

EXPANDING HOUSING TYPOLOGY, INCREASING AFFORDABILITY: A  
FLEXIBLE DENSITY PROGRAM FOR THE CITY OF SAN LUIS OBISPO

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## ABSTRACT

Expanding Housing Typology, Increasing Affordability: A

Flexible Density Program for the City San Luis Obispo

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The City of San Luis Obispo faces an ongoing housing production shortage and housing affordability crisis that has been afflicting jurisdictions across State of California for a prolonged period of time. The City faces many of the same housing availability and affordability challenges as the rest of the State, but also has distinct characteristics that necessitate unique policies and strategies, such as the concurrent presence of both a large student and young professional population as well as a wealthy retirement community, which drastically drives up housing prices and demand.

The Flexible Density Program is proposed by the City of San Luis Obispo as a potential strategy to facilitate growth of the City's overall housing stock, incentivize development of smaller and potentially more affordable residential units, and provide a viable housing option for young professionals seeking to live in the City's downtown. The City's envisioned program approach allows flexibility in residential density limits to certain mixed-use residential projects in order to stimulate production of more, smaller, residential units in the Downtown and Upper Monterey areas of the City.

This report describes the initial development of the proposed Flexible Density Program as follows. First, the report reviews the ongoing housing shortage and its impact on the City and the local demographic and housing context to identify community housing needs. Next, the report refers to relevant literature and research on small residential units as a housing typology, provides examples of inventive city development programs and mixed-use residential projects featuring small units. Research findings are used to develop the structure of the Flexible Density Program in alignment with the identified community housing needs. This culminating draft ordinance specifies the parameters of the program and imbeds the program in the City's Zoning Regulations. Current conditions of the Downtown and Upper Monterey areas of the City are then analyzed to identify potential development constraints and evaluate the potential residential capacity of these areas to accommodate small residential units.

The results of the residential capacity analysis indicate that the Downtown and Upper Monterey areas have a significant capacity to accommodate additional smaller residential units in addition to those that are able to be developed under standard maximum residential density limits. These results validate that the Flexible Density Program has the potential to help grow the City's housing stock as well as to provide a unique housing typology option to community residents in these areas.

Keywords: Flexible Density Program, Residential Density, Housing, Affordability,

Workforce Housing

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# 1. INTRODUCTION

## 1.1 Addressing the California Housing Shortage

For some five decades, the State of California has experienced a housing production shortage and faced a housing affordability crisis. Starting in 1970, California housing prices started to escalate, outpacing increases in home prices throughout the rest of the country, a trend which has continued ever since. Significant factors that have contributed to this housing shortage have included a lack of housing development and supply to keep up with California's population growth, increased construction costs, housing costs outpacing growth in wages, and a lack of policy reforms to facilitate housing development. The State government has made efforts to increase residential development, specifically of housing units affordable to lower income households. Since the 1970's, the State has required all cities and counties to plan for a specified target number of housing units, including deed-restricted affordable housing units, termed as a jurisdiction's Regional Housing Needs Allocation (RHNA). In every Housing Element update, all cities and counties must plan for sufficient land which is zoned to accommodate these units.

In recent years, the State government has taken more aggressive action to alleviate the housing shortage. New legislation is geared towards facilitating increased housing development, including deed-restricted affordable housing development. Efforts have included: bills to streamline the environmental review process and the local development review process; reduce fees; and provide incentives such as density bonuses and reduced parking requirements for projects that meet certain state criteria such as affordability and proximity to public transportation access.

City and county governments are also increasing their efforts to pursue new solutions to the housing shortage, both out of legal requirement to comply with State legislation and to address their own unique community housing needs. The City of San Luis Obispo faces many of the same housing challenges as the rest of the state, but also has unique characteristics that distinguish it from other areas of California. These include: the proximity of a large state university and community college and thus a student population which drives up the demand for and price of rental units, the presence of a large retirement community with the financial resources to pay for higher priced housing, and a significant tourism economy in the City and surrounding region which makes short-term rental options lucrative. Solutions to the housing crisis in the City of San Luis Obispo therefore requires unique local solutions that respond to these particular contributing conditions.

## **1.2 Housing in San Luis Obispo**

The City of San Luis Obispo has taken steps in recent years to address the housing shortage locally. The State of California requires all jurisdictions to develop and regularly update long range planning documents. Particularly relevant with respect to housing is the Housing Element, which sets goals, policies, and programs for housing priorities for the City for the planning period of the document. These goals, policies, and program are specifically identified to address the City's unique housing needs. Every two years, the City budget is updated and planned around specific priority goals and work programs. Over the past decade, the City has consistently targeted housing as a priority major city goal. In the most recent planning cycle, housing has again been identified as such and a work program with priority tasks has been included in the City's 2019-2021 fiscal budget.

The major city housing goal is to facilitate the production of housing, including an emphasis on workforce housing and affordable housing. Specific tasks are identified to meet the City's unique housing goals and needs. The tasks outlined in the City's budget for the housing major city goal are based on the City's Housing Element. The highest priority policies and programs are identified for adoption into the budget, to be implemented by various departments. One of the housing tasks that has been identified by the Community Development Department is to launch a "Flexible Density" program, the research, development, and implementation of which is the focus of this report.

### *Flexible Density Program*

The Flexible Density program is intended to encourage the development of smaller residential units in the City's Downtown Core by offering housing developers more "flexibility" through development incentives, most importantly relaxed maximum residential density and minimum parking requirements. This program is codified as a policy in the City's 6<sup>th</sup> Cycle Housing Element for the planning period of 2020-2028. HE Policy 6.6 states: "Consistent with the City's goal to stimulate higher density infill where appropriate in the Downtown, Upper Monterey, and Mid-Higuera Areas, the City shall consider changes to the Zoning Regulations that would allow for flexible density standards that support the development of smaller apartments and efficiency units".

The main goals of this program are to help address the local housing demand by facilitating increased high density residential infill development, incentivizing smaller units, and diversifying the City's housing stock by providing options by way of a new housing typology. The inspiration for this program comes from the concept of "affordability by

design”, in which the size of housing units is reduced as a way to decrease prices. Although these residential units may not necessarily be affordable to lower income households, the intention is that these smaller units will be priced so that they are comparatively more affordable than larger standard-sized units. A specific group that the City anticipates will be a market for these smaller units are young professionals seeking to live close to downtown amenities and jobs while potentially saving money by downsizing their preferred housing option.

The Flexible Density Program is also supported by Assembly Bill 352 (AB-352), which was passed in 2017 and authorizes jurisdictions to permit an unlimited amount of smaller “efficiency” housing units with a minimum size of 150 square feet in proximity to public transit stations and California State University campuses. This bill allows the City to effectively eliminate residential density limits in order to facilitate higher density residential development in the Downtown area and provide housing close to employment opportunities. In addition to eliminating density limits, the City also anticipates that eliminating parking requirements will help reduce development constraints and will help accomplish other City goals, such as encouraging increased use of active transportation modes such as walking and bicycling, thus decreasing reliance on automobiles.

This report analyzes the City of San Luis Obispo’s local context, reviews research and case studies regarding residential development of small “efficiency” units, and current conditions of the City’s Downtown Core in order to develop the Flexible Density Program and draft ordinance. In Chapter 2, the City’s community profile is analyzed, particularly with respect to population and housing characteristics, to evaluate local housing needs and discuss compatibility of these needs with the proposed Flexible Density Program.

## **2. COMMUNITY PROFILE**

In order to meet the housing needs of San Luis Obispo, the City's unique community characteristics must be reviewed and taken into consideration when developing policies. This chapter discusses the local context and identifies housing needs that will be considered in the development of a Flexible Density program for a selected area of the City.

### **2.1 History of San Luis Obispo**

The City of San Luis Obispo is located in the Central Coast region of California and is the county seat of San Luis Obispo County. The City was established by the Spanish in 1772, making San Luis Obispo one of the oldest communities in the State. The City and surrounding region slowly grew over the years due to economic opportunities in agriculture and improvements in transportation. In the 20<sup>th</sup> century, with the establishment of California Polytechnic State University (Cal Poly) and Cuesta College, education became an important economic sector of the City. During this time, the City also began to develop a growing tourism industry due to the region's pleasant climate and natural beauty.

Over the past few decades, the City's education opportunities and ideal climate have also attracted more permanent residents, particularly college students and wealthy retirees. However, this population growth has presented challenges, particularly with regard to the availability and affordability of housing. In order to preserve the City's character and natural features, local planning efforts were made, starting in the 1970's, to preserve open space for recreation and to regulate population growth with the establishment of the City's Growth Management Ordinance. Local planning efforts like this have played a key role in current housing conditions and have shaped strategies to address the housing shortage.

## **2.2 Housing Strategies in San Luis Obispo**

While there are significant benefits to quality of life that emanate from the City's land preservation and growth management policies, these policies do result in limiting the land that is available for residential development. To address the scarcity and therefore the cost of land, the City's housing strategy focuses on promoting increased residential development overall as well as higher density residential development within the City's urban extent. Examples of City policies that highlight this approach include policies such as Housing Element (HE) Policy 6.8 which states that the City will "support residential infill development and promote higher residential density where appropriate". One specific place that the City has identified for increased mixed-use development is the Downtown, as stated in HE Program 3.6 which encourages new units in the Downtown Core.

Another housing strategy that the City has identified is to diversify housing options in San Luis Obispo and develop higher density housing with smaller units to compliment the dominant single-family housing options that currently exist in the City. This strategy is established in HE Goal 5, which states that the City shall "provide variety in the type, size, and style of dwellings". Variety is also emphasized within the City's Downtown Commercial (C-D) Zone, which has the stated purpose to "provide opportunities for a variety of housing types, including affordable workforce housing".

In Chapter 4 of this report, these housing strategies and City goals, policies, and programs are taken into consideration in the development of the Flexible Density Program. In the next section, the City's current population and housing characteristics are analyzed to identify housing trends and further inform the development of the program.



### 2.3 Population & Housing Characteristics

The City of San Luis Obispo had an estimated population of 45,920 residents in 2020 (California Department of Finance, 2020). From the City’s 2010 population base of 45,119, the average annual population growth rate from 2010 to 2020 was about 0.2 percent (U.S. Census Bureau, 2010). This population growth is in compliance with the City’s Growth Management Ordinance, which states that the City’s housing supply shall grow no faster than one percent per year on average. Since the establishment of this ordinance in the 1970’s, the City’s population experienced the most growth during the 1980’s, from 34,143 residents in 1980 to 41,958 residents in 1990 for an annual average percentage increase of 2.3 percent during this decade. Since 1990, the City’s population has stabilized and experienced slower growth, as shown in Table 1.

Table 1: Average Annual Population Growth in San Luis Obispo, 1980-2020

<b>Year</b>	<b>Population</b>	<b>Average Annual Growth Rate (%)</b>
1980	34,143	-
1990	41,958	2.3%
2000	44,174	0.5%
2010	45,119	0.2%
2020	45,920	0.2%

Source: U.S. Census, 1980-2010; California Department of Finance, 2020

#### *Jobs-Housing Balance*

While the City’s slow population growth is in compliance with the City’s growth management goals and policies, this slow growth raises questions as to what other factors may have contributed to this stagnation and the relationship between the City’s population and local housing conditions. For a prolonged period of time, the City has continued to experience an imbalance between available employment and housing opportunities. The

ratio between the number of jobs and number of housing units in a community is an important factor in the overall health of the region. It has significant implications for a community's employment and housing conditions. As of 2015, the jobs-housing balance in San Luis Obispo was 1.63, meaning that for every 1 housing unit in the City, there were 1.63 jobs in the City (San Luis Obispo Council of Governments (SLOGOG), 2017).

