

September 3, 2020

CHAIR AND PLANNING COMMISSIONERS

City of Long Beach
California

RECOMMENDATION:

Recommend that the City Council determine that the project is categorically exempt from the California Environmental Quality Act ("CEQA") pursuant to Section 15305 (Class 5 – Minor Alterations to Land Use Limitations) of the CEQA Guidelines and none of the exceptions in 15300.2 apply, and that it is further exempt pursuant to Section 15308 (Actions by Regulatory Agencies for Protection of the Environment) and Section 15061(b)(3) (Common Sense Exemption), as it will not result directly or indirectly in significant environmental impacts. (CE20-090); and

Recommend that the City Council adopt Zoning Code Amendment ZCA20-005, consisting of changes to Title 21 of the Long Beach Municipal Code (LBMC) that would amend section 21.15 (Definitions) and add a new section 21.45.600 related to the following: establishing related definitions and creating a pilot program to allow up to a maximum of 500 micro-unit housing units, subject to provisions outlined in the proposed ordinance, in the Midtown (SP-1) and Downtown (PD-30) areas of the City. (Citywide)

APPLICANT: City of Long Beach, Development Services Department
411 West Ocean Boulevard, 3rd Floor
Long Beach, CA 90802
(Application No. 2003-11)

BACKGROUND

In May 2017, the City Council adopted 29 policy recommendations to support the production of affordable and workforce housing. Policy 3.11¹ directs staff to develop a plan to include micro-units as a method for encouraging housing production.

Micro-unit housing is a newer housing typology that is affordable to moderate-income households². These dwelling units are typically small studio apartments, usually less than 350 square feet, with a fully functioning

¹ From "Revenue Tools and Incentives for the Production of Affordable and Workforce Housing" by Long Beach Development Services and Housing and Neighborhood Services Bureau, 2017, p. 3, <http://www.longbeach.gov/globalassets/lbds/media-library/documents/news/2017/17-0509-final-v5-report-revenue-tools-and-incentives-for-affordable-housing>.

² CCA White Paper *Micro-Units in DTLA*

https://www.ccala.org/clientuploads/directory/whitepapers/CCA_Micro_Unit_White_Paper_-_March_2018.pdf (p. 5)

and Americans with Disabilities Act (ADA) accessible kitchen and bathroom³. While micro-units are not subsidized affordable units, they can be an affordable rental housing solution for single workers since, based on their size (these types of units are generally smaller than studios), can offer cost savings to a renter. When compared to a conventional studio in the same market, the gross rents for micro-units tend to be 20% to 30% lower than the rent for a conventional studio unit⁴. Because micro-units are generally developed without public subsidies, this type of housing offers a market-based solution for tackling issues of housing affordability⁵.

As such, establishing a pilot program to allow micro-units in the City of Long Beach, in accordance with Recommendation 3.11 of the 2017 Report, could diversify the City's housing stock and provide more affordable housing options for students and young professionals.

DISCUSSION

In response to housing shortages and concerns about housing affordability nationwide, many U.S. cities have developed micro-unit regulations to facilitate a greater number of smaller units as one strategy to foster housing production and increase housing supply. Staff's research found that micro-unit projects tend to be in highly desirable locations, close to public transit, with a variety of quality amenities to attract prospective occupants. As such, micro-units offer the added benefit of a reduction of vehicle miles traveled (VMT) by bringing housing closer to jobs and other daily destinations.⁶

Micro-units also address a niche in the housing market that is currently underserved by offering a previously unavailable housing choice to single-person households, which helps reduce the demand pressure on multi-family and single-family housing, and can, ultimately, help stabilize rents.⁷ The demographic this type of housing tends to attract is mainly young professional singles, mostly under 27 years old⁸. Most respondents in a micro-unit survey conducted as part of an Urban Land Institute (ULI) market report on micro-units indicated that they are amenable to micro-units as a housing choice in exchange for the opportunity to live alone, pay a lower rent, and to live in a highly desirable location (walkable, trendy, urban).⁹

³ From "Revenue Tools and Incentives for the Production of Affordable and Workforce Housing" by Long Beach Development Services and Housing and Neighborhood Services Bureau, 2017, p. 51, <http://www.longbeach.gov/globalassets/lbds/media-library/documents/news/2017/17-0509-final-v5-report-revenue-tools-and-incentives-for-affordable-housing>.

