

# Enhanced Density Bonus - Zoning Code Amendment

June 17, 2021



# Background

- July 16, 2020: PC Study Session
- September 3, 2020: PC Hearing
  - Informal Dwelling Units Amnesty
  - Micro-Unit Pilot Program
  - **Enhanced Density Bonus**
- Early implementation action of the Housing Element update process
- 26,000-unit RHNA requirement through 2029

Income Level	Total Annual RHNA Target (2014-2021)	Total units remaining to meet RHNA Target	Average Annual RHNA Target	% of RHNA met by # of permitted units (2014-2020)
Very Low-	1,773	1,363	222	23%
Low-	1,066	850	134	20%
Moderate-	1,170	1,131	147	3%
Sub-total Affordable	4,009	3,383	502	16%
Above-Moderate	3,039	-465	380	115%
TOTAL	7,048	3,830	881	59%



# Background: State Density Bonus Law

- Enacted in 1979 to help address Statewide affordable housing shortage
- To help offset the cost of including a percentage of affordable units in a market-rate development, State Density Bonus provides:
  - an increase in density
  - development standard concessions and incentives, including by-right parking reductions
- Over 40 years later ➔ even greater affordable housing challenges.
- Recent amendments (AB2345) increased bonus from 35% to 50%, lowered the concession threshold when low income units are included, and amended parking requirements



# What is “Enhanced” Density Bonus and Why Do We Need It?

## What is it?

- Greater density bonus, incentives and development concessions [beyond those found in State law](#), in exchange for affordable housing units
- Tailors the incentive structure to [local conditions](#) with the greatest bonuses in areas served by the highest quality transit
- Complements the [Inclusionary Housing](#) ordinance
  - Help offset costs meeting the new inclusionary requirements

## What it does not do:

- Rezone properties
- Upzone low density residential (R1/R2) properties or allow residential uses in areas planned solely for commercial use (Community Commercial PlaceType, for example)



# What is “Enhanced” Density Bonus and Why Do We Need It?

## Why do we need it?

- Encourages housing production
  - The City is not producing sufficient housing overall, and, is producing insufficient levels of affordable housing to meet demonstrated need
  - The State Density Bonus has proven insufficient to encourage housing production; only been used a few times in the past two decades
- Furthers the goals of the inclusionary housing outside of Downtown and Midtown
- Temporary measure to help achieve 26,000-unit RHNA through 2029
  - Proposed to sunset when RHNA for affordable units is met or by 2030
  - Stop gap measure for interim time while City is rezoning property consistent with the LUE



# Why this specific strategy?

- LUE buildout of 28,500 units over 20 years
- RHNA of 26,502 over 8 years
- Many factors affecting housing development (e.g. construction/land costs, demographic shifts) are outside the City's control
- Land use regulations are the primary tool for Long Beach to address its housing crisis





# Why this specific strategy?

- UPLAN ground truthing revealed market forces and costs mean many sites identified by LUE may never be developed
- EDB is designed to help address this and make many sites citywide more viable for multifamily housing development
- EDB is critical to meeting RHNA, given site inventory density assumptions in HEU and recent development trends
  - Only 13% of all sites in HEU inventory are within Downtown

*"Even on vacant lots the land costs would have to be reduced by **almost 40%** to reach feasibility in the Base Case. Reducing land cost by approximately 20% bring the density bonus scenarios within the realm of feasibility. Alternatively, a **parking reduction of nearly 20%** would bring the density bonus scenarios to a feasible return on cost."*

Site 2: Neighborhood Residential Lot MFR-L (29 DUAC Max)			
	Base Case	Enhanced DB Base Area	Enhanced DB Transit Corridor
<b>RETURNS</b>			
<b>Net Profit Margin</b>			
Net Value = Net Profit	(\$513,089)	(\$445,334)	(\$445,334)
Gross Revenue	\$2,004,590	\$2,706,590	\$2,706,590
Net Profit / Gross Revenue	-25.60%	-16.45%	-16.45%
		\$86	\$86
		NA <sup>1</sup>	NA <sup>1</sup>
		NA <sup>1</sup>	NA <sup>1</sup>
		\$315	\$315
		\$423	\$423
		35%	35%
		8	8
		1.33	1.33
		NA <sup>1</sup>	NA <sup>1</sup>
		NA <sup>1</sup>	NA <sup>1</sup>
		NA <sup>1</sup>	NA <sup>1</sup>
<b>Combined Scenario</b>			
50% Reduction in Required Parking			
Parking provided	4	5	5
Effective Parking Ratio (spaces per unit)	1.00	0.83	0.83
Price Appreciation Needed for Feasibility			
Market Sales Price /Rent per SF required	\$437	\$417	\$417
% Change	39.25%	32.50%	32.50%

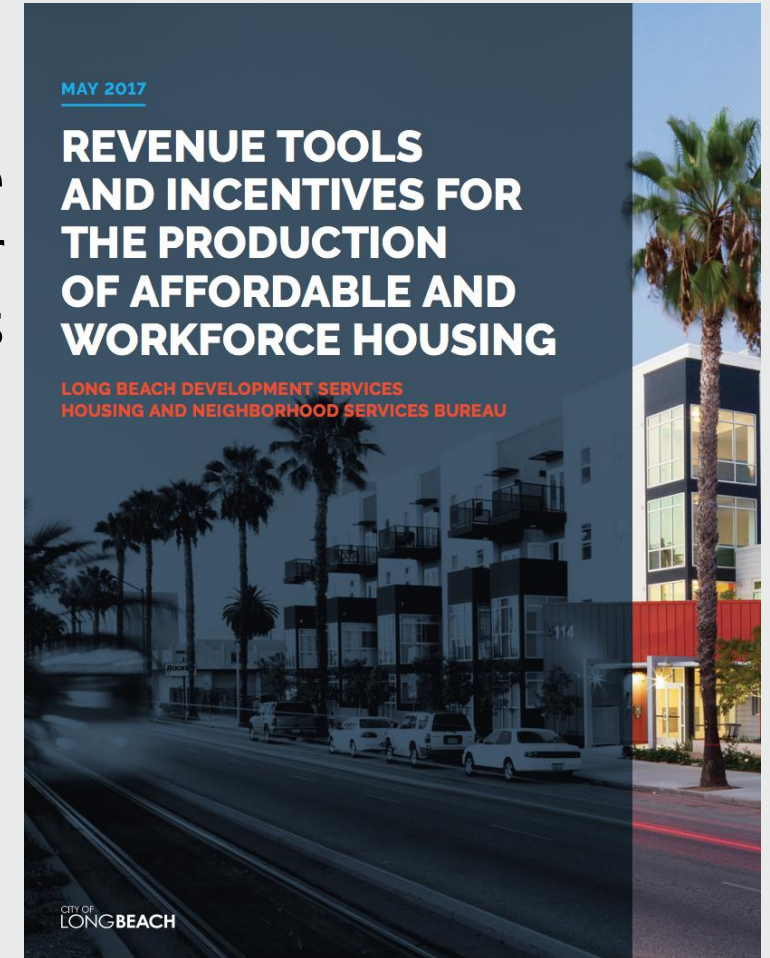
Source: AECOM  
(1) No Solution

**AECOM**



# Policy Goals

- Implement Policy 1.4 of the Mayor's Study Group
- Implement Recommendation 2e of the 2018 Everyone Home Long Beach report for expanding the number of rent-stabilized units through options such as production, policy, and preservation
- Implement LUE goals, policies, and land use strategies
- Complement Inclusionary Housing Policy
- Early implementation for Housing Element Update