In contrast, most surrounding cities had jobs-housing ratios below 1.00 in 2015 such as Arroyo Grande (0.79) and Atascadero (0.69), indicating more housing than jobs in those cities. Regional housing and employment data indicates that as of 2015, the City of San Luis Obispo has an estimated 45 percent of the region's jobs (SLOCOG, 2017). Key major employers in the region include Cal Poly, Cuesta College, the California Men's Colony, Diablo Canyon Power Plant, and the wellness technology company Mindbody. In contrast, the City's housing capacity consists of only 20 percent of the region's housing, contributing to the continued high housing demand within the City. As a result of this imbalance, a significant portion of the City's workforce commutes to work from nearby cities.

### *Age & Gender*

Another demographic factor of note in San Luis Obispo is the City's unique age characteristics. The largest age group of City residents by a significant margin is the 20-24 year old age cohort as a result of the number of students attending Cal Poly and Cuesta College. There were 13,536 residents in this age group in the City in 2017, representing about 29 percent of all City residents (U.S. Census Bureau, 2017). Besides the college student age cohort, the next largest age groups in the City in 2017 were the 15-19, 25-29, and 30-34 year old cohorts at 8, 7, and 6 percent respectively (U.S. Census Bureau, 2017).

The City’s full age composition breakdown is shown as a population pyramid in Figure 1. The large population of students and young working professionals living in the City has a substantial influence on local housing characteristics and should be considered when evaluating local housing preferences and tenure.

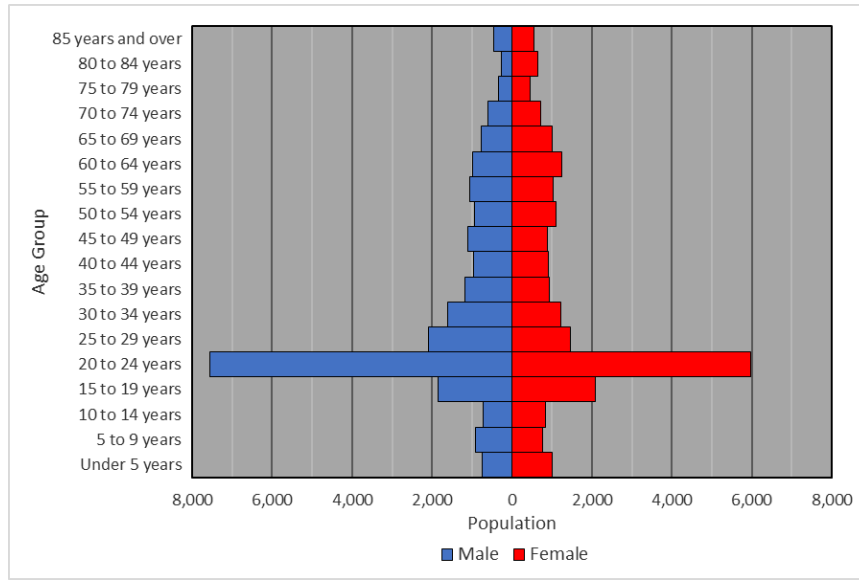


Figure 1: San Luis Obispo Population Pyramid, 2017

### *Household Size*

Relevant household characteristics to consider in the City are household size and overcrowding. A household is defined as all persons who occupy a single dwelling unit, while overcrowding is defined as more than one person per bedroom in a dwelling unit. The average household size in the City was 2.44 persons per household in 2017, lower than the San Luis Obispo County and California State average household sizes of 2.51 and 2.96 persons per household respectively, as shown in Table 2 (U.S. Census Bureau, 2017). Census data also indicated that 1-person and 2-person households consisted of about 31 and 34 percent of all households, totaling over 65 percent of all City households in 2017. (U.S. Census Bureau, 2017). Substantiating this household size data, census data also

indicates that there are very few overcrowded households in the City of San Luis Obispo, with only 2.5 percent of all households in 2017 being overcrowded in comparison to 3.4 percent and 8.2 percent of households for San Luis Obispo County and the State of California respectively (U.S. Census Bureau, 2017).

Table 2: Household Size & Overcrowding in San Luis Obispo, 2017

	<b>Average Household Size (persons per household)</b>	<b>Overcrowded Housing Units (&gt;1 person per bedroom) as a percentage of All Units</b>
<b>San Luis Obispo City</b>	2.44	2.5%
<b>San Luis Obispo County</b>	2.51	3.4%
<b>California State</b>	2.96	8.2%

Source: U.S. Census 2013- 2017 American Community Survey 5-Year Estimates;

### *Income*

Income is also an important factor to analyze in communities as a way to classify households and to identify affordability and housing needs. In 2017, the median family income in the City was \$87,635, higher than the median family incomes of \$83,084 and \$76,975 for the County and State respectively (U.S. Census Bureau, 2017). Families are defined as two or more people related by birth, marriage, or adoption living in the same housing unit. In contrast, household income analyzes income data for households instead of families, which can include people who live together who are not related. In 2017, the median household income in the City was \$49,740, much lower than the median household incomes of \$67,175 and \$67,169 for the County and State respectively (U.S. Census Bureau, 2017). The City's lower median household income can be attributed to the large population of students living there.

### *Affordability & Workforce Households*

As discussed previously, the State of California requires jurisdictions to plan for and facilitate development of deed-restricted affordable units. The City has also prioritized affordable housing development through adoption of housing as a major city goal which emphasizes affordable housing and workforce housing, as well as through other City goals and policies such as Housing Element (HE) Goal 2 and Land Use Element (LUE) Goals 19 & 21 (see full policy language in Appendix C).

Deed-restricted affordable housing is required for lower income households, including extremely low-income, very low-income, low-income, and moderate-income households. The highest of these groups, the moderate-income group, is defined as households in the range of 80 to 120 percent AMI. The State does not define or require deed-restricted affordable housing for households with higher incomes than the moderate-income household category. Consequently, households with higher incomes than the Area Median Income who struggle to find affordable housing options do not have access to housing that is deed-restricted to be affordable to their income group. As the City has analyzed this situation over the past several years, the City has identified these “workforce” households as a specific group whose housing needs are significant but not always prioritized in comparison to other housing groups. The City has found that this group of workforce households roughly falls within the income range of 120 to 160 percent of the Area Median Income (AMI). Based on these percentages and based on income data from the State of California, the workforce household income range for 2020 is \$81,720 to \$108,960 for a one-person household and \$93,420 to \$124,560 for a two-person household (California Department of Housing and Community Development (HCD), 2020). According to 2017

census data, households with incomes in the range of \$75,000 to \$150,000 accounted for approximately 23.6 percent of all households in the City (U.S. Census Bureau, 2017). This data shows that workforce households make up a substantial percentage of households in the City and should be prioritized as a housing needs group in the community.

Housing affordability is one of the most significant ongoing challenges facing households throughout the State and in the City. A standard measure of affordability in housing is cost burden, which is defined by the United States Department of Housing and Urban Development (HUD) as households who spend more than 30 percent of their income on housing. In 2017, the median renter in the City of San Luis Obispo was cost burdened, spending about 45 percent of their income on rent (U.S. Census Bureau, 2017). According to Comprehensive Housing Affordability Strategy (CHAS) data from HUD, 40 percent of all households and 56 percent of renter households in the City were considered cost burdened in 2015 (U.S. Department of Housing and Urban Development (HUD), 2015). As this data shows, affordability is an ongoing local issue, particularly for renters.

### *Housing Stock Characteristics*

As of 2020, the City of San Luis Obispo's total housing stock is 21,652 residential units, a 5 percent increase from the 2010 housing stock of 20,552 units (California Department of Finance, 2020). The age of the City's housing stock ranges from the early 1900's to the present day. The majority of the City's housing stock, about 63 percent was built before 1980. New housing will continue to need to be developed in the City in order to replace these older housing units as they deteriorate. San Luis Obispo's housing stock includes a wide range of dwellings, such as single-family homes, mobile home parks, duplexes, and

apartment complexes. Table 3 shows a breakdown of the City’s 2020 housing stock by unit type. The majority of the 2020 housing stock, about 53 percent, consisted of single-family units, while multi-family units and mobile homes consisted of 40 percent and 7 percent respectively. Within the City’s housing stock, 22 percent of all residential units are classified as studio or one-bedroom units while 78 percent of all residential units have two or more bedrooms (California Department of Finance, 2020).

Table 3: Housing Stock by Unit Type in San Luis Obispo, 2020

Unit Type	Number of Units	Percent of Total
Single-Family Detached	10,001	46
Single-Family Attached	1,449	7
Multi-Family (2-4 units)	2,745	13
Multi-Family (5+ units)	5,973	27
Mobile Homes, Other	1,482	7
<b>Total</b>	<b>21,652</b>	<b>100</b>

Source: California Department of Finance, 2020

### *Tenure and Vacancy Rates*

Tenure and vacancy are important factors to consider in evaluating a community’s housing stock. Tenure refers to whether householders rent or own their dwelling, and the vacancy rate is the percentage of residential units that are currently vacant. The City’s vacancy rate in 2017 was 3 percent and was relatively unchanged since 2010. This is considered a low vacancy rate compared to optimal “healthy” vacancy rate range of 5 to 8 percent. The tenure breakdown in the City in 2017 was 62 percent renter-occupied units, significantly higher than the percentages of renter-occupied units of the County and State (40 and 45 percent respectively) (U.S. Census Bureau, 2017). The City’s low vacancy rate and high renter-occupancy rate are both housing characteristics that are typical of college towns and reflect high demand for housing in town, particularly rental housing.

## **2.4 Community Findings**

This examination of the City's community profile and population and housing characteristics reveals several findings and trends relevant to the development of the Flexible Density Program. The age composition of the City of San Luis Obispo shows that young residents in their 20s and 30s make up a significant percentage of the City population. The 20-24 year old age cohort represents college students living in the City and is the largest age group in the City, consisting of about 29 percent of all City residents in 2017 (U.S. Census Bureau, 2017). The 25-29 and 30-34 year old age cohorts represent young working professionals living in the City and also represents a sizable percentage of City residents, consisting of about 14 percent of all City residents in 2017.

Employment data shows that as of 2015, the jobs-housing balance in the City was 1.63, meaning that for every housing unit in the City, there were 1.63 jobs (SLOCOG, 2017). The imbalance between available jobs and available housing shows that the City's overall housing stock needs to increase in order to accommodate the growing local workforce.

Household data shows that the average household size in the City in 2017 was 2.44 persons per household and that over 65 percent of all households in the City were 1-person or 2-person households in 2017 (U.S. Census Bureau, 2017). Housing tenure data shows that renters comprise the majority (about 62 percent) of residents in the City. Although smaller renter households comprise the majority of residents in the City, housing stock data shows that the majority of the housing stock (about 53 percent) is single-family units, while multi-family units such as apartments and condominiums, only consist of about 27 percent of the City's 2017 housing stock (U.S. Census Bureau, 2017). This data shows that there is not enough multi-family housing to meet the needs of smaller households in the City.



The City's large percentage of single-family housing units does not always provide the best fit for the needs of City residents. Other housing typologies such as multi-family housing and housing with smaller units may be a better fit for certain smaller households and renters in the City. As discussed previously, the City has prioritized diversifying the local housing stock to provide more opportunities to meet the unique needs of City residents (Housing Element Goal 5 & Policy 5.1). The Flexible Density Program will help diversify the housing stock and potentially provide a housing typology that could be a better fit for smaller households, college students, and young professionals.