⁴ From "Study of Various Approaches for Promoting Housing Affordability" by bae urban economics, 2018, p. 23, <https://www.weho.org/home/showdocument?id=36458>

⁵ From "Study of Various Approaches for Promoting Housing Affordability" by bae urban economics, 2018, p. 25, <https://www.weho.org/home/showdocument?id=36458> <https://www.weho.org/home/showdocument?id=36458>

⁶ CCA White Paper *Micro-Units in DTLA* https://www.ccala.org/clientuploads/directory/whitepapers/CCA_Micro_Unit_White_Paper_-_March_2018.pdf (p. 5)

⁷ CCA White Paper *Micro-Units in DTLA* https://www.ccala.org/clientuploads/directory/whitepapers/CCA_Micro_Unit_White_Paper_-_March_2018.pdf (p. 5)

⁸ From "The Macro View on Micro Units" by the Urban Land Institute (ULI), 2014, p. 5, https://uli.org/wp-content/uploads/ULI-Documents/MicroUnit_full_rev_2015.pdf

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CASE STUDIES

Common regulations instituted by other cities to encourage this housing typology include relaxation of minimum unit size requirements, density limitations, and requirements that micro-unit projects include a mix of unit sizes that include traditional multi-family units. They also waive or reduce parking when building near transit and require the provision of rich, shared amenities. In New York City, for example, minimum unit size and maximum density limits were waived to allow the first micro-unit project, Carmel Place, to be built as part of an initiative to aid the city's small household population¹⁰. Carmel Place was completed in Spring 2016 and consists of 55 rental apartments, 40% of which are affordable housing units—14 for applicants through the city, and eight for supportive housing through Veteran's Affairs. The project incorporates five different micro-unit configurations that range between 260 to 360 square feet in size.

Completed in 2013, the Panoramic building in the SoMa neighborhood of downtown San Francisco is a 160-unit building with micro-units for students and interns that average 354 square feet¹¹. The building includes amenities such as a rooftop garden, a bike storage room, ground floor café, and lounges on each floor. While onsite parking is not provided; the building provides City CarShare vehicles for residents, and the building is two blocks away from the Civic Center BART station¹².

Lastly, in Southern California, in March, the City of Pasadena updated existing regulations to increase the maximum allowable unit size from 220 square feet to 375 square feet and remove the Conditional Use Permit (CUP) requirement for these types of units proposed in Pasadena's Central District Specific Plan. The City of Culver City also adopted an ordinance to allow micro-units in January of this year. Specifically, Culver City's micro-unit regulations allow a minimum size of 350 square feet; limit the number of micro-units in a development to 25%; exempt micro-units from providing private open space but are required to provide a minimum of 100 square feet of communal open space per unit; and allow for a lower parking rate of 0.5 spaces per dwelling unit, except for units in the Transit Oriented District, which do not have to provide any parking spaces. Finally, the City of Santa Monica allows this housing typology, with unit sizes ranging from between 150 to 375 square feet, with the caveat that these units be 100% affordable (non-market-rate).

REGULATORY FRAMEWORK

As a means to implement the micro-unit policy recommendation adopted by the City Council and using research on best practices and micro-units feasibility, staff has crafted an ordinance that would establish a 500-unit (5 to 10 projects) micro-unit pilot program with a focus on geographic areas that, based on existing development standards, can better facilitate micro-unit projects and enable the City to test out regulations prior to developing permanent regulations to allow this housing typology as another strategy for housing production in the City.

¹⁰ <http://narchitects.com/work/carmel-place/>

¹¹ <https://sf.curbed.com/2015/2/27/9986102/inside-the-partially-finished-micro-units-at-somas-panoramic>

¹² *Study of Various Approaches for Promoting Housing Affordability* by BAE Urban Economics, p. 8 (<https://www.weho.org/home/showdocument?id=36458>)

Specifically, the following has been considered as part of interim regulations for a micro-unit pilot project:

