TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER  DEPARTMENT: PLANNING AND COMMUNITY ENVIRONMENT

DATE: FEBRUARY 7, 2005  CMR:146:05

SUBJECT: DENSITY BONUS LAW AMENDMENTS

This is an informational report and no Council action is required.

BACKGROUND
Senate Bill (SB) 1818 (Hollingsworth) passed the state legislature, was signed by the governor last year and took effect on January 1, 2005. SB 1818 requires local jurisdictions to amend density bonus ordinances with the intent to encourage the production of more affordable housing. In summary, the legislation allows large density bonuses in exchange for limited affordable housing and includes a mandate requiring cities to grant up to three incentives for a development depending on the amount of the affordable housing provided. These incentives include: a reduction in the development standards; approval of mixed-use zoning in conjunction with a housing project if the nonresidential component would reduce the cost of the housing and the nonresidential component is compatible with housing and any surrounding development; and other regulatory incentives proposed by the developer or the city that would reduce the cost of the project. SB1818 also requires limited sales price controls on moderate income housing rather than affordability covenants and could preclude local inclusionary requirements.

DISCUSSION
Planning staff and the City Attorney’s Office are evaluating the effects of this complex bill on the City’s inclusionary housing program. As part of the Housing Element, the Comprehensive Plan includes a density bonus program that was to be codified in the context of the Zoning Ordinance update. Staff is evaluating current workload to determine how to accommodate the effects of this legislation.
Staff anticipates returning to Council with a work program and budget for implementing the legislation in early March. It should be noted that the legislation does not require the state to reimburse local jurisdictions for the costs of implementing this mandatory legislation as with other state-mandated programs.

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