In summary, the City's housing and demographic characteristics indicate the presence of a large percentage of younger residents and smaller households in the community. City goals, policies, and programs prioritize higher density development (particularly in the Downtown), diversification of the local housing stock, and development of housing for the local workforce. The Flexible Density Program is being developed in response to these goals and policies and is projected to meet the housing needs of the younger residents, smaller households, and the local workforce income group identified in the City. In Chapter 3, research related to small efficiency units is reviewed, including case studies of policies and programs in other cities that incentivize and plan for efficiency units, as well as examples of efficiency unit residential developments. The results of this research will further inform the development of the Flexible Density Program.

### **3. LITERATURE REVIEW AND CASE STUDIES**

The City of San Luis Obispo has recognized the ongoing issues of the housing shortage within the community as discussed in the last chapter, and is continuing to address the housing shortage by identifying housing as a Major City Goal and organizing a work program with major tasks intended to facilitate housing development within the City. As part of the development of the Flexible Density program, research was conducted on relevant literature and case studies related to small efficiency units, alternative development standards, and innovative projects with small residential units.

#### **3.1 Small “Efficiency” Unit Developments**

The type of residential unit that the Flexible Density Program will provide and incentivize will be smaller units. However, there are many different definitions and terms for smaller residential units, such as micro-units, efficiency units, and single room occupancy (SRO) units. The term micro-units has been a particularly popular term in California in recent years. A basic definition of a micro-unit is a small studio or one-bedroom unit ranging from 280 square feet to 450 square feet (Urban Land Institute, 2015). Assembly Bill 3173 (AB-3173) is a bill proposed in 2020 that defines a micro-unit as “one or more habitable rooms not contained within a dwelling unit, which may not include a kitchen, and that is designed or used for permanent residence”. Assembly Bill 352 (AB-352) is another bill passed in 2017 that uses the term efficiency units instead of micro-units. The City of San Luis Obispo’s inspiration for the Flexible Density Program came partially from AB-352, and details regarding AB-352 and efficiency units as defined by this bill are discussed in more detail in the next section.

### **3.1.1 Assembly Bill 352 (AB-352)**

Assembly Bill 352 (AB-352) is a California State Bill passed in 2017 that defines an efficiency unit as a residential unit no smaller than 220 square feet which provides a separate closet and a kitchen area. AB-352 amends this definition to allow for a minimum unit size of 150 square feet and mandates occupancy for no more than two people. AB-352 dictates that a city shall not be allowed to limit the number of efficiency units in an area zoned for residential use located within a half mile of public transit stations or within one mile of a California public university campus, as specified by California Health & Safety Code (HSC) Section 17958.1 (see Appendix C for the complete legal section).

As shown in Figure 2, the majority of the City of San Luis Obispo is within a half mile of public transit stations, and a portion of the City's Downtown Core is within a mile of the Cal Poly campus. The proposed Flexible Density program will be consistent with this bill because the bill allows the City to have an unlimited amount of efficiency units in these areas, which the program allows by eliminating density limits for certain projects.

AB-352 served as a partial impetus for the City to consider development of efficiency units within city limits in order to help address the housing shortage locally. As a result of the City's motivation to take advantage of AB-352 to develop a high number of smaller housing units (termed "efficiency" units in the bill), as well as in order to avoid confusion with potentially conflicting definitions of micro-units, the term efficiency units will be used for the small units produced by the Flexible Density Program.

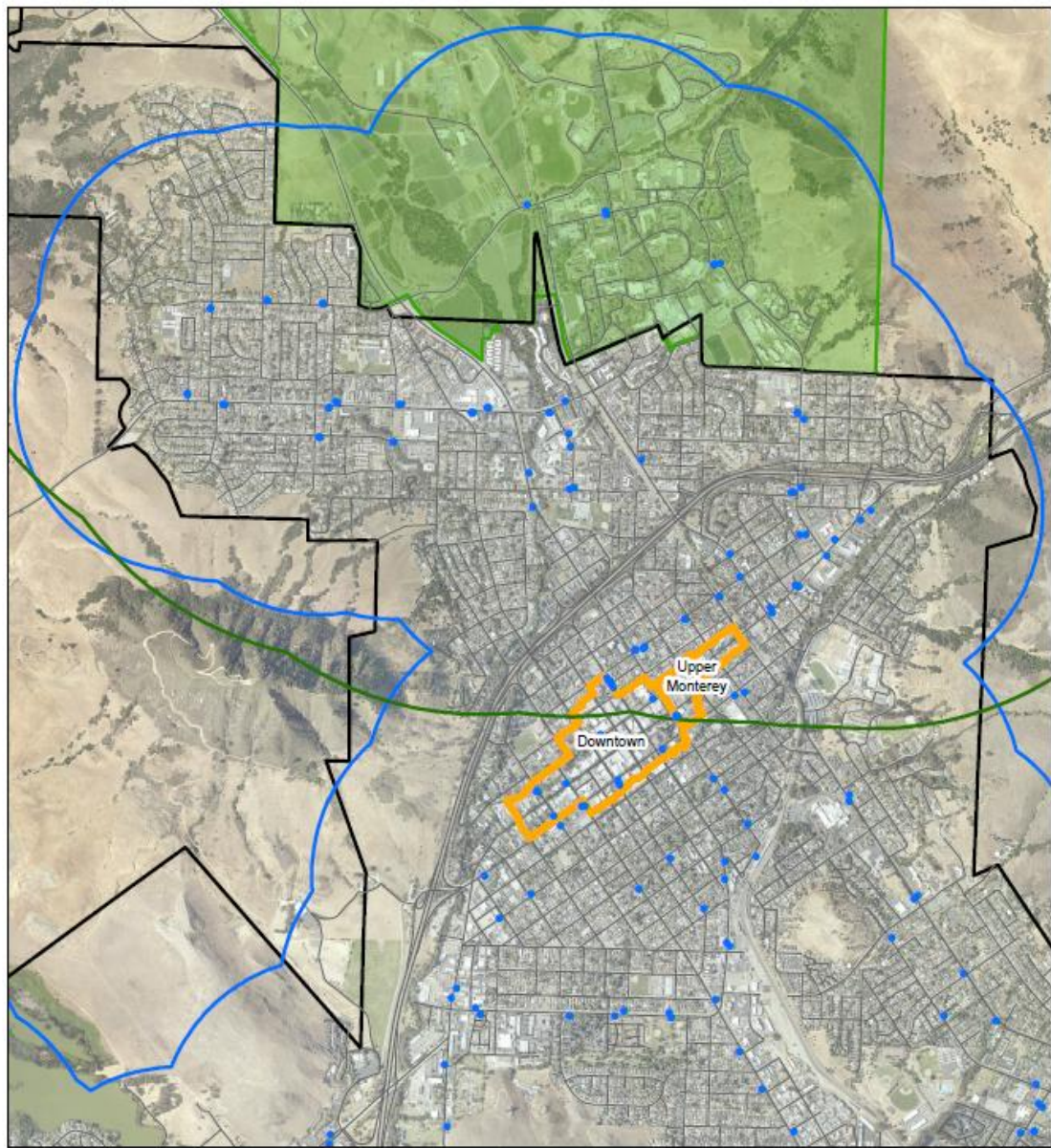


Figure 2: San Luis Obispo Downtown Core AB-352 Proximity Map

### 3.1.2 Characteristics of Efficiency Units

Generally, efficiency units can range from 280 square feet to 450 square feet, usually with an average size of 350 square feet (Urban Land Institute, 2015). An example floorplan of a 300 square foot efficiency unit can be seen in Figure 3. This area range falls within the range that the City has had in mind for the Flexible Density Program of 150 to 600 square feet, with the minimum size limit of 150 square feet being inspired by AB-352 as described previously. In general, efficiency units tend to be roughly 20 to 30 percent smaller than standard studio or one bedroom units.



Figure 3: Micro-Unit Example Floorplan, 300 sq. ft.

#### *Occupancy Rates*

One note about efficiency units that makes residential developers optimistic about efficiency units is that they tend to have higher occupancy rates than other conventional units in a given area (Urban Land Institute, 2015). This could be an indicator that there is potential demand for these units in urban areas nationwide. However, it has also been noted that this high occupancy could be due to the status of this type of unique housing unit as a

niche housing typology. Market research supports the notion that there is interest and demand for this type of housing typology, particularly from young professionals under 30 years old, including both singles and couples (Urban Land Institute, 2015). However, the nature and extent of the demand has been difficult for developers to discern. A key question is if the current demand for efficiency units has been due to actual ongoing demand for this type of housing, or if this demand is due to supply scarcity.

Results of a survey of potential future efficiency unit renters conducted by the real estate consulting firm Kingsley Associates in 2014 indicated that there were three primary reasons that potential renters would be interested in choosing an efficiency unit over a standard-sized unit; 1. potential for lower rents and utility costs, 2. interest in walkable and desirable locations, and 3. opportunity to live alone (Urban Land Institute, 2015). These results indicate that the feasibility and potential success of the Flexible Density Program for the City is promising because the program would be able to offer a desirable location that is walkable and in close proximity to jobs, recreation, and other downtown amenities.

### *Rental Rates and Costs*

One of the most important factors to the feasibility and success of efficiency units is the projected rental cost of these types of units. Market research on efficiency units has indicated that one of the biggest factors for people to be interested in efficiency units was lower rents compared to standard sized units. The survey discussed above indicated that survey respondents largely expected micro units to be 20 to 30 percent lower than standard units (Urban Land Institute, 2015), which corresponds to the typical size difference of 20 to 30 percent between these two types of units.

Data has shown that efficiency units in many cities have had lower total monthly rent levels than larger standard units, but have had higher rental rates per square foot than standard units (Been, Gross, and Infranca, 2014). In the western United States in 2012, average rent per square foot for units 600 square feet or less was \$2.92, which was 43 percent higher than the average rent per square foot for units 600 to 1,000 square feet and 80 percent higher than units over 1,000 square feet (Urban Land Institute, 2015). However, average rental costs and average rent per square foot can vary significantly depending on the city and region, as shown by the high rent per square foot of \$5.35 for units 600 square feet or less in the northeastern United States in 2012. The higher rent per square foot in smaller units can be partially attributed to construction costs.

Research on rental costs and overall affordability of efficiency units has been inconclusive over the past several years. Although efficiency units usually have lower rents than standard sized units, rental costs per square foot have been shown to be higher than costs per square foot of standard units. The degree to how much lower the rental cost of an efficiency unit is can vary and to what extent these rents have been affordable to lower income households has been questionable.

#### *Demand for Efficiency Units*

Despite these concerns, as discussed previously, market research has shown that there has been demand for efficiency units in urban areas, especially from young professionals (Urban Land Institute, 2015). This demand could prove to be even stronger if there is potential for these units to be affordable to the local workforce. One of the City's goals for developing efficiency units is to provide affordable housing opportunities to local young

professionals in the identified “workforce” households housing needs group. As discussed previously, the City has found over time that these workforce households roughly fall within the range of 120 to 160 percent of the Area Median Income (AMI). Given the San Luis Obispo County Area Median Income of \$68,100 for a one-person household in 2020, the median workforce annual income would be \$95,340 at 140 percent of AMI (California Department of Housing and Community Development (HCD), 2020).

A simple way to define affordability could be rent costs where households are not overpaying for housing. As previously discussed in Chapter 2 of this report, HUD defines overpayment of housing as households that spend more than 30 percent of their income on housing. Therefore, housing where households spend 30 percent or less of their income could be considered affordable. Applying a conservative factor of 25 percent to the City’s 2020 median workforce annual income, a reasonable affordable monthly rental price target for a young professional in the City would be \$1,985, as shown in Table 4. In comparison to an average sized 350 square foot efficiency unit, even the highest rent per square foot data discussed previously of \$5.35 per square foot would equate to an efficiency unit rent of \$1,875, which would be under \$1,985 and could therefore be considered affordable to the average young professional in the City (Urban Land Institute, 2015).