# EDB and Housing Element Update (HEU)

- Early implementing action of 2021 6<sup>th</sup> Cycle HEU
- Regional Housing Needs Assessment (RHNA)
  - More than 15,000 or 58% of the City's **26,502 housing unit** RHNA is required to be affordable
- City must demonstrate that it can accommodate the total RHNA and the allocations by income level
- EDB is an important strategy for meeting this requirement
- State penalties for lack of compliance



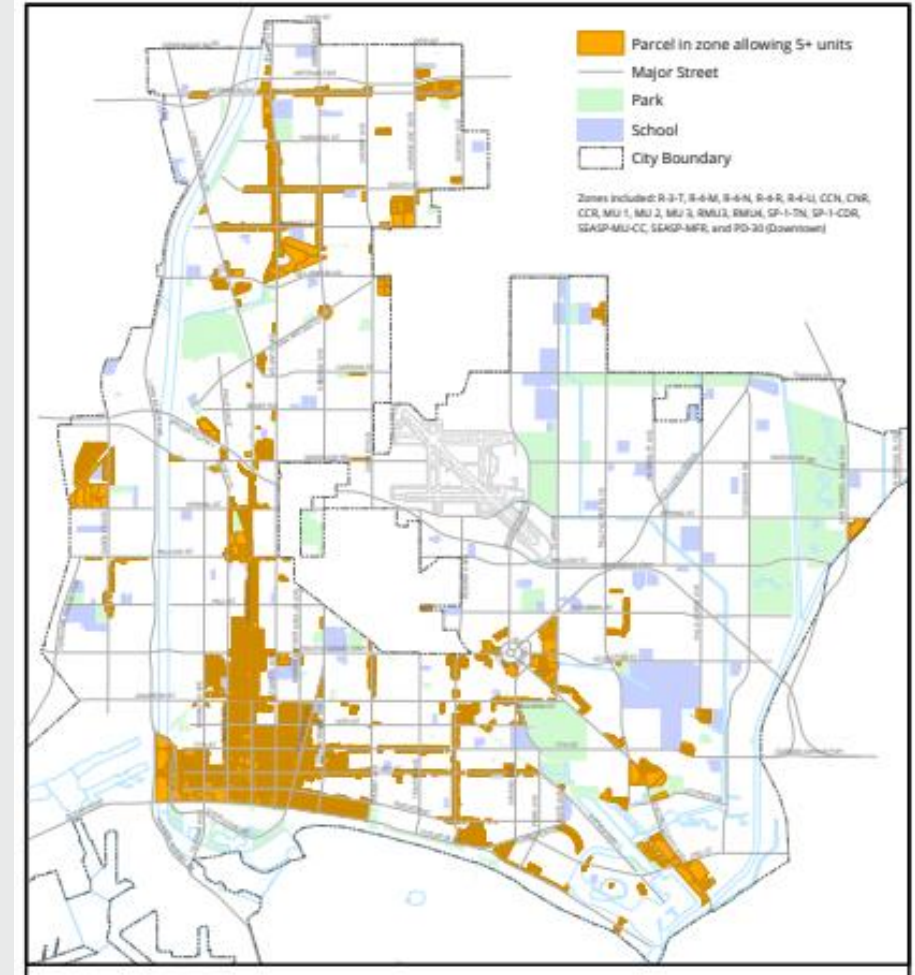
# Regulatory Framework - Overview

- **Overview:** Municipal Code amendments to allow for increased density bonuses beyond those permitted by the State Density Bonus Law + development concessions in exchange for increased levels of affordable housing
  - Mixed-use, mixed-income, multi-family housing Citywide, with the greatest density bonuses and incentives focused in high quality transit areas
- Consistent with 2019 General Plan Land Use Element (GPLUE)
- The LUE envisioned accommodating much of the City's anticipated growth and housing need on these transit-served corridors



# Regulatory Framework - Eligible Parcels (Zoning)

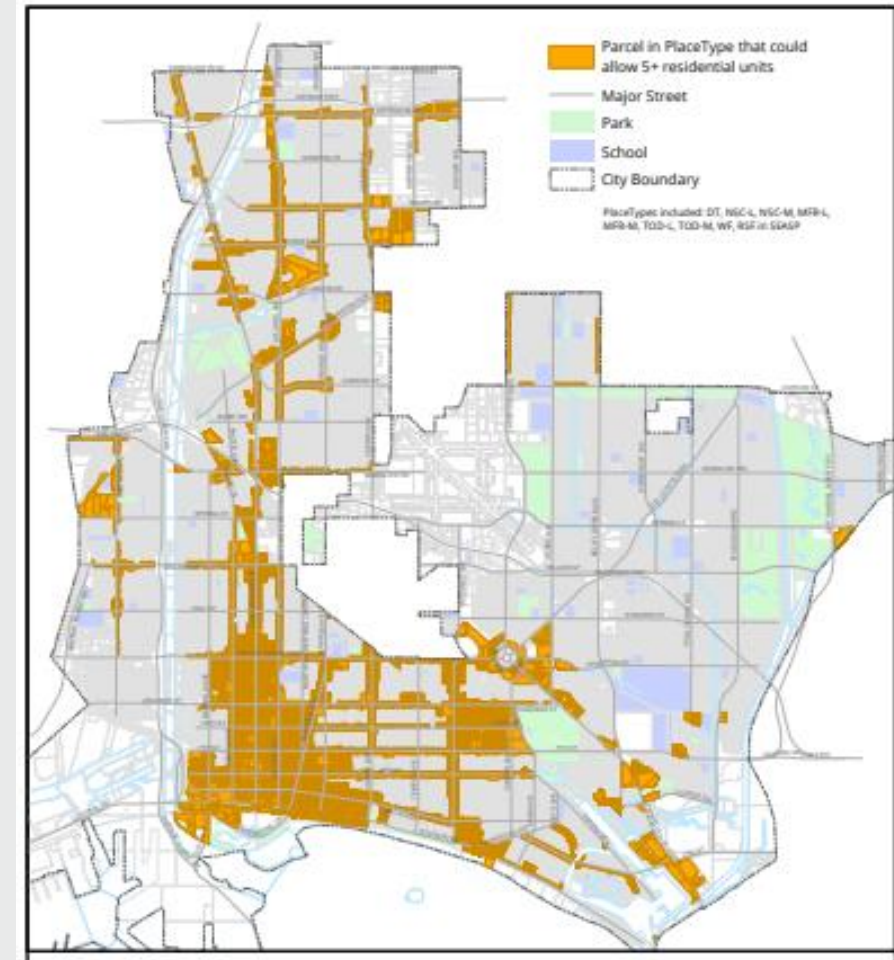
- Properties are only eligible if the property's zoning or PlaceType allows both **residential uses** and allows **five or more housing units** to be built
- The ordinance **does not change existing zoning;**
  - **This ordinance does not change any underlying zoning; it does not increase allowable density to five units per lot.**
  - The five units baseline is an eligibility criterion
  - Properties zoned R1 and R2 → not eligible
  - Commercial only properties → not eligible





