



**COUNTY OF SAN LUIS OBISPO
DEPARTMENT OF PLANNING AND BUILDING
STAFF REPORT**

*Promoting the wise use of land
Helping build great communities*

PLANNING COMMISSION

MEETING DATE May 26, 2016	CONTACT/PHONE Brian Pedrotti 788-2788 bpedrotti@co.slo.ca.us	APPLICANT County of San Luis Obispo	FILE NO. LRP2014-00018
SUBJECT Hearing to consider a request by the County of San Luis Obispo to amend Title 21 and 22 of the County Code, to incorporate a Workforce Housing Ordinance Package and to create new Workforce Housing Design Guidelines. The requested modifications include: 1) an amendment of Title 22 to add new section 22.30.477 – Residential – Workforce Housing Subdivision, 2) an amendment of Title 22 to section 22.30.490 – Residential Uses in Office or Commercial Retail Land Use Category, 3) an amendment of Title 22 to section 22.10.130 – Residential Density, 4) an amendment of Title 22 to section 22.06.030 – Table 2-2, 5) an amendment of Title 22 to add new subsection G.7 to section 22.12.080 – Inclusionary Housing, 6) an amendment of Title 22 to subsection H of section 22.12.080 – Inclusionary Housing – Table 2-2, 7) an amendment of Title 22 to add new subsection E to section 22.12.020 – Applicability, 8) an amendment to Title 22 to Chapter 22.80 – Definitions, and 9) an amendment of Title 21 to section 21.03.020 – Adjustments. The project is proposed within the inland portion of the County (El-Pomar Estrella, Las Pilitas, Nacimiento, and Salinas Sub-Areas of the North County Planning Area, the San Luis Bay Inland Sub Area North and San Luis Obispo Sub Area North of the San Luis Obispo Planning Area, and the San Luis Bay Inland Sub Area South, San Luis Obispo Sub Area South, and South County Sub Area of the South County Inland Planning Area).			
RECOMMENDED ACTION Recommend to the Board of Supervisors approval of Land Use Ordinance Amendment LRP2014-00008 and approval of new Workforce Housing Design Guidelines based on the findings listed in Exhibit A.			
ENVIRONMENTAL DETERMINATION This project is covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. It can be seen with certainty that there is no possibility that this project may have a significant effect on the environment; therefore, the activity is not subject to CEQA. [Reference: State CEQA Guidelines sec. 15061(b)(3), General Rule Exemption]			
LAND USE CATEGORY RSF, RMF, CR, O/P	COMBINING DESIGNATION Not Applicable	ASSESSOR PARCEL NUMBER Not Applicable	SUPERVISOR DISTRICT(S) 1,3,4 & 5
PLANNING AREA STANDARDS: Not Applicable			
EXISTING USES: Not Applicable			
SURROUNDING LAND USE CATEGORIES AND USES: Not Applicable			

OTHER AGENCY / ADVISORY GROUP INVOLVEMENT: The project was referred to: Inland Community Advisory Groups, Inland Community Services Districts, Public Works, Environmental Health, Agricultural Commissioner, County Parks, Cal Fire, Cal Trans, County Assessor’s Office, Health Commission, Regional Water Quality Control Board, Air Pollution Control District, incorporated cities within San Luis Obispo County.	
TOPOGRAPHY: Not Applicable	VEGETATION: Not Applicable
PROPOSED SERVICES: Not Applicable	AUTHORIZED FOR PROCESSING DATE: November 5, 2013
ADDITIONAL INFORMATION MAY BE OBTAINED BY CONTACTING THE DEPARTMENT OF PLANNING & BUILDING AT: COUNTY GOVERNMENT CENTER γ SAN LUIS OBISPO γ CALIFORNIA 93408 γ (805) 781-5600 γ FAX: (805) 781-1242	

PROJECT SUMMARY

On November 5, 2013, at their regularly scheduled hearing, the Board of Supervisors considered resolutions on the annual adjustment of the in-lieu and housing impact fee schedules within Title 29 and directed Planning Department staff to coordinate with the building industry on policy issues regarding affordable workforce housing. Based on this direction, and in collaboration with the Building, Design, and Construction cluster of the Economic Vitality Corporation, staff has prepared an amendment to the Land Use Ordinance, Title 22 of the County Code to create an ordinance applicable workforce housing subdivisions. In addition, the package includes provisions to allow some interim residential development in mixed use commercial districts. Finally, staff has prepared Workforce Housing Design Guidelines to help guide the development and design of these residential developments. As proposed, the amendments will include the following:

Addition of the following new section to Title 22:

- Section 22.30.477 – Workforce Housing Subdivisions

Significant revisions to the following section of Title 22:

- Section 22.30.490 – Residential Uses in Office or Commercial Retail Land Use Category

Minor revisions to the following sections of Title 22:

- Section 22.10.130 – Residential Density
- Section 22.06.030 – Table 2-2
- Section 22.12.080 – Inclusionary Housing
- Section 22.22.020 -- Applicability
- Section 22.80 – Definitions

Minor revision to the following section of Title 21:

- Section 21.03.020 -- Adjustments

BACKGROUND AND HISTORY

The local building industry and the Board of Supervisors have expressed a concern that existing policies tend to discourage the development of small, detached single-family residences on individual lots. This housing type is important to growing the County's economy, as it presents an opportunity to provide high-quality, desirable and needed housing for the workforce. At present, market conditions and development costs result in new residences averaging around 2,400 square feet in size. These residences tend to be unaffordable to the workforce of economic growth sectors, such as tourism, health services, energy, and specialized manufacturing. Building affordable workforce housing is essential to attracting new job-generating businesses to the County and spurring economic growth.

One potential solution towards helping to alleviate this problem is to seek to create incentives for developers that build new workforce housing subdivisions. If successful, this pilot program could be extended to the Coastal Zone or modified to fit the municipal code of incorporated cities.

The County has been collaborating extensively with the Economic Vitality Corporation (EVC) on developing and implementing an economic strategy for the County. In 2013, the EVC published a report on the results of a survey regarding workforce housing. The report (available at www.sloevc.org) presented a number of findings, including the following:

- Employees and employers both indicate that housing is difficult to find.
- Both employees and employers have a desire to reside and work in the same city, but will consider a commute of up to 30 minutes. The average employee commute time is about 15 minutes.
- The most desired housing type is a detached residence with three bedrooms, two baths, and a two-car garage.

In November 2013, while discussing the implementation of the Inclusionary Housing Ordinance, the Board of Supervisors formed an ad-hoc committee of County staff, local market-rate and affordable housing developers, and architects to consider ordinance amendments to incentivize the development of workforce housing. In July 2014, the Board authorized County staff to process ordinance amendments to address workforce housing.

Since that time, County staff worked closely with the Economic Vitality Corporation (EVC) to prepare ordinance amendments. The effort produced two packages of ordinance revisions:

- 1) **Workforce Housing Subdivisions** – Relaxing the standard requirements for new subdivisions that involve development of workforce housing.
- 2) **Mixed-Use Developments** – Allowing interim residential uses to occur in commercial mixed-use developments.

The benefits and obligations for these revisions are summarized in Table 1, should an applicant wish to utilize the WFH ordinance:

Table 1 Benefits and Obligations

	Obligations	Benefits
Workforce Housing Subdivisions	<ul style="list-style-type: none"> • The first sale of residences built in workforce housing subdivisions must be affordable to the workforce. • Sales prices are further reduced to 75% of the countywide standard for Oceano and 71% of the countywide standard for San Miguel. • The first sale of residences built in workforce housing subdivisions must be owner-occupied. • Residential units comply with workforce housing design guidelines (new). 	<ul style="list-style-type: none"> • 25 percent reduction of the required number of inclusionary housing units. • Ability to count secondary residences towards meeting half of the inclusionary housing unit requirement. • No need to deed restrict secondary residences that are designated as inclusionary housing units. • Additional flexibility for subdivision design (i.e. setbacks, lot size, lot width, parking, etc.), without being subject to planned development standards.
Mixed Use	<ul style="list-style-type: none"> • The ground floor of buildings fronting a public road must be constructed to commercial standards. 	<ul style="list-style-type: none"> • The Review Authority may approve residential as a primary use in Commercial Retail (CR) and Office and Professional (OP) zones, as long as more than 50 percent of the floor area is designed to accommodate a commercial use. • Commercial space may be occupied with residential uses on an interim basis.