Table 4: Affordable Rent for a Young Professional in the City, 2020

<b>Workforce Median Income (140% AMI)<sup>1</sup></b>	<b>Monthly Income</b>	<b>Affordable Rent Target (25% of income)</b>	<b>High Priced Efficiency Unit (350 sf, \$5.35 per sf)<sup>2</sup></b>
\$95,340	\$7,945	\$1,985	\$1,875

<sup>1</sup>California HCD, 2020,

<sup>2</sup>Urban Land Institute, 2015



### *Expanding Range of Housing Types*

In addition to providing housing options for young professionals specifically, developing efficiency units also helps cities increase their overall housing stock, which gives residents more housing options and has the potential to make older and more affordable housing units in these areas available to lower income residents. If projects with efficiency units are designed well and developed correctly, it is possible that the development of efficiency units could provide both workforce housing and affordable housing options in the City.

In the following sections, examples of city programs facilitating development of small units as well as examples of innovative projects with smaller units are highlighted which show policy and design innovations as well as project challenges, and ultimately demonstrate the feasibility of high density efficiency unit developments.

## **3.2 Innovative City Development Programs**

This section offers examples of innovative development standards in two cities; the City of Santa Barbara, California and the City of Everett, Washington. These cities have similar goals and policies to the City of San Luis Obispo and seek to reach these goals through alternative approaches in development standards such as residential density limits, floor-area ratio (FAR), building heights limits, and parking requirements.

### **3.2.1 Santa Barbara AUD Program**

The City of Santa Barbara adopted the Average Unit-Size Density (AUD) Incentive Program in 2013, which facilitates the development of smaller residential units by allowing higher residential densities and other development incentives in certain areas of the City. The goal of the program is for smaller and more affordable units to be developed near the downtown, close to transit stops and other services and amenities. The program is structured to run for a trial period of either eight years or until 250 units have been constructed in areas zoned for high density development or within the priority housing overlay zone. The program specifies three density classifications, shown in Figure 4; the Medium-High Density Residential Zone, the High Density Residential Zone, and the Priority Housing Overlay Zone, with densities ranging from a maximum of 27 units per acre in the Medium High Density Zone, a maximum of 36 units per acre in the High Density Zone, and a maximum of 63 units per acre in the Priority Housing Overlay Zone.

The parking requirements for the AUD program are one parking space per unit for studios, one-bedroom, and two-bedroom apartments. For three-bedroom units, the requirement is two parking spaces per unit outside of the downtown area, and one parking space per unit

for downtown projects. Parking reductions are available for projects that are 100 percent deed-restricted affordable units, pursuant to the City’s parking regulations. Guest parking spaces are not required to be provided. Other development standards such as building height limits and setbacks are not dictated by this program and are the same as the development standards of the zone that they are in.

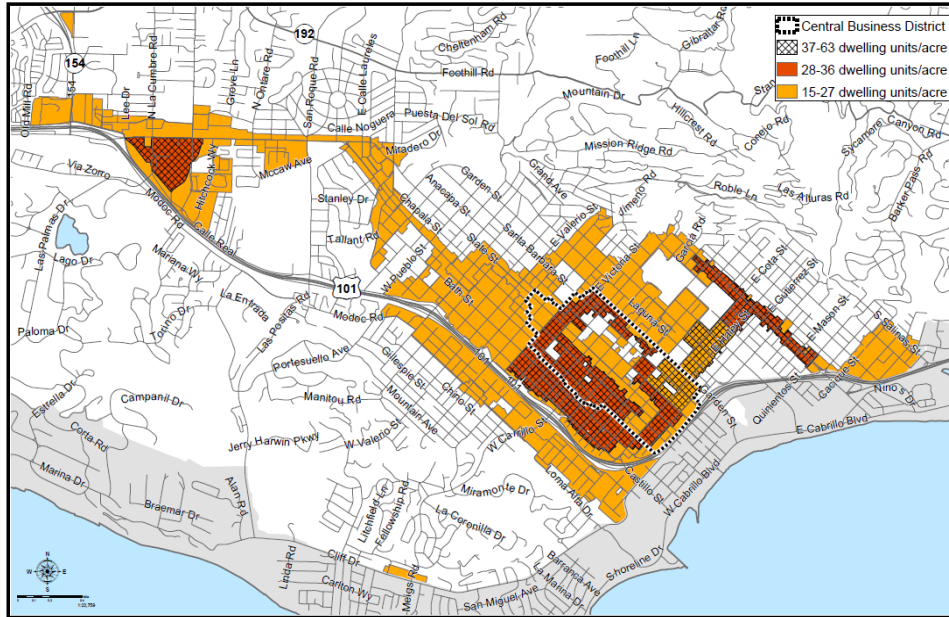


Figure 4: City of Santa Barbara AUD Program Map

Projects developed as part of this program are still required to comply with the City’s inclusionary housing ordinance and develop a portion of the units to be deed-restricted and affordable to lower income households. Although development of deed-restricted affordable units is one of the goals of the program, the main goal of the program is to develop more affordable units by virtue of their size rather than solely through deed-restriction. These smaller units provide a supply of “workforce housing” which would be affordable to people who do not have a high enough income to afford a median priced apartment in Santa Barbara, but their income is too high to qualify for a deed-restricted

unit. The program specifies that projects that would qualify for the Priority Housing Overlay Zone should offer a range of rent or purchase prices affordable to households earning up to 200 percent of the Area Median Income (AMI), well above the moderate income category of 80 to 120 percent AMI, the State's highest affordability category.

In addition to density requirements, each zone in the program also has maximum average unit size ranges that projects must comply with. The range depends on the number of units in the project. These unit size limits are what make these units smaller and more affordable by design. The more units that a project has, the smaller the units are required to be. For the minimum density of 15 units per acre for the Medium-High Density Zone, the maximum average unit size for all units in the project is 1,450 square feet. For the maximum density of the program of 63 units per acre for the Priority Housing Overlay Zone, the maximum average unit size is 811 square feet. For all zones, the minimum unit size is 220 square feet for studios and 400 square feet for all other residential units.

#### *AUD Program 2020 Update*

Since the AUD program started in 2013, 225 new housing units have been developed within the Priority Housing Overlay Zone as part of the program. Although the program has been successful in facilitating increased residential development, the program has not been successful in providing affordable housing units, with most projects being market-rate developments. This failure to provide more affordable housing options, combined with the conclusion of the program when 250 units are completed or when the 8 year trial period ends in 2021, led Santa Barbara city officials to discuss ways to amend the program or potentially end the program entirely.

As a result of these discussions, in 2020 the Santa Barbara City Council adopted a number of AUD program ordinance amendments to better facilitate new residential development in the downtown area. These amendments addressed a variety of topics, including new inclusionary housing requirements, modified parking requirements, and other adjusted development standards. The new inclusionary housing amendment now requires projects with ten units or more to provide at least 10 percent of units on-site as deed-restricted affordable units for moderate income households (80 to 120 percent of Area Median Income). The amendment also requires that projects with five to nine units either build a deed-restricted moderate income unit or pay a \$25 per square foot in-lieu fee.

During the process of developing program amendments, another significant topic of discussion by the Santa Barbara Planning Commission and City Council members was how to adjust parking requirements for the program. A few potential parking requirements suggested included allowing unbundled parking (parking provided separately from residential projects), prohibiting new tenants from obtaining parking permits for areas of the City with 75 minute parking limits, and even eliminating on-site parking requirements entirely and allowing developers to pay in-lieu fees for parking spaces. However, the City Council ultimately decided against eliminating parking requirements and instead approved amendments allowing unbundled parking in the Central Business District (CBD) and changing parking standards from a 1 space minimum to a 1 space maximum per unit.

Other major amendments to the AUD program included adding the CBD to the Priority Housing Overlay Zone, establishing maximum Floor-Area Ratios (FAR) to regulate new residential developments, and eliminating the 250 unit program limit, therefore establishing the end of the AUD Program trial period to be August 2021.

### *Takeaways for the Flexible Density Program*

The AUD program presents several promising strategies for developing higher density residential projects. One of the most significant factors of this program is the role of unit size within projects to determine allowed density with the goal of incentivizing developers to build smaller units. The AUD program offers several zones with different unit size and density options for developers to choose from. Another feature of this program is a program trial period, which is a period of either eight years or the maximum of 250 units.

Inclusion of these features in particular could be considered in the Flexible Density Program. Similar to the City of Santa Barbara, the City of San Luis Obispo is also seeking to facilitate development of smaller units in the downtown. The AUD program offers a promising approach to incentivizing small unit development. Including a time limit or unit maximum as well as unique inclusionary housing requirements as part of the program should also be considered in the development of the Flexible Density Program.

The City of Santa Barbara's AUD program offers an intriguing approach which allows the development of higher density projects in exchange for smaller units. The objective is to develop more downtown housing that is more affordable by design. The Flexible Density Program could potentially implement some of the AUD program's features to achieve similar results. However, the AUD program's recent amendments also demonstrate that programs such as these may need to be adjusted over time in order to address unique community needs. The AUD program also provides a warning about the ability of this type of program to realistically provide affordable housing options and the importance of considering inclusionary housing requirements as part of this type of program.

### **3.2.2 Metro Everett Subarea Plan**

The City of Everett, Washington, a suburb of Seattle, developed a market evaluation and specific plan to determine ways for the Everett Metropolitan Area, or “Metro Everett”, to attract investment and revitalization in the community, with a plan to add 22,000 residents and over 9,500 new housing units by 2035. Starting in 2016, the City worked with a consulting firm, Leland Consulting Group (LGC), to develop the Metro Everett Subarea Plan. The development of this plan included tasks such as identifying metrics to assess how developable properties are, as well as reviewing the City’s zoning code and recommending modifications to encourage development. In 2018, this plan was certified and approved by the local regional planning agency, the Puget Sound Regional Council (PSRC), the local regional planning agency.

The planning process started with identifying relevant policies within the City of Everett’s Land Use Element in order to ensure consistency. These policies helped shape the development and the end goals of the plan. A few specific relevant Land Use policies specified in the plan are shown in Table 5. These policies mostly come from two Land Use Element Goals: to reduce barriers to development, and to ensure neighborhood compatibility. The relevance of these policies to the City of San Luis Obispo and the Flexible Density Program are discussed at the end of this section. After the consultant LGC reviewed the City of Everett’s policies and zoning regulations, their main recommendations for the City were to eliminate parking requirements for commercial uses, establish minimum residential densities, and revise residential parking requirements to be one space per unit. These recommendations were aimed to help incentivize and facilitate residential development in Metro Everett.

Table 5: City of Everett Land Use Policies that shaped Metro Everett

<b>Everett LU Policy</b>	<b>Everett LU Goal</b>	<b>Everett LU Policy Description</b>
LU Policy 2	Reduce Dev. Barriers	Minimize use of overlays which make the zoning code more complex
LU Policy 3	Reduce Dev. Barriers	Eliminate maximum density limits and FAR requirements. Achieve community objectives through design, bulk, setbacks, and heights.
LU Policy 5	Reduce Dev. Barriers	Plan implementation should focus on building form, performance standards, and desired outcomes while also providing opportunities for standards to be modified to meet community objectives.
LU Policy 6	Reduce Dev. Barriers	Increase project level environmental review exemptions under the Washington State Environmental Policy Act (SEPA).
LU Policy 7	Reduce Dev. Barriers	Provide appropriate incentives to encourage infill and development
LU Policy 8	Reduce Dev. Barriers	Establish off-street parking requirements.
LU Policy 24	Ensure Compatibility	Establish building heights that contribute to quality urban design while also protecting neighborhood character.
LU Policy 25	Ensure Compatibility	In order to attain greater building height limits, projects must provide public benefits from incentive options provided by the City of Everett.