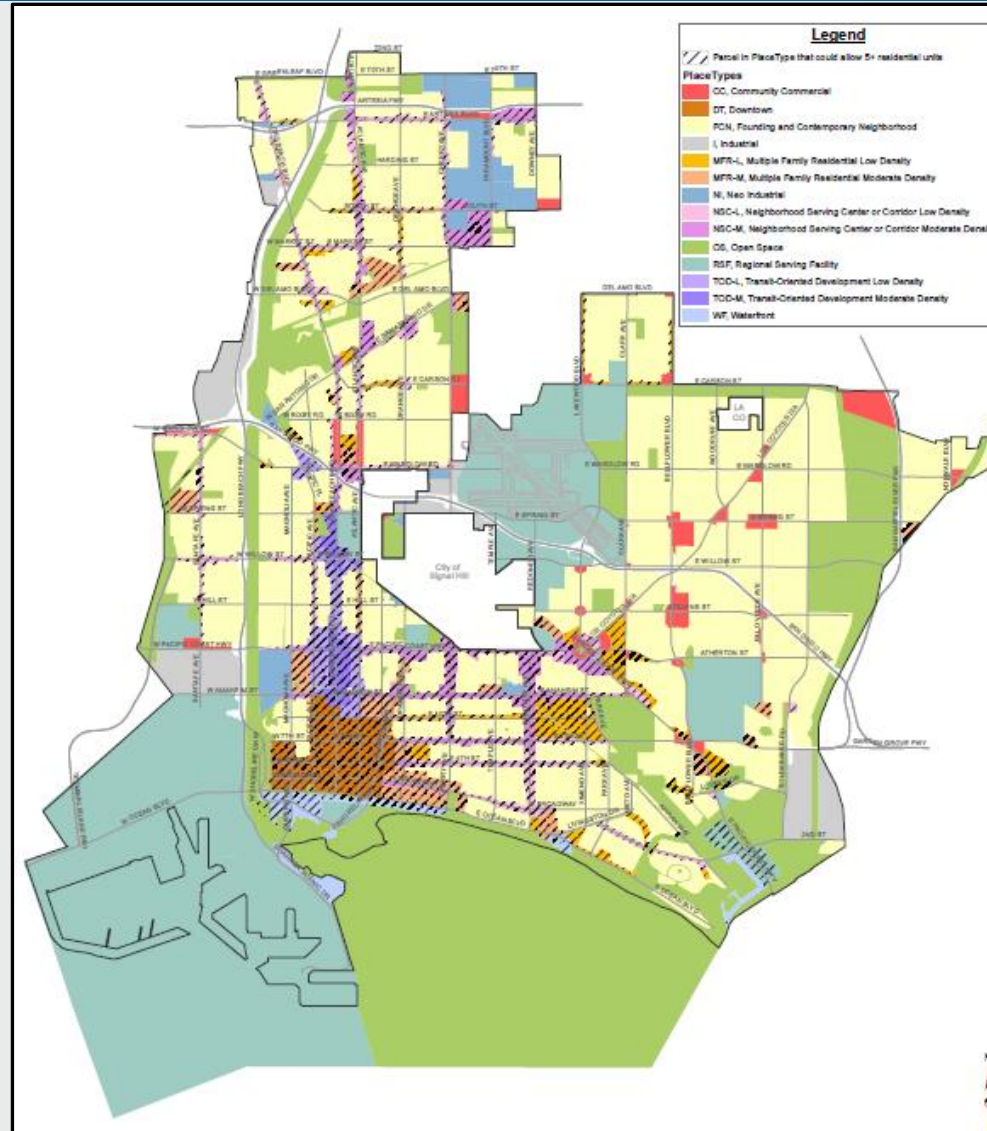
# Regulatory Framework - Eligible Parcels (PlaceType)

- Properties are only eligible if the property's zoning or PlaceType allows both **residential uses** and allows **five or more housing units** to be built
  - Eligible PlaceTypes: Downtown; NSC-L/M; MFR-L/M; TOD-L/M; WF; and RSF (SEASP)
  - The Land Use Element (LUE) is the blueprint for EDB; EDB does not change the LUE
  - Properties in the Founding and Contemporary Neighborhood (FCN) and Community Commercial (CC) PlaceTypes would not be eligible