Community Outreach and Involvement

The Workforce Housing Ordinance package has had a significant amount of community involvement and input throughout the process. The ordinance was originally requested by the development community, and was placed high on the Board of Supervisor's priority list for completion. Staff met with the development community early and often, including regular meetings with the Building, Design, and Construction cluster of the EVC. Due to the various detailed sections required for the ordinance, a separate ad-hoc committee was formed consisting of local developers and architects to work directly with staff to draft the ordinance. The ordinance has been referred to all of the necessary County departments and outside agencies, as well as the inland advisory councils.

QUESTIONS AND HIGHLIGHTS

Is the WFH ordinance mandatory?

No. The WFH ordinance is not mandatory, rather it is one tool that applicants may choose to pursue should they desire to build workforce housing.

What does affordable to the workforce mean?

The ordinance requires, should an applicant wish to build a workforce housing development, affordability of all workforce housing units pursuant to Section 22.12.070 of the Land Use Ordinance for the "workforce" range. The "workforce" range is intended to capture the income levels of working professionals within the County, such as teachers, firefighters, and other public employees, as well as much of the working private sector. The affordability standards, which are shown on page 3 of Exhibit X, change regularly, and the County publishes this information monthly. The ordinance is written to refer to the affordability standards, rather than specifying sales prices. Oceano and San Miguel are both considered "disadvantaged communities" based on median income levels, and therefore reduced percentages of affordability standards are applied to those communities.

Where does the proposed ordinance apply?

The WFH ordinance applies only within an Urban Reserve or Village Reserve Line in the following land use categories: Residential Single-Family, Residential Multi-Family, Office Professional, and Commercial Retail. The WFH ordinance only applies to the Inland portions of the County and does not include the coastal areas.

The proposed ordinance does not affect existing ordinances relating to subdivisions that are allowed in rural residential land use categories such as Residential Suburban, Residential Rural, Rural Lands, and Agriculture.

Development Potential and Density

Under the proposed ordinance, development will occur where it is already anticipated under the current land use categories. Projects would be required to develop a project consistent with the density of the applicable land use category, thus no change residential density would occur with the proposed ordinance amendment. For example, in communities where the Residential Single-Family land use category allows 7 units per acre (approximately 1 parcel per 6,000 square feet), approval of a workforce housing subdivision does not allow an exceedance of this density. The same number of units must be adhered to within the project boundaries. All Community Planning Area Standards will still control over these provisions. Further, all workforce housing subdivisions will be required to meet the local design plans and the Workforce Housing Design Guidelines.

Inclusionary Housing and Secondary Units

In 2008, the Board of Supervisors approved the Inclusionary Housing Ordinance, which requires new development to construct a certain percentage of affordable housing or pay an in-lieu fee that goes to pay for future affordable housing units. The WFH package includes an option to reduce the required number of inclusionary housing units by 25%. It also includes revisions to this ordinance to allow secondary residences developed in workforce housing subdivisions to count towards meeting inclusionary housing unit obligations, and to eliminate the requirement for a long term affordability deed restriction on secondary units in workforce housing subdivisions. Currently, secondary residences may count for up to 30 percent of a project's inclusionary housing requirement. The proposed ordinance revision allows up to 50 percent of the inclusionary housing obligation to be satisfied by construction secondary residences and eliminates the deed restriction requirement.

Mixed Use

Mixed use developments are commercial developments with a residential component. The Land Use Ordinance currently allows residential development in certain commercial land use categories, such as Commercial Retail and Office/Professional, if the residential component is subordinate to a primary commercial use (i.e., one second story, behind the commercial use, and at least 50 percent of the floor area is commercial). The WFH package includes a revision to allow residential uses to be established in the CR or OP land use categories as a primary use, provided that certain standards are met. These include the provision that residential can be on the ground floor as an interim use as long as it is built to commercial standards.

Homeowner's Association

All workforce housing subdivisions shall not be required to have a homeowner's association. The proposed ordinance, consistent with the California Civil Code, provides the option for a

developer to either form a Homeowner's Association or record a common area maintenance agreement to ensure maintenance of any included commonly held areas.