- **Establish a Micro-unit Definition.** The Zoning Code currently does not have a definition of a “micro-unit.” The Building Code ultimately determines the minimum unit size, which is 220 square feet per unit¹³. The definition in the proposed ordinance addresses the size requirement, allows for units smaller than currently allowed in Midtown and Downtown, and defines other features of micro-units and micro-unit projects.
- **Establish Geographic or Locational Criteria.** The City’s research found that micro-unit projects tend to be both most feasible and successful in areas that permit a density of approximately 100 dwelling units per acre (or approximately one unit for every 435 square feet of lot area), allowing for appropriate densities while ensuring adequate unit sizes and project amenities. Areas of the City that currently permit those densities include Downtown (PD-30) and Midtown and are likely the best candidates for a micro-unit pilot program (Exhibit A – Pilot Program Location Map). Proximity to transit, public parks, other public facilities, and institutional uses are also important criteria when considering the location of micro-unit projects to ensure the livability of these projects for their residents.
- **Establish a Unit Cap.** The micro-unit pilot program will establish a cap on the total number of micro-units that can be constructed under the interim regulations. Currently, 500 units is proposed for the unit cap. This number of units permits the City to gain experience with a number of projects (5 to 10 projects, depending on the size of the projects) as a means to test and finetune the regulations, prior to establishing more permanent regulations. The ordinance will also allow for 100% micro-unit projects or projects comprised partially of micro-units as part of the overall unit mix.
- **Reconcile Existing Minimum Unit Size Requirements that Would Preclude Micro-units.** The areas that are the best candidates for a micro-unit pilot program are regulated by planned development districts (PDs) that require a minimum unit size of 600 square feet. The pilot program exempts micro-units from the minimum unit size requirement and allows smaller unit sizes. The areas prime for micro-units do allow for a reduction of minimum unit size to 450 square feet, provided that the Site Plan Review Committee finds that the units are high quality with sufficient amenities and that private open space requirements not be waived or reduced. The PDs that govern these areas also limit to 15% the number of total units in a project that can be a minimum of 450 square feet. The micro-unit pilot program has been crafted to exempt micro-unit projects from the unit size and unit mix requirements, in addition to crafting more suitable open space requirements (see open space discussion below).
- **Utilize Density Bonuses to Address Density Limits.** In most of the Downtown and Midtown areas, where the pilot program is proposed, there are no density limits; development is limited instead by Floor Area Ratios (FARs) and height limits. Where density limitations do apply, such as in the Downtown Neighborhood Overlay area within PD-30 projects can seek a density bonus using the State Density Bonus Law or other applicable density bonus program to achieve necessary densities in exchange for restricted affordable units within proposed micro-unit projects. The State Density Bonus Law allows up to a 35% density bonus in exchange for providing a percentage of affordable

¹³ However, the Building Code requires at least 320 square feet if there are more than two occupants in such a unit.

units; that level of density bonus may or may not allow a project to achieve densities that make such projects viable. The micro unit program will allow the City to gain greater insight into such potential constraints, and future, permanent regulations can be adjusted accordingly.

- **Utilize Density Bonuses to Address Floor Area Ratio and Height Limits.** The areas in which the micro-unit pilot program is proposed generally have more permissive FARs and heights, and thus should not present barriers to micro-unit projects. As it relates to height, for example, in the PD-30 zone, height limits are generous and range from 80' to 240', except for in the Downtown Neighborhood Overlay, which is subject to a 38' height limit. In Midtown, the height limits are tiered based on parcel depth and development districts. The Medical District, for example, has no height limit. The other three development districts (Transit Node High, Transit Node Low, and Corridor) have height limits that generally range from three stories/36' to five stories/65', depending on whether the parcel depth is under 200' or 200' and over. Where height and FAR requirements may pose a challenge, limited height and FAR incentives may be granted through the State Density Bonus law to help micro-unit projects achieve necessary heights and FARs in exchange for restricted affordable units within proposed micro-unit projects.
- **Adjust Open Space Requirements.** Open space requirements are typically assessed as a square footage amount per dwelling unit. As it pertains to micro-unit projects, these regulations could result in a substantial amount of required open space that could render such projects infeasible. The micro-unit pilot program has been drafted to swap conventional per-unit open space requirements with an alternative open space requirement that emphasizes common areas to ensure the livability of this housing typology for future residents. The proposed ordinance delineates the amount of open space that is required—10% of the lot area—and a requirement that two or more of the types of common open space be provided from among a menu of choices. Those choices include communal lounges or kitchens, rooftop open space and/or more conventional ground-level outdoor common areas. The common open space provision of the pilot program has been crafted to allow for minimum common open space requirements to be met while allowing for creativity in how common open space amenities may be provided.
- **Allow Parking Reductions Through TDM and Density Bonus.** Conventional per-unit parking requirements can also present a regulatory hurdle for micro-unit projects by virtue of the high density typically associated with these projects. Residential units are generally parked at a rate of one to two spaces per unit, depending on the number of bedrooms plus one guest parking space per four units. The physical space required for this parking can exceed the living area of the micro-unit in some circumstances and is a contributing factor to high housing costs. Parking lifts, shared parking, alternative mobility solutions (bus, train, bike, scooter, walk) and parking reductions are all possible solutions. In the Downtown area, for example, projects within the Alternative Mobility Overlay are eligible for a parking reduction by incorporating Transportation Demand Strategies (TDM) strategies such as: car sharing, carpool, unbundled parking, shared parking, etc., subject to Site Plan Review Committee approval. Similar TDM strategies for parking reduction are also allowed in Midtown with Site Plan Review Committee (SPRC) approval. Similarly, the micro-unit pilot program would afford micro-unit projects a parking reduction with incorporation of TDM strategies, subject to SPRC approval. Outside of incorporation of TDM strategies for a reduction in parking, as mentioned previously, micro-unit projects incorporating covenanted, income-restricted affordable units can also take advantage of parking reductions permitted by the State Density Bonus Law