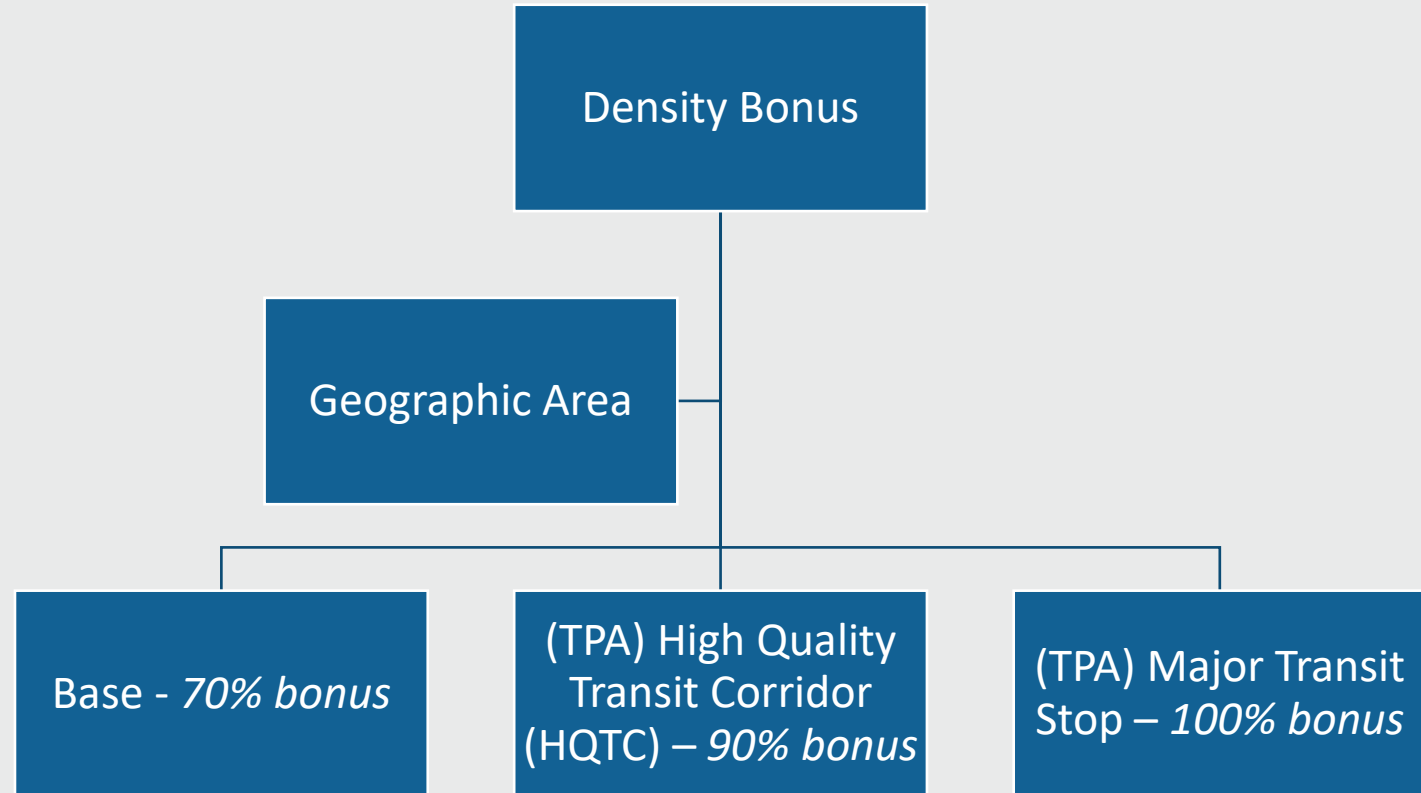
# LUE PlaceTypes Likely Eligible for EDB





# Regulatory Framework - Geographic Tiers and Density Bonus

- Density bonus amount is based on 1) level of affordability in project and 2) location of project
- Greatest density bonuses are limited to infill sites in Transit Priority Areas (TPAs)
  - Reduce GHG by reducing VMT
  - Bonuses most likely in mixed-use corridors and Downtown/Midtown areas





# Scenario Examples

PlaceType	Zoning	Allowable Density	Eligible for EDB?
FCN	R-1-N	1 unit per lot	No because # of units eligible doesn't meet the 5 units criteria
Community Commercial Centers and Corridor	CCA	n/a – residential units not allowed	No because residential use not allowed
<b>Neighborhood-Serving Centers and Corridor – Moderate (NSC-M)</b>	<b>CCN (R-4-N) (35,000 SF site)</b>	<b>36 units</b>	<b>Yes</b>



# Scenario Examples

- The site is in the HQTC area
- 80% density bonus eligible if 15% of units are VLI
- 36 base units per zoning
- $36 \times 0.15 = 5.4 = \underline{\mathbf{6\ VLI\ Units}}$
- $36 \times 0.8 = 29$  additional units
- $36 + 29 = \underline{\mathbf{65\ max\ units\ total\ with\ 80\% \ bonus}}$
- 7 concessions allowed corresponding to the bonus

Affordable Component	Bonus for VLI	Bonus for LI	Bonus for Mod
3 (*)	20	5	
4 (*)	25	10	
5	30	15	
6	35	20	6
7	40	25	7
8	45	30	10
9	50	35	15
10	55	40	20
11	60	45	25
12	65	50	30
13	70	55	35
14	75	60	40
15	80	65	45
16	85	70	50
17	90	75	55
18		80	60
19		85	65
20		90	70
21			75
22			80
23			85
24			90



# Maximum Bonuses Available

	State DB	Long Beach Proposed EDB		
	Statute 65915	Base Area	HQTC	Major Transit Stop
<b><u>Max Bonus</u></b>	<b><u>50%</u></b>	<b><u>70%</u></b>	<b><u>90%</u></b>	<b><u>100%</u></b>
Very Low Req	15%	14%	17%	16%
Low Req	24%	18%	20%	20%
Moderate Req	44% for-sale only	22%	24%	24%



# Regulatory Framework - Concessions

- The maximum number of concessions for an EDB project is nine (9)
  - **On-menu concessions** → “by-right”: FAR increases, and reductions in non-residential parking, open space, transitional height, and individual setback requirements
    - Height concessions: one additional story of height per incentive; max two-story in Base Area and three stories in TPAs
  - **Off-menu concessions** → count as double and require PC approval
  - **Projects subject to Inclusionary Housing Policy (IHP)** → Are required to include a percentage of housing units as on-site affordable units
    - Eligible for up to six concessions



# Regulatory Framework - Concessions (non-IHP projects)

Concession	Eligible Density Bonus
1	20
2	30
3	40
4	50
5	60
6	70
7	80
8	90
9	100



# Regulatory Framework - Concessions (IHP projects)

Total Concessions	#	Eligible Density Bonus (2023 and beyond)	Maximum Concession for Height	Eligible Density Bonus (2022)	Concession for Height	Eligible Density Bonus (2021)
3		70	1 story	50	1 story	40
4		80		70		60
5		90	2 stories	90	2 stories	80
6		100	3 stories	100	3 stories	100

\* Any height increases on a lot sharing a lot line or across an alley from a R1 or R2 zone, occupied by a single-family home or duplex, shall step-back any height increase over 12 feet at least 10 feet from the exterior face of the ground floor of the building face.