An Optional Development Tool

The proposed ordinance creates guidance for a type of development which is an optional development tool for applicants. Applicants may continue to propose standard subdivisions and developments consistent with the provisions of the Land Use Ordinance.

Findings

Proposed projects will need to meet the findings listed in the ordinance, which include compliance with all ordinances and design guidelines, adequate services and utilities, neighborhood compatibility, the necessity of the modifications, and appropriate site characteristics, access, and traffic generation.

Workforce Housing Design Guidelines

The Workforce Housing package includes a set of new design guidelines for workforce housing subdivisions. These guidelines are intended to provide guidance on the design, review, and approval of workforce housing developments. Guidelines differ from standards in that they are recommendations and not requirements. They are a reference point and are intended to be used by the landowner or designer, to help in designing the conceptual layout of the development and its various features (e.g. parking, outdoor space, etc.), by the Community Advisory Council, to aid in their review and recommendations on discretionary development, projects, and by the County planning staff to aid in their design review and recommendations for the project.

Differences between Workforce Housing Ordinance (WFHO) and Planned Development Ordinance (PDO)

Although both the proposed WFHO and the recently approved PDO have some similarities in terms of providing flexibility in site planning and the ability to cluster parcels to achieve more innovative and a higher level of design, there are some important differences. Unlike the PDO, the WFHO includes several obligations and benefits that are not available with the PDO, including:

- Housing affordability restrictions to first sale in the workforce housing range of 120 – 160% of median income, with further reductions for San Miguel and Oceano;
- First sale of residences must be owner-occupied;
- 25% reduction of the required number of inclusionary housing units;
- Ability to count secondary residences towards meeting half of the inclusionary housing unit requirement;

The PDO is administered through the Cluster Division Ordinance of Title 22, and is governed by the planned development provisions in the California Civil Code, which requires a commonly held parcel or common easement, whereas the WFHO is a type of conventional subdivision with no requirement for common area. Further, the WFHO applies to a very specific type of residential housing subdivision, while the PDO applies to residential, commercial, industrial, and mixed-use developments.

Finally, although development constructed under the PDO does not need to comply with the Workforce Housing Design Guidelines, County staff would encourage applicants to review these for planned developments for a checklist of best practices.

Summary of Benefits of the WFH Ordinance

The following summarizes key benefits of the WFH ordinance for applicants.

- Allows projects to be more financially feasible for the builder
- Additional flexibility for subdivision design (i.e. setbacks, lot size, lot width, parking, etc.), without being subject to planned development standards
- 25 percent reduction of the required number of inclusionary housing units.
- Ability to count secondary residences towards meeting half of the inclusionary housing unit requirement
- No need to deed restrict secondary residences that are designated as inclusionary housing units
- Commercial space may be occupied with residential uses on an interim basis

AUTHORITY

Land Use Ordinance Amendment

The Land Use Element sets forth the authority by which the Land Use Ordinance can be amended. The following factors should be considered in making a decision.

Guidelines for Amendments to Land Use Ordinance

The Land Use Ordinance guides new development so as to be in character with its surroundings and to maintain amenities for communities. These principles implement the general goals that are stated in Chapter 1 of Framework for Planning, Part I of the Land Use Element.

Development of new or amended Land Use Ordinance standards should be guided by the following principles for implementation of the general plan goals:

1. All developments should be designed with maximum consideration of the characteristics of project sites and their surroundings:

- a. To enhance and achieve full use of special site potentials such as natural terrain, views, vegetation, natural waterways or other features;
 - b. To respect and mitigate (or avoid) special site constraints such as climatic conditions, noise, flooding, slope stability, significant vegetation or ecologically sensitive surroundings:
 - c. To be compatible with present and potential adjacent land uses within the context of the area's urban, suburban or rural character.
2. Designs for proposed residential uses should include:
 - a. Provisions for privacy and usable open space;
 - b. Orientation and design features to shelter from prevailing winds and adverse weather, while enabling use of natural light, ventilation and shade.
 3. All developments should be designed to provide safe vehicular and pedestrian movement, adequate parking for residents, guests, employees and emergency vehicles.