(Government Code §65915). These measures will improve the feasibility of micro-unit projects and have the added goal of reducing vehicle miles traveled in the pilot project area.

Because the proposed action involves an amendment to the City's Zoning Ordinance, the Planning Commission must review and act upon this matter. The Planning Commission's role is to make a recommendation to the City Council consistent with adopted policies and plans (Exhibit B – Findings). The draft Zoning Code Amendment is attached (Exhibit C – Draft Code Amendment).

RELATIONSHIP TO INCLUSIONARY HOUSING POLICY

The proposed project area, which encompasses the Downtown and Midtown areas, coincides with the area that is identified as "Subarea 1" in the Inclusionary Housing Policy (IHP) and will be subject to mandatory inclusionary housing requirements. Consequently, proposed micro-unit projects may be required to include affordable units at the percentages and affordability levels outlined in the policy. While the policy has been adopted by the City Council in concept, a final ordinance is still being drafted by the City Attorney and is anticipated to be formally adopted in October. Additionally, the implementation of the Inclusionary Housing Program will be phased in over a three-year period, with the first year starting with a 5% Very Low Income (VLI) requirement for rental projects, ramping up to the full 11% requirement by Jan 1, 2023. Whether micro-unit pilot projects will be subject to the mandatory inclusionary housing requirements and the percentage of required affordable units will depend on the timing of the applications in relation to the adoption and effective dates of the final IHP ordinance.

SUMMARY JULY 16, 2020 STUDY SESSION – PLANNING COMMISSION DISCUSSION

During a July 16, 2020 study session on the proposed ordinance, the Planning Commission asked several questions about the micro-unit ordinance, including how it relates to the IHP (see above discussion). Following is summary of other questions and comments fielded by staff and the responses provided:

- Whether micro-units would have to comply with ADA requirements

Response: Micro-units would be subject to ADA requirements, similar to all new development.

- The potential for use of prefabricated structures as a construction method for this housing type

Response: Modular and prefabricated structures may be an option for such projects; the Department's Building and Safety Bureau is equipped to provide building permits for and conduct inspections of these types of structures. A 100% senior affordable housing project in the Midtown area of the City that is using modular, prefabricated components was recently approved by the Planning Commission. Staff anticipates use of prefabricated structures to become a more standard construction method in the future.

- To what parking and open space requirements would micro-unit projects be subject

Response: Micro-unit projects will be subject to open space requirements as percentage of the lot size, rather than a per unit requirement, which is typical of zoning regulations and has been identified as a barrier to micro-unit projects. As it relates to parking, micro-unit projects will be

subject to the parking requirements of the underlying zoning but will be eligible to seek parking reductions in exchange for Transportation Demand Management (TDM) strategies, subject to approval by the Site Plan Review Committee. While there may be concerns about the adequacy of parking (a concern that is more acute in some parts of the City than others), the proposed ordinance limits the maximum number of total units that can be developed and confines micro-unit projects to the Downtown and Midtown areas that comprise the most transit accessible areas of the City. Parking reductions will be considered along with measures that encourage use of the multimodal transportation network or if affordable units are provided, in accordance with State density bonus regulations.