# Regulatory Framework - Concessions Cont'd

- **Special Bonuses and Concessions for Large Units and Childcare Facilities:**
  - On-site childcare facilities FAR and parking exemption plus eligible for an additional incentive
  - Up to an additional 20% density bonus (not to exceed 100%) in exchange for a percentage of larger units, some of which must be affordable



# Regulatory Framework - Parking

- The lower of the parking reductions offered by the State or by the EDB ordinance:

## State Density Bonus Law

<b>0-1 Bedrooms</b>	1 space/unit
<b>2-3 Bedrooms</b>	1.5 spaces/unit
<b>4 and more Bedrooms</b>	2.5 spaces/unit

## EDB Ordinance

<b>0-1 Bedrooms</b>	0.75 space/unit
<b>2 Bedrooms</b>	1.00 space/unit
<b>3 Bedrooms</b>	1.25 space/unit
<b>Guest Parking</b>	1 space / 8 units
<b>Commercial Parking</b>	First 6,000 square feet exempt; zoning code parking requirements apply beyond 6,000 square feet

- State law reduces parking for DB projects in TPAs to 0.5 spaces per unit
- As with State DB projects, 100% affordable EDB projects are parking exempt



# Regulatory Framework - Review Process, Affordability Restriction, and Administrative Provisions

- **Sunset clause:** Ordinance shall sunset either on October 1, 2030, unless extended by City Council, or if the City fulfills its 6th Cycle RHNA requirements for very low-, low-, and moderate-income units
- **Review Process:** Site Plan Review required for EDB projects
  - Objective design and development standards; Urban Design Element standards; Transitional height requirements
- Projects with requests for off-menu incentives will require Site Plan Review by the Planning Commission
- **Administrative Provisions:** Existing development Impact fee waiver for affordable units extended to moderate income units



# Regulatory Framework - Enhanced No-Net-Loss Requirements

- Additional findings to address no-net-loss; requirements for replacement of existing affordable units + affordable housing units required by EDB
- # and affordability levels of replacement units shall be based on the number of units on the site that are affordable to lower-income households
  - To stabilize the amount of 'naturally occurring' affordable housing units regardless of income of households who resided in them
  - Anti-displacement measure aimed at ensuring a net increase in affordable units
- Documentation to establish rent and affordability levels; AMI comparison; no demo permits to be issued



# Public Outreach and Comments

## Public Outreach

- Housing Element outreach meetings and focus groups
- HEU Virtual Open House
- Long Beach Press Telegram publication
- LinkLB email blast

## Summary of Public Comments

- Feedback on housing topics, strategies for increasing housing production, concern over bonus, goal of EDB should be to increase proportion of affordable units through market-rate housing
- Need for more affordable housing & quality housing, parking, difficulty in finding affordable housing, infrastructure, concerns over new housing
- Three letters of support; 9 letters of concern; 5 letters on the merits of the Negative Declaration (but two received after the deadline)



# Environmental Review

- Initial Study/Negative Declaration (IS/ND-08-20) finds that the project will not result in significant effects to the environment
- Posted on City website and published in Long Beach Press-Telegram on May 3, 2021
- EDB aims to help the city achieve its 6<sup>th</sup> Cycle HEU RHNA allocation which is less than but comparable to the number of housing units planned for in the LUE (28,524 units)
- Bonuses directed to high quality transit areas, consistent with State Law → exempt from transportation analysis; aesthetic impacts not significant (SB743)
- Projects subject to individual CEQA review, as appropriate



# Next Steps

- Summer: Tentative City Council hearing
- Ordinance effective 31 days following City Council adoption
- Coastal Commission adoption (subsequent to City Council) needed for ordinance to be effective in the Coastal Zone



# Recommendation

- Recommend that the City Council City Council accept Negative Declaration ND08-20; and
- Recommend that the City Council adopt the proposed Zoning Code Amendment ZCA20-017, consisting of changes to the Long Beach Municipal Code (LBMC), to establish the Enhanced Density Bonus Ordinance, exempt moderate income units from specific development impact fees, and amend SPR findings section for consistency with no-net-loss requirements





Thank you

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Planner

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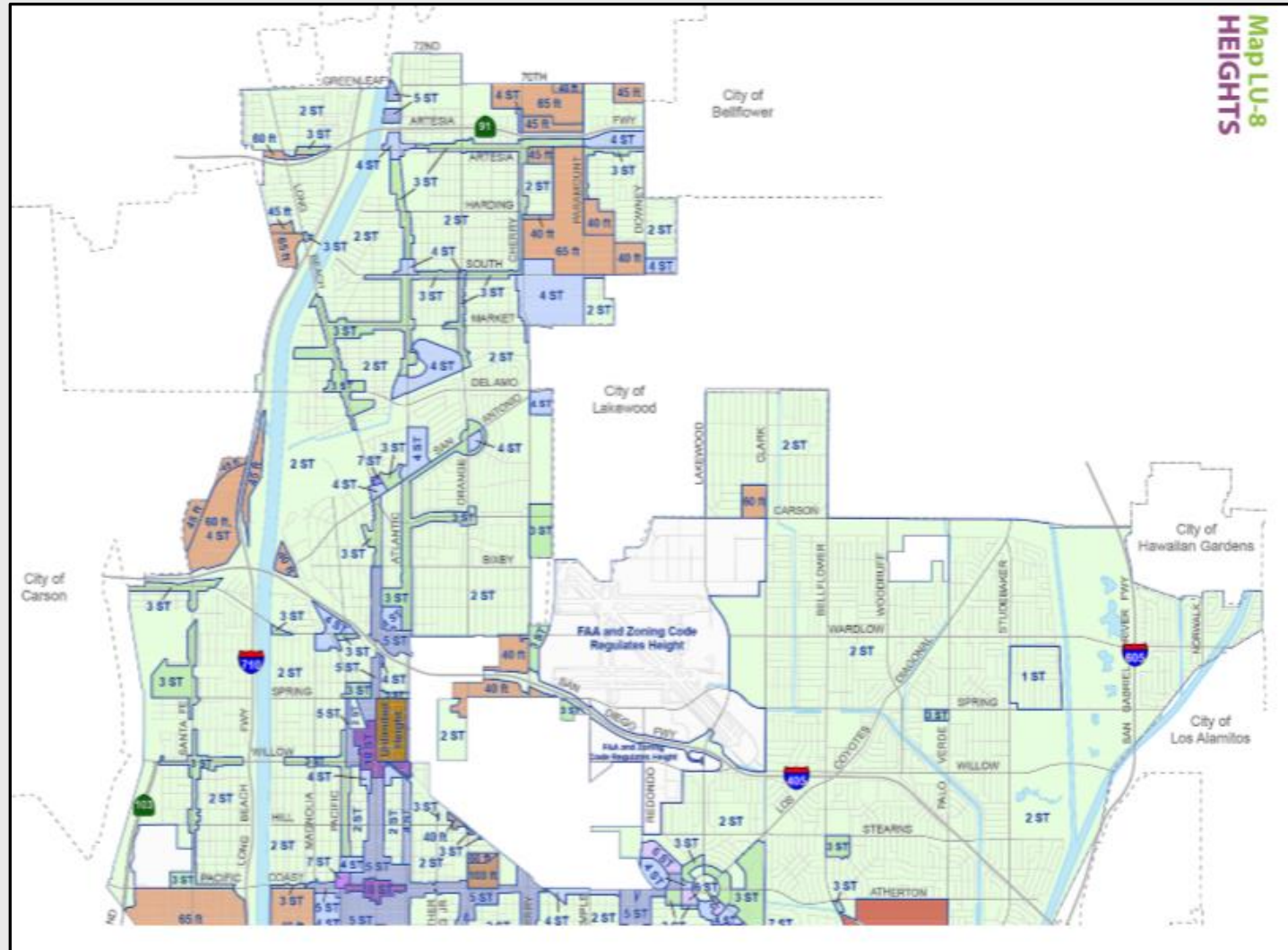