The proposed Workforce Housing Ordinance package is consistent with these guidelines because it provides a tool that helps ensure the neighborhood compatibility of new workforce housing is maximized through application of flexible site planning. All workforce housing subdivisions should be consistent with the Workforce Housing Design Guidelines, which include guidance for site planning, building design, landscaping and outdoor areas, and a checklist to aid in the submittal and review of these projects.

GENERAL PLAN CONSIDERATIONS AND CONSISTENCY

The proposed ordinance was reviewed for consistency with pertinent Elements of the General Plan, including the Land Use Element, the Conservation and Open Space Element, the Economic Element, and the Housing Element of the County of San Luis Obispo's General Plan.

Framework for Planning

Strategic Growth Principles -- The purpose of these principles and policies is to better define and focus the county's pro-active planning approach and balance environmental, economic and social equity concerns. The relevant principles to the Workforce Housing Ordinance package are listed below:

- Principle 3 – Foster distinctive, attractive communities with a strong sense of place.
- Principle 4 – Create walkable neighborhoods and towns.

- Principle 6 – Create a range of housing opportunities and choices.
- Principle 7 – Encourage mixed land uses.
- Principle 8 – Take advantage of compact building design.
- Principle 9 – Make development decisions predictable, fair and cost-effective.

The proposed ordinance amendments will help to implement some of the features associated with strategic growth to provide a balance between environmental, economic and housing concerns. The ordinance will provide flexibility to ensure a workforce housing subdivision is more compatible with the neighborhood, more financially feasible for the builder, and responsive to more desirable characteristics such as walkability, energy efficient, and water-conserving while providing more predictability for both developers and the community.

Economic Element

Goal EE 1 – Promote a strong and viable local economy by pursuing policies that balance economic, environmental, and social needs of the county.

- Policy EE 1.3 – Balance the capacity for growth with the efficient use or reuse of available resources (energy, land, water, infrastructure) and reasonable acquisition of new resources.
- Policy EE 3.2 – Foster development that is compact and in reasonable proximity to necessary infrastructure and existing development.
- Policy EE 4.6 – Continue working toward improved predictability and competitiveness by simplifying and streamlining land use procedures and considering provision of incentives for development to locate where encouraged by general plan policies.

The proposed ordinance amendments provide a tool that is intended to promote housing that is affordable to the County workforce population that also provides the flexibility to deal with realistic economic conditions. The ordinance includes several measures to help streamline projects and makes them more financially feasible, including the option for a Homeowner's Association or a common maintenance agreement.

Housing Element

Objective 1.0 – Facilitate development of 2,200 new housing units during the five-year time period beginning August 31, 2009, and implement Strategic Growth policies when planning and reviewing new development proposals to the maximum extent practicable.

- Policy HE 1.6 – Review proposed housing developments to provide safe and attractive neighborhoods through high quality architecture, site planning, and site amenities. Safe and attractive neighborhoods are not only beneficial to their residents, they also can improve public receptiveness to growth.

- Policy HE 1.9 – Encourage the use of Strategic Growth principles in development that create a range of housing choices, mix land uses, preserve open space, and focus development in urban areas.
- Policy HE 1.10 – Protect the existing supply of multi-family land to meet the needs of lower income households and the workforce, and avoid development of multi-family land at low residential densities or with non-residential land uses.
- Policy HE 1.11 – Promote development standards that encourage well-designed communities and resource conservation through efficient site design and sustainable materials. This policy is intended to benefit future residents through development of architecturally compatible neighborhoods and reduced negative environmental impacts.

The proposed ordinance amendments will encourage more housing in the workforce category range, with design guidelines that provide a creative and innovative site design and higher quality architecture for proposed workforce housing projects. The ordinance includes incentives such as an allowed reduction in required inclusionary housing units, as well as the option to allow secondary units to meet the inclusionary housing requirement.

Conservation and Open Space Element

- Policy OS 1.8 –Land Divisions and Development. Encourage the use of cluster land divisions and cluster development that will locate residential clusters on the least environmentally sensitive portions of properties.

The proposed ordinance amendments expand on existing provisions for land divisions and development to locate residential development on the least environmentally sensitive portions of properties by allowing smaller lot sizes with the same overall density.