Source: Metro Everett Subarea Plan, 2018

As part of the development of the Metro Everett Subarea Plan, an inventory and capacity analysis of the downtown area was conducted for each parcel. For certain properties located next to each other, properties with one building spanning multiple properties, or properties owned by the same owner, these properties were combined and considered “economic units”. For example, if one building spanned four parcels, these four parcels would be considered one economic unit. Each of these economic units were evaluated for redevelopment potential. For each economic unit, potential redevelopment and residential capacity was classified as either vacant, redevelopable, or partially-used. Redevelopment capacity was measured in terms of redevelopable square footage of building floors. After properties were evaluated and classified, the planning director reviewed each classification and changes were made based on the director’s experience. The parcels in the downtown that were identified to have redevelopment potential are shown in Figure 5.



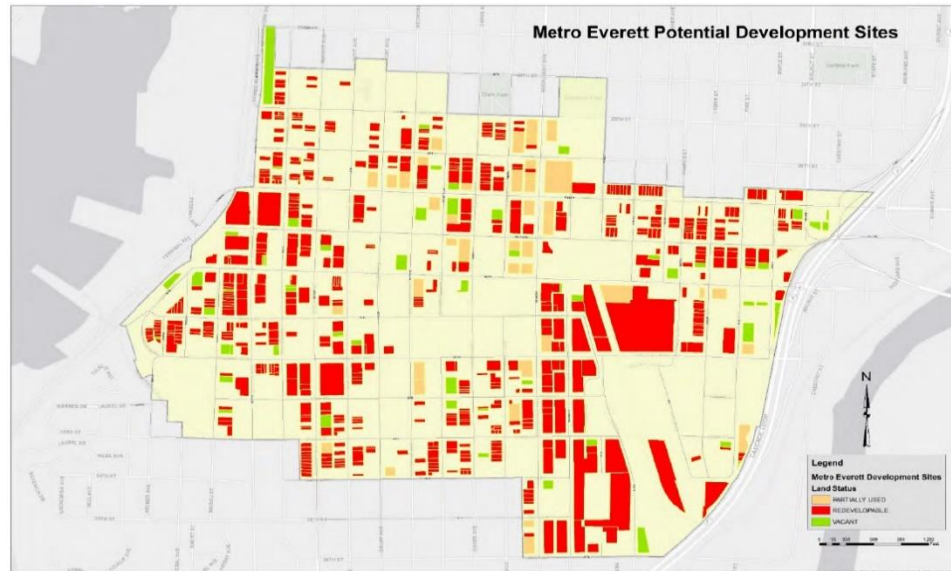


Figure 5: City of Everett Potential Development Sites

In addition to land status classification (vacant, redevelopable, partially-used), properties were also classified by land uses, such as urban light industrial, urban mixed, and urban residential. This distinction was made due to different development standards for each of these land uses. For each of these land uses, assumptions were made regarding floor area capacity and employment. The capacity analysis results indicated that approximately 49 million square feet of building floor area could be redeveloped in the downtown, accommodating 28,400 new units and over 48,200 new residents. The capacity of the downtown increased to 93 million square feet with the assumption of taller buildings, accommodating over 54,400 new units and over 96,000 new residents. This analysis showed that the downtown had more than enough redevelopment potential to meet Metro Everett’s 2035 residential unit and population growth targets.

### *Takeaways for the Flexible Density Program*

Many of the City of Everett's Land Use policies described in the plan are very relevant to the City of San Luis Obispo and the development of the Flexible Density Program, particularly the policies shown in Table 5. LUE Policy 3 calls for the City of Everett to "eliminate maximum density limits and FAR requirements in Metro Everett" while achieving community objectives through other factors such as design, setbacks, and building height limits. This is a pertinent strategy to achieve increased residential development which could be an effective option for the Flexible Density Program.

One interesting policy of note within the plan is Everett LUE Policy 2, which states "minimize the use of zoning overlays which make the zoning code more complex". This advice should be taken into consideration by the City of San Luis Obispo in the development of the Flexible Density Program. Although overlay zones can be an effective approach in zoning, it should be noted that overlay zones can become overly complicated, especially as more overlay zones are introduced within a city.

Regarding parking, Everett LUE Policy 8 calls for the establishment of off-street parking requirements for developments. Regarding building heights, Everett LUE Policies 24 & 25 call for building heights that contribute to quality urban design and, for taller buildings, to provide public benefits. The provision of public benefits for higher building height limits is very similar to the City of San Luis Obispo's building height requirements for the C-D Zone in Section 17.32.030 of the Zoning Regulations. All of the mentioned Everett LUE policies are consistent with the City of San Luis Obispo's policies. Therefore, the measures specified within the Metro Everett Subarea Plan should align with the City's goals and present viable strategies to pursue in the development of the Flexible Density Program.

### **3.3 Innovative Efficiency Unit Projects**

There are currently many innovative examples of small unit developments statewide and nationwide. In this section, project examples within the State of California are highlighted to examine project characteristics and potential relevance and implications for the development of the Flexible Density Program.

#### **3.3.1 San Francisco – 1321 Mission Street**

One prominent example of an efficiency unit development project is the Panoramic project in San Francisco. The Panoramic project is a high density mixed-use residential project located at 1321 Mission Street in the SoMa (South of Market Street) neighborhood of the City of San Francisco that was completed in 2015. Project features include 120 small studios, 40 suites, ground floor retail, and a rooftop garden. The project is an innovative example of an extremely high density car-free residential project.

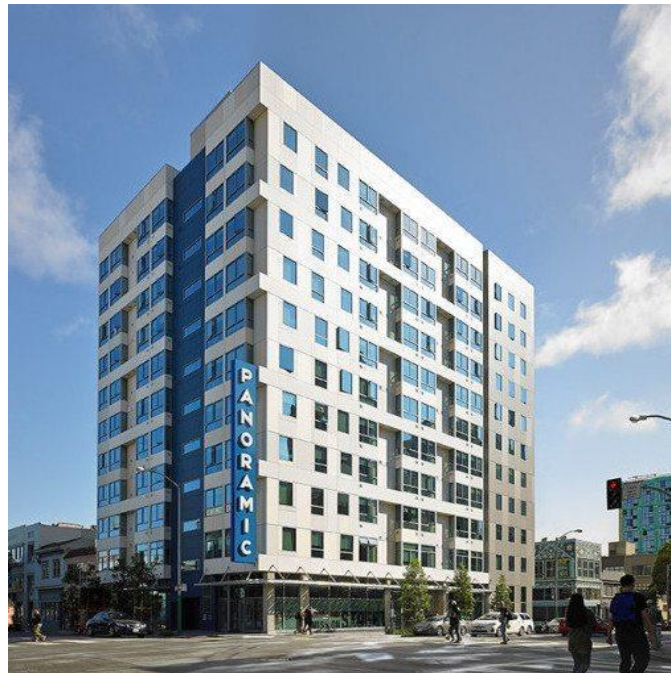


Figure 6: 1321 Mission Street, “The Panoramic”

1321 Mission Street is a 108,000 sq. ft. 11 story building (120 feet) on a 9,200 sq. ft. (0.21 acres) property (Panoramic Interests, 2015). The project has a high residential density of 761 density units per acre and includes 120 small studios that are approximately 350 sq. ft. in size and 40 three-bedroom “suites” that are approximately 700 sq. ft. in size, shown in Figures 7 and 8.



Figure 8: Panoramic Suite Floorplan



Figure 7: Panoramic Studio Floorplan

This project is one of several similar projects by the Panoramic Interests development company headquartered in San Francisco. Panoramic Interests specializes in innovative high density infill development projects such as 1321 Mission Street and has utilized new technologies and approaches in their projects in recent years such as including lifts in parking structures, establishing car sharing programs for projects, and even developing projects that are completely car-free. These features have been included in projects in order to address development constraints such as high parking costs and lack of parking availability in large cities such as San Francisco.

Panoramic Interests started to develop projects like 1321 Mission Street in order to accommodate a market demand that identified students and young professionals seeking to downsize their living space and live car-free in exchange for lower rent in a desirable location. Four key trends that Panoramic Interests has identified that are increasing the appeal of these small units are delayed household formation rates for young professionals, increased single-person households, decreased car ownership rates for millennials, and less interest in material possessions for young professionals (Urban Land Institute, 2015). Over time, projects like 1321 Mission Street have experienced success in terms of market demand, substantiating the market niche that Panoramic Interests has identified.

During the development process for 1321 Mission Street, Panoramic Interests took advantage of a San Francisco student housing ordinance passed in 2012 which allowed the project to be developed at such a high density in exchange for the project to offer student housing options to local City colleges. When the project was completed in 2015, college students were able to move into the project for the Fall 2015 semester. Panoramic Interests initially planned the financing of the project to be half of the units dedicated to student housing and the other half of the units to be sold as market rate housing. All units were designed to be affordable to households making 90 percent of Area Median Income (AMI). Subsequently, all residential units have been leased to educational institutions for use as student housing.

### *Takeaways for the Flexible Density Program*

The Panoramic project and other similar projects from Panoramic Interests are prominent examples of large high density residential developments with smaller units. The Panoramic project was allowed to develop at an extremely high density of 761 units per acre with 350 sq. ft. efficiency units. The Panoramic project is also part of a growing trend of residential buildings being built without providing parking that still show market demand.

Similar to these projects from Panoramic Interests, the Flexible Density Program also seeks to allow high density development and develop smaller units. However, projects similar to the Panoramic project tend to be built in larger progressive cities such as Seattle and San Francisco that allow more innovative development incentives and have more established records of success with these projects. Smaller cities such as San Luis Obispo have different community characteristics that may not present the same demand for these types of projects. Development incentives like reduced or eliminated parking may be more difficult to implement in these smaller cities as well. The next project example explores a recent innovative residential project under review in the City of San Luis Obispo and highlights development innovations involving density and parking.

### 3.3.2 San Luis Obispo – 1144 Chorro Street

Within the City of San Luis Obispo, there are currently several innovative residential projects in the development process. These projects have been part of the impetus that has led to the development of the Flexible Density Program and could also provide promising strategies to implement within the development of the program.

One example of a current innovative residential development in process in the City of San Luis Obispo is the Marsh & Chorro Development Project located at 1144 Chorro Street within the Downtown Core of the City. This project is a mixed-use residential project that seeks to provide a large number of high density units and is using many innovative development strategies as part of the project design, including development standards similar to the standards proposed by the Flexible Density Program. In many ways, the 1144 Chorro project is viewed by the Community Development Department as a preliminary test of the feasibility of the incentives proposed in the Flexible Density Program.



Figure 9: 1144 Chorro in Downtown San Luis Obispo

The project proposes a 65,752 sq. ft. six-story mixed-use building that includes approximately 30,000 square feet of commercial/office space and 50 residential dwelling units (including 13 deed-restricted moderate-income units) for rent on a 16,710 square foot lot (0.38 acres). The first floor is planned for retail, restaurants, and parking. The second and third floors are designated for office uses. The fourth, fifth, and sixth floors are designed for residential apartments.