# Incentives for HCD-Certified Housing Element

- State funding sources that require housing element compliance:
  - Permanent Local Housing Allocation (PLHA)
  - Affordable Housing and Sustainable Communities (AHSC)
  - SB1 Planning Grants
  - CalHOME Program
  - Infill Infrastructure Grants (IIG)
  - Prohousing Designation Program
  - Local Housing Trust Fund Program (LHTF)
  - Regional Transportation Funding

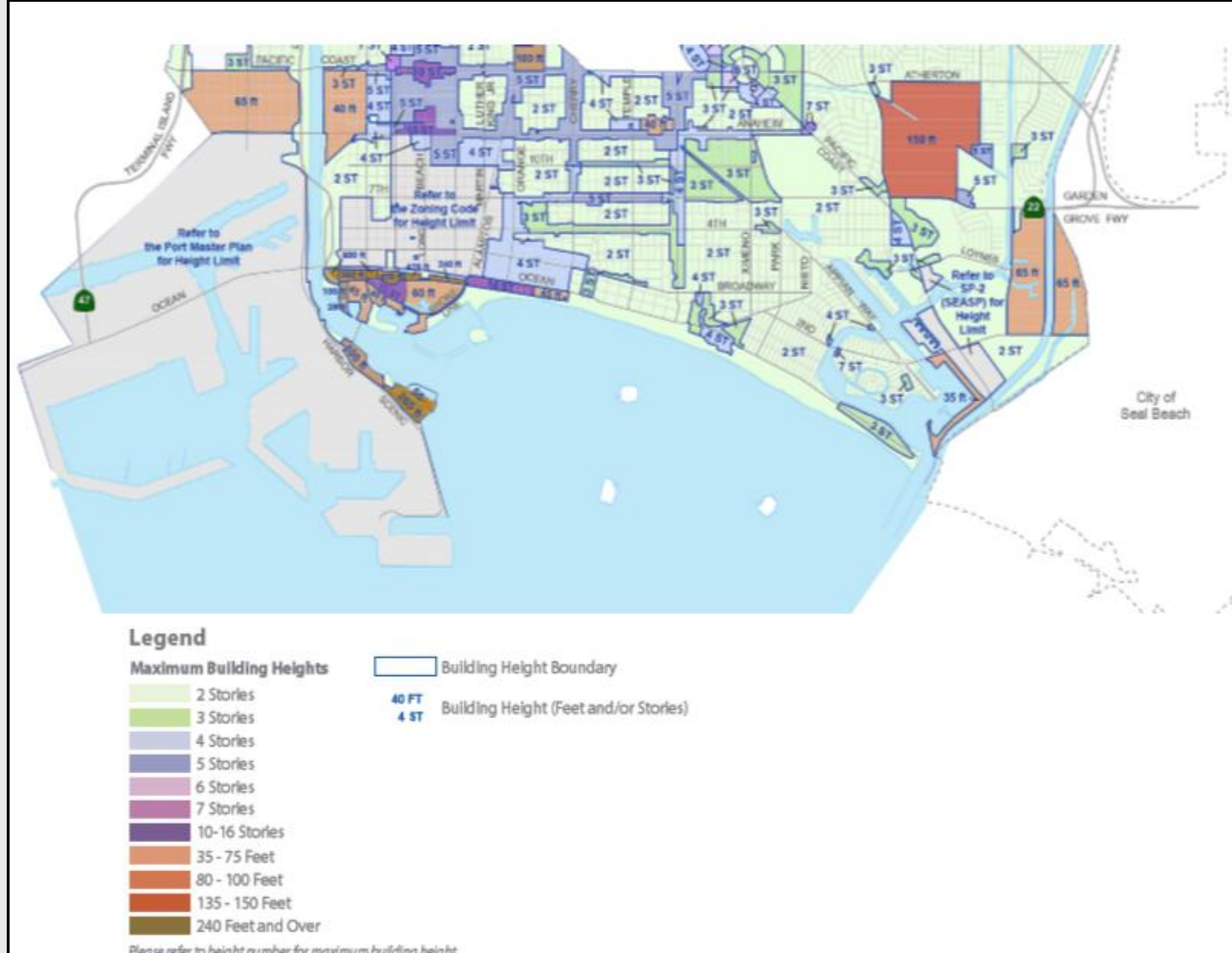


# LUE Height Map - Top Half



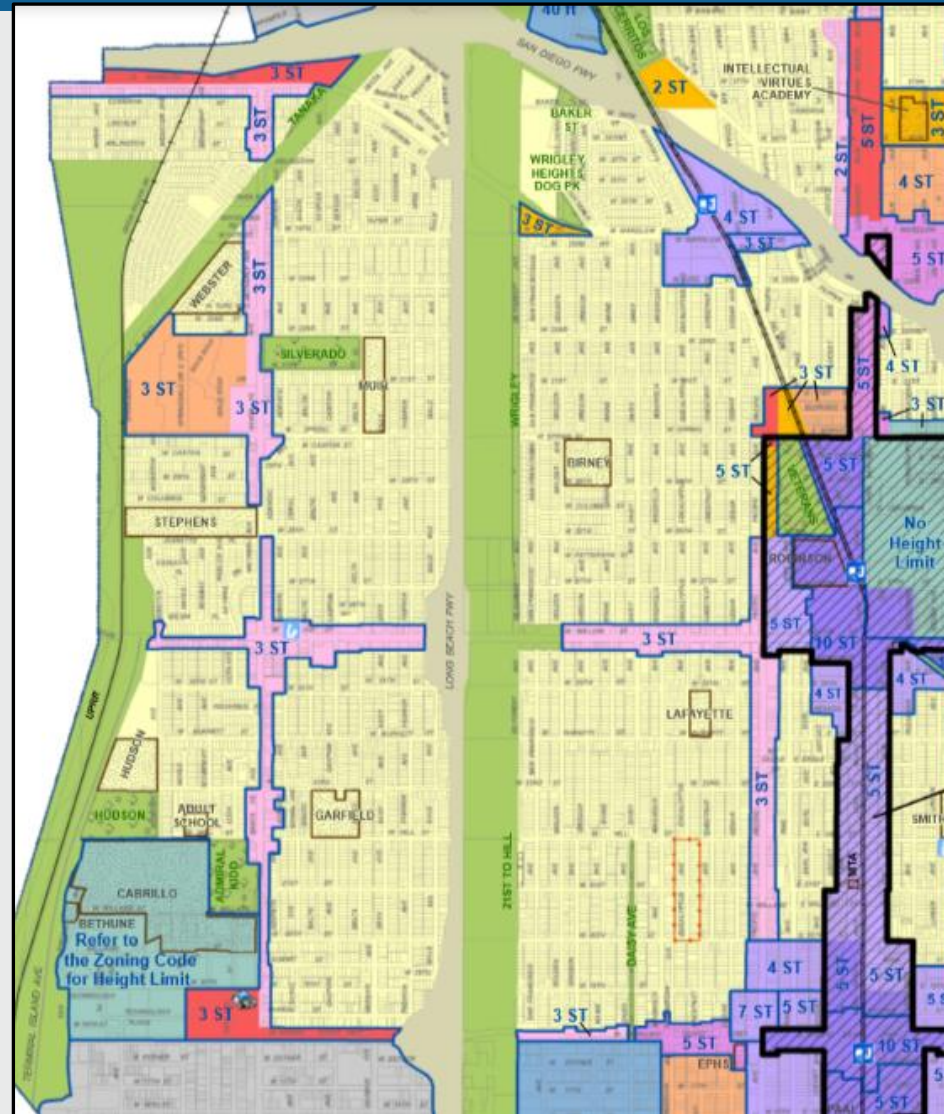