CEQA REVIEW

This project is covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. The project is to amend the County Land Use Ordinance to include an ordinance governing workforce housing subdivisions and mixed use developments as well as amendments to throughout to ensure document consistency. The proposed ordinance will not change the allowed residential density or development potential that can already be achieved on any given site. In addition, this ordinance would not directly result in any physical changes to the environment. Any future projects pursuant to the ordinance would be subject to environmental review. Therefore, it can be seen with certainty that there is no possibility that this project may have a significant effect on the environment; therefore, the activity is not subject to CEQA.

STAFF COMMENTS

Proposed Ordinance Modifications

The attached Exhibit B shows the proposed Workforce Housing Ordinance amendment deletions with strikeouts, and proposed additions with underlined text. The following is a summary discussion of the proposed amendments:

Addition of the following new section to Title 22:

1. Section 22.30.477 – Workforce Housing Subdivisions

Adds a new Section 22.30.477 – Workforce Housing Subdivisions.
2. Section 22.30.490 – Residential Uses in Office or Commercial Retail Land Use Category

Adds requirements for how a principal residential use can be established in other areas where there is no specific Planning Area Standard that allows it. Adds requirement that development must be designed to accommodate at least 50% commercial uses, but that the ground floor of buildings must meet certain commercial design standards. Includes a provision that interim residential uses and their timeframe may be approved by the Review Authority.
3. Section 22.10.130 – Residential Density (Subsection A.2)

References workforce housing subdivisions and directs to Section 22.30.477.
4. Section 22.06.030 – Table 2-2

Adds Workforce Housing Subdivisions as a use in Table 2-2 subject to the restrictions in Section 22.30.477.
5. Section 22.12.080 – Inclusionary Housing (Subsection G.7)

Reduces the number of required inclusionary housing units by 25 percent for projects that qualify as workforce housing subdivisions.
6. Section 22.12.080 – Inclusionary Housing (Subsection H)

Allows up to 50 percent of the inclusionary housing obligation to be satisfied by constructing secondary residences. It also eliminates the requirements that secondary

units constructed as inclusionary housing be subject to a deed restriction for long term affordability.

7. Section 22.22.020 – Applicability (Subsection E)

Exempts workforce housing subdivisions from the minimum parcel size standards in Chapter 22.22 and instead apply separate standards as described in Section 22.30.477.

8. Chapter 22.80 – Definitions

Adds definitions of “workforce housing subdivisions”.

Modify the following new section to Title 21:

9. Section 21.03.02 – Adjustments

Eliminates the need for workforce housing subdivisions to seek an adjustment to certain parcel design and roadway requirements.

REFERRALS SENT TO:

Inland Community Advisory Groups, Inland Community Services Districts, Public Works, Environmental Health, Agricultural Commissioner, County Parks, Cal Fire, Cal Trans, County Assessor’s Office, Health Commission, Regional Water Quality Control Board, Air Pollution Control District, incorporated cities within San Luis Obispo County.

REFERRAL COMMENTS RECEIVED

Cal Fire – See attached letter dated March 15, 2016. General comments on fire protection plans, special events, site access, and increased emergency response.

Sheri Danoff – Suggestions for maximum lot size and unit size, and an overlay zone.

SLO Realtors – See attached letter dated April 22, 2016. Questions regarding deed restrictions, mix of residential and commercial development, and equity sharing.

COMMUNITY ADVISORY GROUP COMMENTS: The project was referred to all Inland Advisory Committees for comments. Comments both supporting and expressing concern were heard at these meetings. In particular, some members were concerned about increasing residential density, decreasing minimum lot sizes, parking and including provisions for inclusionary housing. At the time of the staff report writing, staff had just received comments from the South County Advisory Committee (see attached).

ATTACHMENTS

In addition to the amending ordinance, staff has provided the Planning Commission an exhibit (Exhibit B) that shows the proposed changes without the required codified ordinance. This exhibit mimics the public hearing draft that was released and is easier to follow than the codified amending ordinance. The changes in both Exhibits B and C (the amending ordinance) are identical.

Attachment 1: Exhibit A - Findings

Attachment 2: Exhibit B – Workforce Housing Ordinance Amendments

Attachment 3: Exhibit C – Amending Ordinance

Attachment 4: Exhibit D – Workforce Housing Design Guidelines

Attachment 5: Exhibit E – Comments and Letters