provides appropriate flexibility for builders to determine

¹ Based on the Pleasanton February 2018 median listing price per square foot according to Realtor.com.

which type of units would best complement their proposed project and/or make sense relative to the proposed site plan.

Review & Exceptions

The final make-up of the proposed compact units would then be finalized as part of an Affordable Housing Agreement for each project. The Ordinance also allows for some flexibility for developers to proposed alternative means of satisfying the compact unit requirement (see 17.44.050(B) in the attached draft amendments – Exhibit A, Attachment 1); however, payment of LIHF for these units is explicitly disallowed, to steer such proposals towards actual housing production or equivalent benefits. Alternate methods must be determined to meet the purpose of the IZO and the intent to support the production of housing that would be more affordable to the market.

Public Comments

Finally, prior to the May 17, 2018 Housing Commission hearing, through written communication, a member of the development community expressed concerns that the proposed requirement that 20 percent of units be compact would be excessively burdensome, particularly when combined with the IZO's other affordable housing requirements. In light of this concern, the Commission may wish to consider, as an alternative, a reduced compact unit requirement, e.g., 10 or 15 percent.

General Plan Conformance

The proposed amendments would be consistent with the General Plan and the following policies and implementation measures contained in the Land Use and Housing Elements:

Land Use Element – Goal 2: Achieve and maintain a complete well-rounded community of desirable neighborhoods, a strong employment base, and a variety of community facilities.

Housing Element – Goal 1: Attain a variety of housing sizes, types, densities, designs, and prices which meet the existing and projected needs of all economic segments of the community.

Housing Element – Goal 2: Provide residential densities capable of accommodating housing affordable to extremely low-, low- and very low-income households while taking into account the character and development pattern of the surrounding area.

Housing Element – Developers of Small Housing Units

- Policy 28: Strongly encourage housing developers to build small single-family housing units, including detached second units. Single-family residential developments with units and/or second units less than 1,200 square feet in floor area, which provide housing affordable to moderate-income households, shall have the third highest priority for City approval. To the extent that these developments provide resale restrictions to retain the units as affordable to moderate-income households, they may qualify for incentives at the discretion of the City Council.

Housing Element – Goal 11: Manage residential growth in an orderly fashion while enabling Pleasanton to meet its housing needs.

Housing Element – Goal 15: Adopt land use changes from non-residential to residential designations where appropriate.

- Policy 38: Strongly encourage residential infill in areas where public facilities are or can be made to be adequate to support such development.
 - Program 38.2: Encourage the development of second units and shared housing in R-1 zoning districts to increase the number of housing units while preserving the visual character within existing neighborhoods of single-family detached homes.

ALTERNATIVES

Staff has provided the attached IZO amendments for Planning Commission consideration, recommending the City Council approve the proposed amendments. If the Planning Commission finds that the proposed amendments may negatively impact development or believes a reduced number of units should be required, the following alternatives may be considered by the Commission:

1. Recommend the City Council adopt the draft IZO with a further modification to reduce the percentage of compact units required to be included in all detached single-family projects from a minimum of 20 percent, to a minimum of 10 or 15 percent; or with other changes to address outstanding concerns that may emerge from the Planning Commission discussion and hearing.
2. Do not recommend City Council adopt amendments to the IZO.

Staff recommends that the Commission adopt the amended IZO as proposed.

ENVIRONMENTAL ASSESSMENT

The proposed amendments to the Pleasanton Municipal Code have no possibility to have a significant effect on the environment and are therefore exempt from California Environmental Quality Act (CEQA) per Title 14 California Code of Regulations § 15061(b)(3).

CONCLUSION

The proposed text amendments will facilitate the development of smaller “compact” units and help the City achieve multiple goals and policies within the Housing Element in compliance with State law. If adopted as proposed in Exhibit A, Attachment 1, the IZO amendment would help to further increase the availability and variety of housing available to all income levels in Pleasanton.

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