# LUE Height Map - Bottom Half



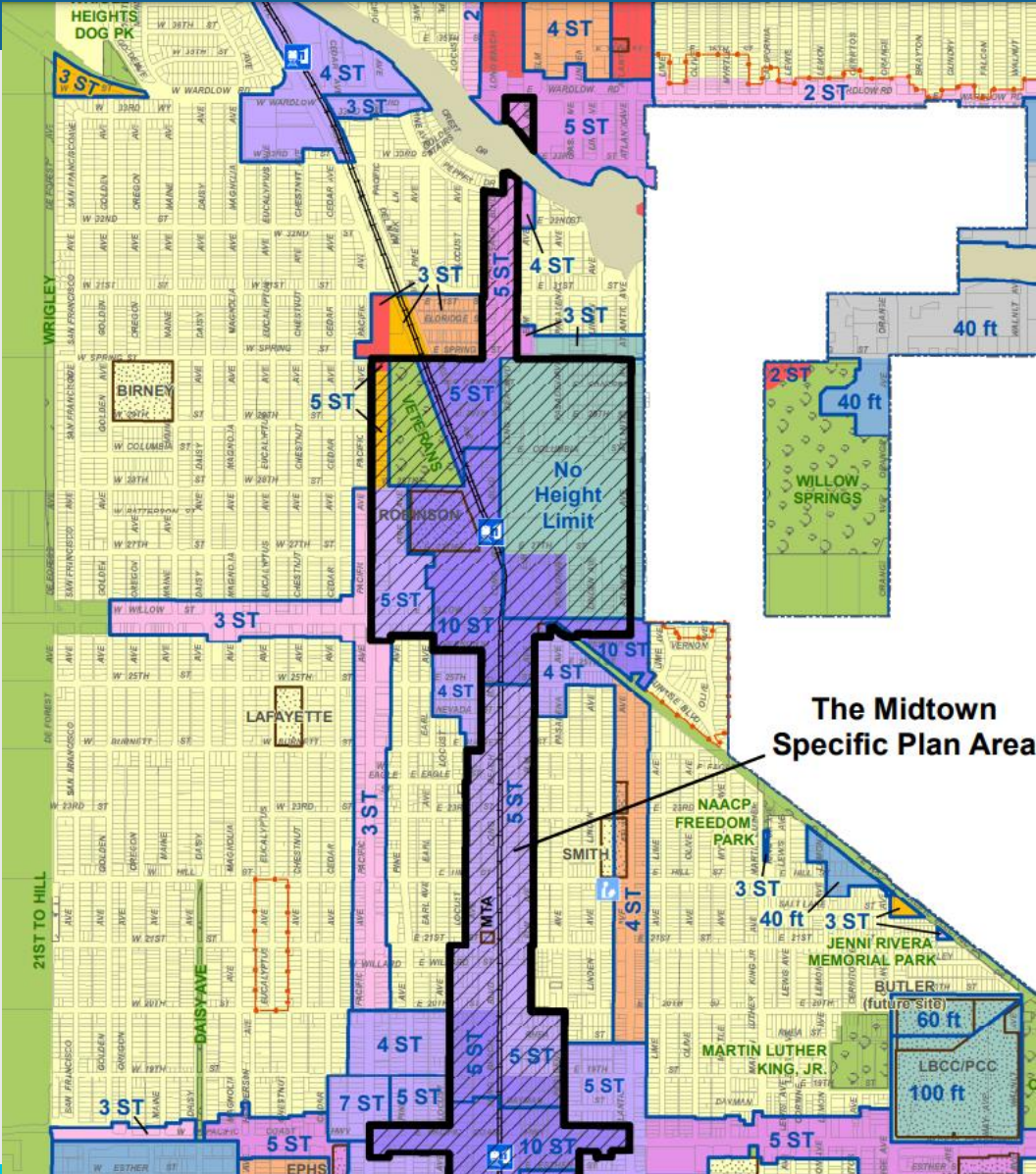


# LUE Height Map



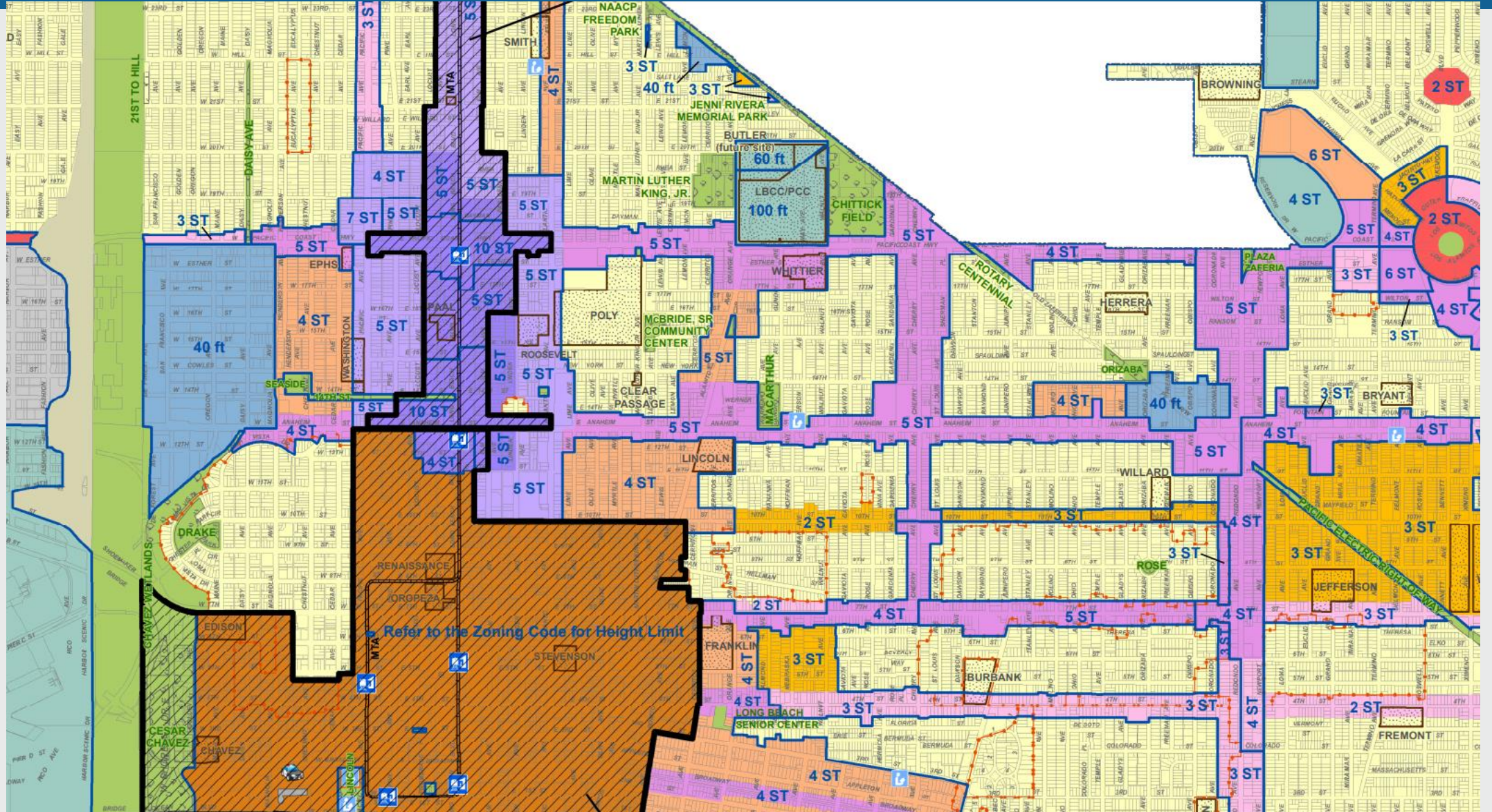


# LUE Height Map





# LUE Height Map



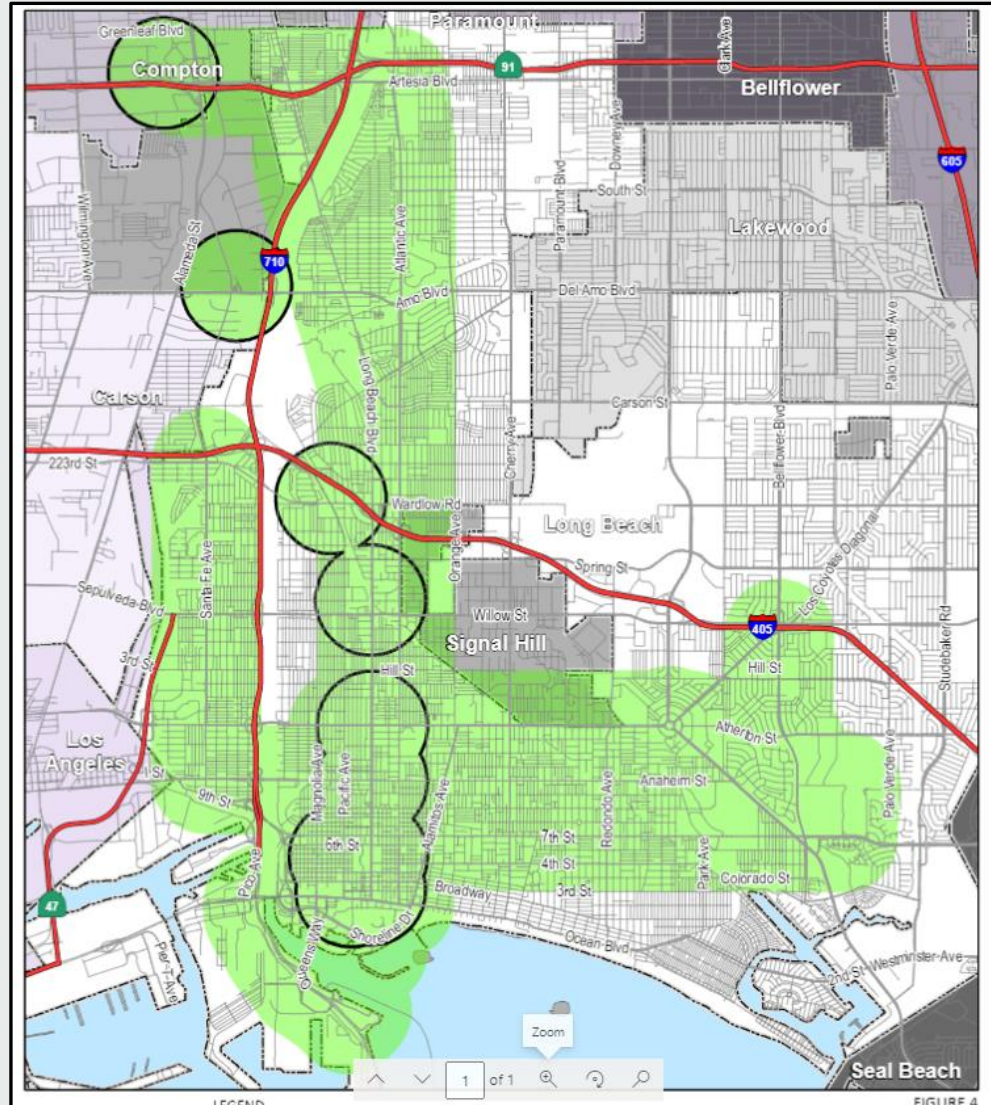


# LUE Height Map





# Transit Priority Areas Map





# Penalties and Consequences of Housing Element Noncompliance

- General Plan Inadequacy – local governments with an invalid General Plan can no longer make permitting decisions
- Legal Suits and Attorney Fees – litigation from housing rights' organizations, developers, and HCD; substantial attorney fees
  - Mandatory compliance within 120 days; suspension of local control; court approval of housing developments
- Loss of Permitting Authority – suspension of local authority to issue building permits or grant zoning changes, variances, or subdivision map approvals
- Financial penalties - courts can multiply financial penalties by a factor of six
- Court receivership – appointed agent with powers to remedy housing element deficiencies