*Residential Density*

The unit breakdown for the residential portion of the project is 34 studio units, 13 one-bedroom units, and 3 two-bedroom units. According to the City’s density standards in the Zoning Regulations (Section 17.70.040), studios and one-bedroom units under 600 square feet (which is true of all one-bedroom units in the project) count as 0.5 density units and two-bedroom units count at 1.0 density units. Based on these designations, the total number of density units for the project is 26.5 density units (DU), as shown in Table 6. For the parcel area of 0.38 acres, the project’s residential density is 70 DU/acre, which is over the maximum allowed residential density for the C-D Zone of 36 DU/acre.

Table 6: 1144 Chorro Project Development Characteristics

<b>Development Standards</b>	<b>Proposed</b>	<b>Allowed / Required</b>
Density Units (DU)	26.5 DU	77.75 DU
Density (DU / acre)	70 DU / acre	36 DU / acre
Building Height (ft)	75 ft	50 ft / 75 ft
Floor Area Ratio (FAR)	3.95	3.75 / 4.0
Parking	7 spaces	95 spaces

Source: City of San Luis Obispo Zoning Regulations, 2018



In order to build the full number of units of the project, the developer attempted to increase the allowed density of the project by using a Planned Development (PD) overlay. A PD Overlay zone designated by the City allows flexibility in the application of zoning standards for proposed projects. The purpose of the overlay is to allow for innovation in project design. For this project, the developer owns parcels adjacent to the project parcel (parcel #1 in the figure) as seen in Figure 10. These adjacent parcels were not fully utilizing their development potential, so the developer proposed using a PD Overlay to utilize the development potential of these properties through a density transfer to 1144 Chorro.



Figure 10: 1144 Chorro PD Overlay Boundaries

To satisfy the City's PD Overlay requirements (Zoning Regulations Chapter 17.48), the project proposed 25 percent of the units (13 units) to be moderate-income units, designed the building to have a LEED Silver energy rating, and guaranteed long-term maintenance of a future downtown public plaza. With the implementation of the PD Overlay, the project was able to accommodate the proposed 26.5 density units. This overlay also allows these properties to accommodate approximately 51 extra density units in the future.

### *Building Height*

The 1144 Chorro project proposes a six-story building with a total height of 75 feet. The maximum building height in the C-D Zone is 50 feet. However, the C-D Zone allows increases in height up to 75 feet if the project provides certain community benefits, in accordance with the City's LUE Policy 4.20.4 and Zoning Regulations Section 17.32.030. Building heights up to 75 feet may be approved if it is determined that the project includes three community benefits with at least one being related to affordable and/or workforce housing. The developer proposed the following three community benefits for this project:

- Project design with residential density higher than 36 DU/acre and average unit size less than 1,000 sq. ft. (this project proposes 70 DU/acre and 423 sq. ft. respectively)
- Preservation of the Downtown Center plaza as a public amenity
- Provision of a Transportation Demand Management Program with the goal of a permanent shift towards alternative transportation modes for building occupants

As a result of providing these community benefits, the proposed building height of 75 feet would be allowed if the community benefits were approved.

### *Floor Area Ratio (FAR)*

The project proposed an FAR of 3.95, which is over the FAR limit in the C-D Zone of 3.75 for buildings over 50 feet. However, this limit may be increased to 4.0 with the transfer of development credits for historic preservation (Zoning Regulations Chapter 17.32). The project has provided this historic preservation through an agreement to preserve the Muzio Building at 870 Monterey Street and is therefore eligible for the increased FAR limit.

### *Parking*

The required parking for the project is 95 total spaces; 30 spaces for the residential units, 51 spaces for the office space, and 14 spaces for the restaurant space. The developer made the case that the original building on the site was supposed to provide 49 spaces when it was developed in 1955 and the original development did not provide this parking. The developer contended that only the remaining 46 spaces needed to be provided for, which the City agreed with. Of the remaining 46 spaces, the project proposed providing 7 spaces and paying in-lieu fees for the remaining 39 spaces in accordance with the City's Parking In-Lieu Fee Ordinance (Municipal Code Section 4.30.015) for properties in the Downtown area. The project also provided a Parking Demand Reduction Program to help implement measures to reduce parking demand in the area, such as providing showers and lockers for bicyclists, bicycle parking (138 spaces), and transit information to building tenants.

### *Takeaways for the Flexible Density Program*

The 1144 Chorro project shows many innovative strategies used to develop high density housing with smaller units in Downtown San Luis Obispo. To achieve a high unit density over the allowed limits of the C-D Zone, this project used a density transfer from adjacent properties owned by the developer using a Planned Development (PD) Overlay Zone.

This project also consists of the same types of small units that the Flexible Density Program seeks to develop. The average unit size for the 1144 Chorro project is 423 square feet and almost all 50 units are under 600 square feet, with the only exception being the two-bedroom units which are 615 square feet. In addition to the development of smaller units, this project also produced more deed-restricted affordable units for the City, with 13 of the

residential units being deed-restricted moderate income units in compliance with the City's Inclusionary Ordinance (Zoning Regulations Chapter 17.138). Similar to the 1144 Chorro project, the Flexible Density Program also aims to allow alternative density standards to projects to allow for high density developments of smaller units. This project shows that using an overlay zone to implement development incentives and facilitate development is an effective strategy that could be pursued in the Flexible Density Program.

The parking strategies demonstrated in the 144 Chorro project were another notable type of innovation. This project was able to provide for a majority of the required parking spaces through in-lieu fees since the project was in the designated Central Commercial Zone and was eligible take advantage of the City's Parking In-Lieu Fee Ordinance. Similarly, the Flexible Density Program seeks to offer parking incentives to developers in order to facilitate development. However, the program area for the Flexible Density Program is the Downtown Core, which is larger than the Central Commercial Zone eligible for in-lieu fees. On an individual basis, developers participating in the Flexible Density program could potentially be eligible for in-lieu fees, but the program would not be able to offer in-lieu fees throughout the Downtown Core unless the ordinance area was expanded. Although the Flexible Density Program may not specifically offer in-lieu fees in exchange for parking requirements, the 1144 Chorro project shows that significant parking allowances are possible for high density developments in the City.

### **3.4 Research Conclusion**

Although small efficiency units are a relatively new housing typology in American cities, the research and case studies in this chapter indicate that small units in the range of 280 to 400 square feet have started to be developed throughout the country over the past decade, particularly in larger cities. Projects such as the Panoramic in San Francisco are part of a growing trend of efficiency unit residential projects without parking that have continued to elicit demand, particularly from young professionals and for use as student housing.

Although these types of projects have been more common in larger cities, smaller cities have also started to receive development proposals for mixed-use residential projects with smaller units such as the 1144 Chorro project in San Luis Obispo, demonstrating confidence from developers that these types of projects can also elicit demand in smaller cities depending on local market conditions. Recent State legislation such as AB-352 as well as local policies and programs in smaller cities such as Santa Barbara and Everett have demonstrated effective efforts in recent years to incentivize small efficiency units. In the next chapter, the findings of the research and case studies of efficiency units are applied to the development of the Flexible Density Program.

## **4. FLEXIBLE DENSITY PROGRAM**

The City of San Luis Obispo has identified facilitating housing development throughout the city as a high priority in order to address the housing shortage locally. An analysis of the City's demographics and housing data has shown that among numerous housing needs in the City, there is a continued need for housing for the workforce income group. The workforce income group includes young professionals and young families who do not have a high enough income to be able to afford median-priced housing in the City, but also make too high of an income to qualify for deed-restricted affordable housing. The City has also prioritized residential development in the Downtown area in order to offer opportunities for people who work downtown to be able to live close to work and to be able to walk to other downtown amenities. The proposed Flexible Density Program seeks to meet both of these needs by facilitating residential development in the Downtown area in order to provide more housing opportunities for City residents, specifically young professionals in the workforce housing income group.

### **4.1 Program Development**

After examining relevant research and case studies in search of ideas for the development of the Flexible Density Program, many intriguing possibilities emerged. The research suggests that smaller housing units can be a housing type that is more affordable by design and can be developed as another strategy towards meeting the housing needs of the City. The case studies demonstrated a variety of approaches to allowing and incentivizing increased housing production. These approaches were then compared and evaluated in the process of developing the program.

#### **4.1.1 Residential Density Requirements**

The main development standards that the case studies address and that the City wanted to consider as part of the development of the program are residential density, floor-area ratio (FAR), and parking. Residential density standards regulate the number of housing units in a given area, usually specified in units per acre. Floor-area ratio (FAR) is a measurement of the total floor area of a building in comparison to the total area of the property. FAR helps regulate building mass on a property in conjunction with building height limits. Higher FARs indicate larger building volumes. Various density incentives considered by the City and highlighted in the case studies include density bonuses, density transfers, and alteration of density limits. Density bonuses are increases in the maximum allowable density of a property. The City offers density bonuses in exchange for required deed-restricted affordable housing development in conformance with the Zoning Regulations (Chapter 17.140) and California state law.

Density transfers allow for residential density capacities to be transferred between properties. For example, if one property had already reached its maximum allowed units, a density transfer would allow for more units to be developed on that property by transferring density from another property that has not exceeded its limits. The City offers density transfers between properties that have a Planned Development (PD) Overlay in conformance with the Zoning Regulations (Chapter 17.48). The previously discussed 1144 Chorro Street project is a recent example of a project in the City utilizing a density transfer. The City's Community Development Department has recently been experimenting with allowing density transfers to projects in the Downtown area as a way of testing what projects with densities above the maximum limits would look like in the Downtown area.

This type of density transfer is specified in the City's Land Use Element, which states that properties in the City's commercial core may serve as receiver sites for transfer of development credits and can go above maximum density requirements (LUE Policy 4.2.1). Examples of sites that can give these development credits include properties zoned for Open Space (LUE 6.4.5) and residential developments outside City limits under County jurisdiction (LUE 6.4.6). These types of sites are encouraged to transfer development credits to the City and if they do so, the credits are required to be transferred to the Downtown Core or to another specific plan area.

Another density incentive option is to relax residential density requirements or to eliminate density requirements in certain areas altogether. Both the City of Santa Barbara and the City of Everett in Washington have pursued this approach of eliminating density requirements. In addition to eliminating density requirements in their downtown, the City of Everett has also implemented the incentive of eliminating floor-area ratio (FAR) requirements as well. The basis for eliminating density requirements was so that developers who wanted to build more units on a property could do so if there was demand. The residential capacity of a property is then determined by building height, setback, and community design requirements.

After reviewing the options for density incentives described in the research and case studies and in context of the goals of the City of San Luis Obispo, the strategy of eliminating density requirements altogether for the Downtown area, while preserving FAR, building height, and setback requirements, was chosen for the Flexible Density Program.



#### **4.1.2 Parking Requirements**

Parking requirements and incentives were also significant factors considered in the development of the Flexible Density Program. Examples of parking incentives considered by the City for this program include reduced or eliminated parking, and unbundled parking. Parking requirements are usually determined based on the expected increase in vehicle traffic from a project. The City's parking requirements by land use are specified in the Zoning Regulations (Section 17.72.030). However, parking standards across the country have started to change in recent years. Many cities nationwide are now reducing parking requirements for residential projects in attempts to remove barriers to housing development, including the City of Santa Barbara and the City of Everett. Some cities have even adopted regulations where parking requirements can be partially or fully satisfied through in-lieu fees, including the City of San Luis Obispo who offers this option to Downtown projects (Municipal Code Section 4.30.015).

Another approach to parking requirements that the City has implemented in the Zoning Regulations (Section 17.72.020(D)) is unbundled parking, which allows parking spaces associated with specific properties to be "unbundled" from those properties and be leased separately from the property. For example, an office building downtown may have parking spaces within a private onsite parking lot that are not being used. Unbundled parking would allow a business to lease out these spaces to a nearby apartment complex. This provides an incentive to developers because it could potentially reduce parking requirements and therefore reduce project costs. After comparing standard parking reductions or eliminations in comparison to unbundled parking in context of City goals, the strategy of providing unbundled parking as an incentive was chosen for the Flexible Density Program.