- Whether this housing type would prevail over other housing types, given their potentially lucrative nature.

Response: Based on case studies and staff research, several cities have had some form of micro-unit regulations in place for some time and there has generally not been a preponderance of micro-unit projects that would lead staff to be concerned about micro-units prevailing over other types of housing. Many cities are only recently seeing early micro-unit projects in development. Additionally, the proposed ordinance establishes a pilot project to allow a maximum of 500 units, and as such, there is a limit on the number of micro-unit projects that will be facilitated by the subject action.

- How Accessory Dwelling Unit (ADU) laws relate to micro-units.

Response: While ADUs are unlikely to be proposed on lots developed with higher density, multifamily residential uses, per State law, ADUs are permitted on any lot which allows residential uses. The minimum size of an ADU is 150 square feet in accordance with the Building Code.

SUMMARY OF COMMUNITY ENGAGEMENT AND PUBLIC COMMENT

The community outreach for the pilot program was conducted as part of the Housing Element Update outreach process. A community forum was held on August 12, 2020, during which the pilot program was presented to community members. The meeting was attended by a total of 40 community members. The inquiries and comments at that meeting spanned a wide range of housing-related topics. Many of the inquiries were related to specific components of the Inclusionary Housing policy, such as: the geographic location of Inclusionary Housing units and whether the policy would be mandatory. In response to questions about additional strategies that the City is pursuing or should pursue to increase production of housing, and affordable housing production in particular, participants offered ideas ranging from in-lieu fees; Community Land Trusts (CLT); a rental board to improve protections for renters; and context-sensitive infill housing typologies like the "cottage cluster" known in Long Beach and in the Southern California region as the Bungalow Court. Feedback on the micro-units came largely in the form of questions about what constitutes a micro-unit; minimum unit size; geographic areas in which these units would be allowed, as well as the percentage of the Regional Housing Needs Assessment (RHNA) that would be met by micro-units. There were also comments on the need for different housing typologies, including student housing, which are among the populations that would likely reside in micro-units, as noted earlier.

PUBLIC HEARING NOTICE

In accordance with public hearing notification requirements for a Zoning Code Amendment in Long Beach Municipal Code (LBMC) Section 21.21.302.C, notice of this public hearing was published in the Long Beach Press-Telegram on August 19, 2020. Due to the declared state of emergency, notices were not provided to City libraries (they are closed), notice posting was provided at City Hall but not at multiple locations. A notice of the proposed zoning code amendment was distributed through the City's LinkLB e-mail blast system and to individual stakeholders who have requested notification on this item.

ENVIRONMENTAL REVIEW

In accordance with the California Environmental Quality Act (CEQA) and the CEQA Guidelines, the Zoning Code Amendment is exempt from CEQA under Section 15305 (Minor Alterations to Land Use Limitations) and Section 15308 (Actions by Regulatory Agencies for Protection of the Environment) and none of the exceptions in Section 15300.2 apply. Section 15305 exempts projects that consist of minor alterations in land use limitations in areas with an average slope of less than 20%, which do not result in any changes in land use or density. The properties affected by this ZCA have an average slope of less than 20%.

The ZCA is further exempt pursuant to Section 15308 (Actions by Regulatory Agencies for Protection of the Environment) and Section 15061(b)(3) (Common Sense Exemption), as it will not result directly or indirectly in significant environmental impacts. The Zoning Code Amendment does not result in any physical changes in the environment because it is limited to amendment of the Zoning Code to allow micro-units in PD-30 and SP1 areas, where residential uses are currently permitted. The proposed ordinance does not change the height, intensity of land use, or allowable land uses currently permitted by the underlying planned development district zoning or specific plan. Furthermore, the micro-unit pilot project area represents the most transit accessible areas of the City and largely coincides with areas mapped as having low vehicle miles traveled (VMT), in which infill residential and mixed-use projects would be exempt from further transportation analysis, in accordance with CEQA and the City's recent implementation of SB 743. Finally, projects seeking approval subsequent to this Zoning Code Amendment will be subject to individual CEQA review, as appropriate.