### **4.1.3 Unit Size Requirements & Eligibility**

After determining which development incentives would be offered as part of the Flexible Density Program, the next step was to determine which projects would be eligible for the incentives of the program. One of the program goals is to incentivize the development of smaller units, between 150 and 600 square feet. Therefore, unit size has to factor into eligibility in some way. However, this requirement can be designed in various ways.

One straightforward option for a unit size standard would be that all units in a project would have to be 600 square feet or less to qualify for the program. However, this option could be unfavorable to developers, who base their project designs on a specific and unique housing demand for each project, which can vary significantly from project to project. This option would restrict developers from maximizing profit, which would diminish developer interest. Another option that the City of Santa Barbara has implemented is the average unit size standard, in which the average unit size of all units in a project must be below a certain unit size in order to qualify for a specific density limit. Santa Barbara's program includes tables which specify the correlation between average unit sizes and density limits.

The final unit size standard that the City has considered is that for projects who have reached the density limit of units allowed in the project, the developer would be allowed to add more units over the standard density limits if and only if all extra units are 600 square feet or under. These projects would still have to comply with all other development standards, but if extra units could be developed within these constraints, they would be allowed. After comparing unit size requirements, the "extra unit" option was chosen for the program in order to maximize flexibility and elicit developer interest in the program.

## **4.2 Program Overview**

The structure of the Flexible Density Program was established through evaluating potential development standards, incentives, and program eligibility options. The proposed structure and overview of the program at the conclusion of this evaluation process is described in this section. The Flexible Density Program offers developers the incentives of unbundled parking and eliminates maximum residential density requirements for qualifying projects. Projects that qualify for this program are determined as follows. For projects that have reached their maximum allowed residential units, these projects will be allowed to design extra units in the project over the maximum density limits if and only if all the extra units are 600 square feet or smaller.

The target area that the program will be implemented in is the Downtown Core of San Luis Obispo, which is defined by the City's Land Use Element as shown in Figure 11. For the purpose of the Flexible Density Program and this report, the Downtown Core is divided into two subareas; the Downtown Subarea and the Upper Monterey Subarea. The division between these subareas is Santa Rosa Street, with the Downtown Subarea located to the southeast and the Upper Monterey Subarea located to the northeast. It should be noted that the definition of the Upper Monterey Subarea for this program is distinct from the Upper Monterey Special Focus Area defined in the Land Use Element. Within the Downtown Core, the Downtown Subarea is zoned Downtown Commercial (C-D) while the Upper Monterey Subarea is zoned Retail Commercial (C-R). Only projects developed in the Downtown Core are eligible to participate in the program. A more thorough analysis of the existing conditions of the Downtown Core are discussed in the next section.



### **4.3 Legislative & Policy Consistency**

The research and development work that was done as part of the creation of the Flexible Density Program was completed in order to produce a draft program ordinance that is compliant with relevant State legislation and City regulations and policies. The City of San Luis Obispo has prepared for the development of the Flexible Density Program through City goals, policies, and programs. In June 2019, the City readopted Housing as a major city goal (MCG) in the 2019-2021 fiscal year budget. As written in the 2019-2021 fiscal year budget, the Housing MCG states, “Facilitate the production of housing with an update of the Housing Element, including an emphasis on affordable housing (including unhoused people) and workforce housing through the lens of climate action and regionalism”. As part of this goal, the City identified the development of the Flexible Density Program as a priority work effort.

Other City policy documents such as the Land Use Element (LUE) and the Housing Element (HE) were also designed with policies and programs in place to prepare for the development of the program. The main policies that the Land Use Element created to facilitate this program were LUE Policy 2.15 as well as LUE Policy 4.28, which states “The City shall modify zoning regulations to allow efficiency units and variable density in the Downtown Core”. The Housing Element specifies several policies and programs that encourage higher density residential development in the City’s Downtown Core, specifically mixed-use developments with smaller “efficiency” units, such as HE Policies 3.6, 6.6, and 6.12 (see the full policy language in Appendix C).

The main Housing Element program that sets the stage for the Flexible Density Program is the new HE Program 2.15 which will be implemented as part of the new Housing

Element Update. HE Program 2.15 states that the City will “evaluate a flexible density pilot program and initiate an update of the Zoning Regulations and Community Design Guidelines to incorporate flexible density development options in Downtown and portions of Upper Monterey and Mid-Higuera Areas to support the production of smaller residential units (150 to 600 square feet)”.

The Flexible Density Program was enabled through City policy documents as well as recent state legislation such as AB-352 and SB-743 and as designed, the program is consistent with City goals and policies regarding housing production and development standards, as well as affordability, urban form, climate action, and sustainable transportation. A detailed list of relevant goals & policies that the program complies with is shown in Appendix C at the end of this report.

#### **4.4 Program Implementation**

The final step in the development of the Flexible Density Program was to implement the program through a city ordinance that would revise the City’s Zoning Regulations to specify and carry out the program. In this step, a variety of strategies were considered for how to implement the program and how to design the program’s ordinance. One of the most straightforward strategies would be to define the program and specify the program incentives and requirements within a specific zoning designation of the City, such as the Downtown Commercial (C-D) Zone. This option would be a simple way to enact the program for qualifying projects within that zone. However, the problem with this approach is that the City wanted to implement the program throughout the entire Downtown Core, which consists of a variety of zones.

Another possibility that was considered was to specify the program within a specific zoning designation, but implement the program in the target areas using a new overlay zone. For this approach, a new overlay zone would be created in the ordinance and this overlay zone would specifically implement the development incentives of the program (specified within a specific zoning designation) to qualifying projects within the overlay zone. The advantage of this approach would be that the desired program areas could be covered regardless of the zoning within the areas. However, there are already a large number of overlay zones within the City and the Community Development Department communicated that their preference would be to avoid creating a new overlay zone and to instead explore using an existing overlay zone to implement the program. Research on the Metro Everett Subarea Plan also suggested minimizing the use of zoning overlays in a city in order to avoid complications in a city's zoning regulations.

The overlay zone strategy was adapted accordingly in response to feedback from the City and became the approach that was chosen to implement the program. The first step was to define the program, the development incentives, and the program requirements within a specific zoning designation. The Downtown Commercial (C-D) Zone was chosen as the zone to specify the program because it is the main zone of the targeted program area. Within the program description in the draft ordinance, the unit size eligibility requirements for projects were specified and the development incentives of unbundled parking and eliminated density requirements were defined. The program description also specified other program requirements based on feedback from Community Development staff, including mandatory project features and inclusionary housing requirements.

*Mandatory Project Features (Community Benefits)*

The proposed mandatory project features for the Flexible Density Program are the same project features that are required for projects in the Planned Development (PD) Overlay Zone. The previously described 1144 Chorro Street mixed-use residential project is an example of a recent project in the City that utilized a PD overlay and was granted increased building height allowance in exchange for community benefits such as preservation of the Downtown Center plaza as a public amenity. Programs with similar public benefits requirements have also been implemented in other cities across the country, including the City of Everett in Washington state who included similar program policies in the previously described Metro Everett Subarea Plan in 2018.

Required project features such as these have been an effective way for the City to give concessions to developers such as increased building height and density allowances in exchange for community benefits such as provision of affordable housing units, open space dedication, or public parks. Because these project features are already specified in regulations for the Planned Development (PD) Overlay Zone (Zoning Regulations Section 17.48.060), these same requirements are specified in the Flexible Density Program description, as well as a requirement that all projects comply with Mixed-Use Development regulations, including the restriction of residential units from occupying ground floor space in the Downtown Commercial (C-D) Zone and within the Downtown (D) Overlay Zone. (Zoning Regulations Section 17.70.130).



### *Inclusionary Housing Requirements*

One of the original motivations behind the development of the Flexible Density Program was to produce a housing typology that had the potential to be more affordable due to the decreased size of the residential units. However, research on rental costs and affordability of efficiency units has been inconclusive over the past several years and several development programs in cities that have attempted to facilitate development of efficiency units have not produced units at the levels of affordability that were originally anticipated, including the City of Santa Barbara's Average Unit-Size Density (AUD) program.

As a result of the uncertainty of the actual level of affordability of the future residential units that will be produced by the Flexible Density Program, Community Development Department staff proposed that increased inclusionary housing requirements be included as part of the program. Projects that utilize the Flexible Density Program shall provide a percentage of the total residential units in a project to be deed-restricted affordable units and shall not be allowed to pay in-lieu fees instead of providing affordable units.

The specific inclusionary requirements that staff has determined for this program are options for either 10 percent of units to be deed-restricted for low-income households, or 20 percent of units to be deed-restricted for moderate-income households. These requirements are much higher than the City's standard Inclusionary Housing Requirements of 3 percent low-income units or 5 percent moderate-income units (Zoning Regulations Section 17.138.040) and the City anticipates that these increased inclusionary requirements will help meet the City's affordable housing targets required by the State.

### *Downtown (D) Overlay Zone*

The development incentives of the program were implemented through an existing overlay zone rather than a new overlay zone. The overlay zone that was chosen was the Downtown (D) Overlay Zone (Zoning Regulations Chapter 17.54) because it perfectly covers the Downtown Core and includes both the Downtown and Upper Monterey Subareas. Although the D Overlay covered these subareas, it did not include the Mid-Higuera Special Focus Area, which was another target area that the City was interested in including in the program. Consequently, City staff decided not to include the Mid-Higuera Area as part of the initial program implementation and will instead continue to evaluate alternative residential development strategies for the Mid-Higuera Area.

The last step of the process was to address the program development incentives within the specific sections that the development standards are described in the Zoning Regulations. The two development incentives offered by the program were explicitly defined in their appropriate sections of the Zoning Regulations. The program's density requirements are specified within the City's density standards (Section 17.70.040(A), while the program's unbundled parking standards are specified in the City's parking standards (Section 17.72.020(D)). Defining the development incentives of the program within these sections is a strategy that helps ensure internal consistency within the Zoning Regulations and makes it easier for someone reading the regulations to learn about the program.

The program implementation approach described above specifies and enforces the Flexible Density Program and makes up the main body of the program ordinance. Further description of the ordinance development process and a brief review of the expected environmental findings of the project is discussed in the next section.

#### **4.5 Program Draft Ordinance**

The development of the draft ordinance for the Flexible Density Program was shaped by research conducted on City characteristics and policies. The ordinance makes several modifications to the Zoning Regulations that will implement the Flexible Density Program. Chapter 17.32, the Downtown Commercial (C-D) Zone, is modified to define the Flexible Density Program. Chapter 17.54, the Downtown (D) Overlay Zone, is modified to apply the incentives of the Flexible Density Program to the Downtown Core, including the Downtown and Upper Monterey Subareas. Chapter 17.70.040 (Density) and Chapter 17.72 (Parking and Loading) are modified to reinforce the development incentives of the Flexible Density Program within the C-D Zone and the D Overlay Zone. The full draft ordinance can be seen in Appendix D at the end of this report.

After laying out the program implementation structure in the Zoning Regulations amendments, the preliminary recitals of the ordinance were developed. In legal documents such as ordinances, recitals serve as a preamble to the main legal text and serve as a way to show the origin and development of the ordinance. The recitals start by recognizing the housing crisis statewide and declaring that the City is addressing the housing crisis through a variety of policies and programs, most notably through the City's ongoing housing major city goal. The City's housing major city goal specifically highlights an emphasis on affordable housing, workforce housing, and diverse housing options. The recitals state that the Flexible Density Program helps the City meet these specific housing goals.

The last recital states that the proposed ordinance has been evaluated in accordance with the California Environmental Quality Act (CEQA) through an Initial Study (IS). This recital is placed here as a placeholder because as of the writing of this report, an Initial

Study has not yet been completed by the City. In the process of developing the Flexible Density Program, research was conducted to determine if there were any environmental exemptions offered through state legislation that would apply to the program. This research concluded that there were no qualifying exemptions for this program, requiring the program to eventually go through the environmental review process.

Although the research did not indicate applicable exemptions, the research did show that the State is continuing to develop legislation to help facilitate housing development through a variety of incentives and alterations to the environmental review process. The two most significant state bills identified in this research were AB-352 (discussed earlier in this report) and SB-743. Senate Bill 743 is a bill adopted in 2013 that changes the way that transportation impacts are measured in the environmental review process and is a promising example of how new state legislation will benefit the Flexible Density Program and facilitate residential development.

As a result of the requirements of SB-743, the City of San Luis Obispo recently developed new transportation impact thresholds based on vehicle miles travelled (VMT) which determine the level of transportation impact due to a new project. These new VMT thresholds will make mixed-use residential developments more feasible because they will now be more likely to generate less than significant transportation impacts. As a result of state legislation such as SB-743, it is projected that the eventual result of the Initial Study for this program will be a Negative Declaration or Mitigated Negative Declaration.

### *Draft Ordinance Projected Timeline and Future Steps*

The proposed draft ordinance for the Flexible Density Program is still in the development process and Community Development Department staff will continue to refine the program and the draft ordinance throughout Summer 2021. Staff also plans to conduct outreach in Summer 2021 to local developers to seek feedback on the requirements and incentives of the program and elicit suggestions regarding what would make the program more appealing and ultimately compel local developers to utilize the program. The draft ordinance and environmental Initial Study (IS) are projected to be completed by the end of Summer 2021 and introduced to the City Council in Fall 2021, with the goal of final ordinance adoption by the end of the 2021 calendar year.

Once the program is implemented, program projects should be tracked in order to monitor and evaluate how the program is doing. Important data to track would include the total number of efficiency units approved and built over maximum density limits, as well as the total number of deed-restricted affordable housing units developed as part of the program. Once projects are built and rented out to tenants, monthly rents should also be tracked in order to assess the market rate value of efficiency units in the local housing market. It may take several years to fully analyze the affordability and market demand of efficiency unit projects and ultimately evaluate the success of the program in providing smaller units that are more affordable to the City's local workforce. As time goes on and the results of the program become more apparent, program requirements and incentives should continue to be adjusted to meet the goals of the City and the housing needs of the community.

## **5. RESIDENTIAL CAPACITY ANALYSIS**

In order to assess the feasibility of the Flexible Density Program, the program area of the Downtown Core, including the Downtown and Upper Monterey Subareas, was analyzed to determine the area's current conditions, development constraints, and potential residential capacity for efficiency units. This analysis includes all properties in the Downtown Core. The analysis process starts with an initial overview of the current conditions of the area, including current zoning development standards and neighborhood descriptions and policies from the City's Land Use Element and Downtown Concept Plan. Next, development constraints within the area are discussed, including constraints such as creek setbacks, flooding, historic properties, parking, and utilities infrastructure. Lastly, an analysis of the area's residential capacity to accommodate efficiency units (based on the identified current conditions and constraints) is described. The methodology and analysis results are discussed at the end of this section.

### **5.1 Current Conditions**

The target area that the program will be implemented in is the Downtown Core of San Luis Obispo, which is defined by the San Luis Obispo Land Use Element as shown in Figure 11 in the previous chapter. Only projects developed in the Downtown Core would be eligible to participate in the Flexible Density Program. For the purpose of the Flexible Density Program and this report, the Downtown Core is divided into two subareas; the Downtown Subarea and the Upper Monterey Subarea. As shown in Figure 12, the division between these subareas is Santa Rosa Street, with the Downtown Subarea located to the southeast and the Upper Monterey Subarea located to the northeast.

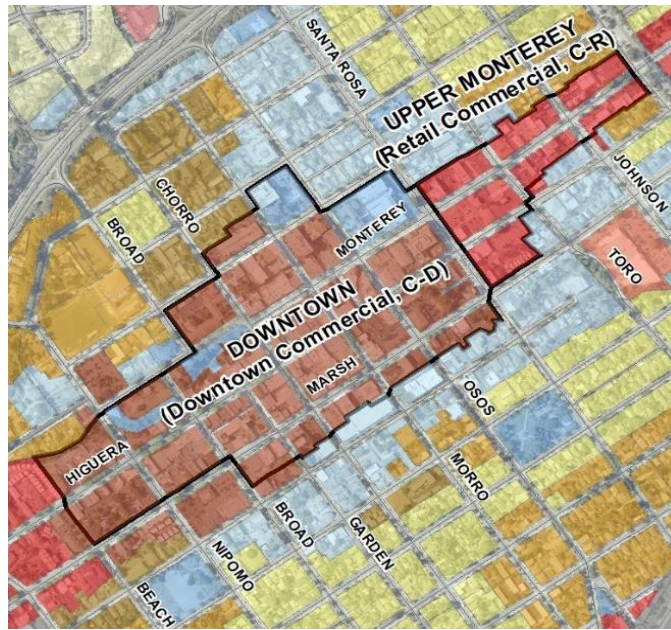


Figure 12: San Luis Obispo Downtown & Upper Monterey Subareas

As stated previously, the Upper Monterey Subarea is distinct from the Upper Monterey Special Focus Area defined in the Land Use Element. The Downtown Subarea is zoned Downtown Commercial (C-D) (Zoning Regulations Chapter 17.32) while the Upper Monterey Subarea is zoned Retail Commercial (C-R) (Zoning Regulations Chapter 17.30). Development standards for these zones are shown in Table 7.

Table 7: C-D and C-R Zone Development Standards in San Luis Obispo

	<b>Downtown</b>	<b>Upper Monterey</b>
	<b>C-D Zone</b>	<b>C-R Zone</b>
Maximum Residential Density	36 DU / acre	36 DU / acre
Minimum Setbacks	---	---
Maximum Building Height	50 ft.	45 ft.
<i>with Community Benefits</i>	75 ft.	---
Maximum Lot Coverage	100%	100%
Maximum FAR	3.0	3.0
<i>Buildings Over 50 ft.</i>	3.75	---
<i>Over 50 ft. w/ Development Credits</i>	4.0	---

Source: City of San Luis Obispo Zoning Regulations, 2018

### 5.1.1 Downtown Subarea

Downtown San Luis Obispo is a vibrant mixed-use neighborhood and is the commercial and cultural core of the City. The boundaries of the Downtown Subarea as designated for the Flexible Density Program are shown in Figure 12. The Downtown functions as a hub for civic and government operations for the City and County, a commercial hub for business and tourism, and a residential neighborhood. The majority of Downtown is zoned Downtown Commercial (C-D) which allow the highest residential densities, floor-area ratios (FAR), building heights, and lot coverages in the City. According to the development standards for the Downtown Commercial (C-D) Zone, projects can be developed with residential densities up to 36 density units per acre and building heights can be up to 50 feet tall, with allowances for buildings up to 75 feet tall that provide required policy objectives or community benefits (Zoning Regulations Chapter 17.32). These regulations help accommodate the diverse activities within the Downtown.



Figure 13: Existing Development Conditions in the Downtown Subarea



In recent years, the City of San Luis Obispo has particularly emphasized focusing residential development in the Downtown. Development in the Downtown is regulated by Chapter 4 of the City's Land Use Element and further guidance is given by the Downtown Concept Plan. LUE Policy 4.2 states "Downtown is not only a commercial district, but also a neighborhood. Its residential uses contribute to the character of the area, allow a 24-hour presence which enhances security and helps the balance between jobs and housing in the community". HE Policy 6.7 works in conjunction with this policy by stating that the City will "encourage and support partnerships to increase housing opportunities specifically targeted towards the local workforce". LUE Policy 4.2.1 states that within the Downtown, existing residential uses should be protected and that new residential uses should be developed, including residential units for a variety of households, and that all new large commercial projects should include residential uses.

Currently, the Downtown has many of the City's tallest buildings, which help provide valuable space for mixed-use commercial, office, and residential uses. However, although Downtown has the tallest buildings and highest density development in the City, there are still underutilized portions of the Downtown with lower density development and large surface parking lots which could be redeveloped more efficiently in the future. The Flexible Density Program seeks to facilitate more efficient development in these underutilized areas in compliance with the City's Downtown goals, policies, programs described above.

### 5.1.2 Upper Monterey Subarea

The Upper Monterey Subarea is a commercial and residential neighborhood located adjacent to Downtown to the northeast, along Monterey Street from Santa Rosa Street to Pepper Street and the train tracks. The boundaries of the Upper Monterey Subarea as designated for the Flexible Density Program are shown in Figure 12. All of the Upper Monterey Subarea is zoned Retail Commercial (C-R) and has similar development standards to the Downtown Commercial (C-D) Zone. The two zones have the same density limits and lot coverage limits, but the C-R Zone has lower building height limits and FAR limits than the C-D Zone (see Table 7).



Figure 14: Existing Development Conditions in the Upper Monterey Subarea

Although the Retail Commercial (C-R) Zone allows for efficient high density mixed-use commercial and residential development, the majority of the Upper Monterey Subarea currently consists of low density commercial uses along Monterey Street and residential uses along adjacent streets. This area is currently largely underutilized with many large surface parking lots and one and two story buildings. Section 8.2.2. of the City's Land Use Element gives policy guidance on the Upper Monterey area and emphasizes revitalization, enhancement, and land use compatibility as goals for the future. The City's Downtown Concept Plan also identifies many blocks and properties within this area that are underutilized and envisions future infill residential and commercial development throughout this neighborhood.

A survey of the current conditions of the Downtown and Upper Monterey Subareas indicates that there are several properties within these subareas that are underdeveloped and could accommodate additional residential and commercial development. The Residential Capacity Analysis discussed later in this chapter identifies these underutilized properties and evaluates their capacity for additional residential units.

## **5.2 Development Constraints**

As part of the analysis process of the current conditions of the Downtown and Upper Monterey Subareas, development constraints and their potential impacts on future projects within these areas should be identified and evaluated. Specific development constraints pertinent to these areas include flood zones, creek setbacks, historic districts and properties, parking availability, and utility infrastructure. These constraints have the potential to significantly impact the intensity and type of development available on a given property. This section provides an overview and summary of these constraints. As part of the environmental review process for the Flexible Density Program ordinance, an Initial Study will be developed in which City of San Luis Obispo staff will analyze these constraints and potential impacts in greater detail, particularly potential circulation, parking, and utilities impacts. Figure 15 shows water, wastewater, and creek constraints within the Downtown and Upper Monterey Subareas.

Flooding occurs when heavy rainfall fills creeks and drainage channels. Flooding has the potential to be a significant health and safety threat as well as the cause of substantial property damage. Potential for flooding is noted to be in areas designated as “100-year flood plains” which have a one percent chance of being submerged in a given year. As shown in Figure 15, the 100-year flood plain covers almost all of the Downtown Subarea and a small portion of the Upper Monterey Subarea. While this flood plain presents a potential development risk in the Downtown core, the majority of residential development in Downtown is mixed-use in nature and is located on second and third stories of buildings. Therefore, mixed-use residential development in the Downtown would not be hindered by the presence of the 100-year floodplain.

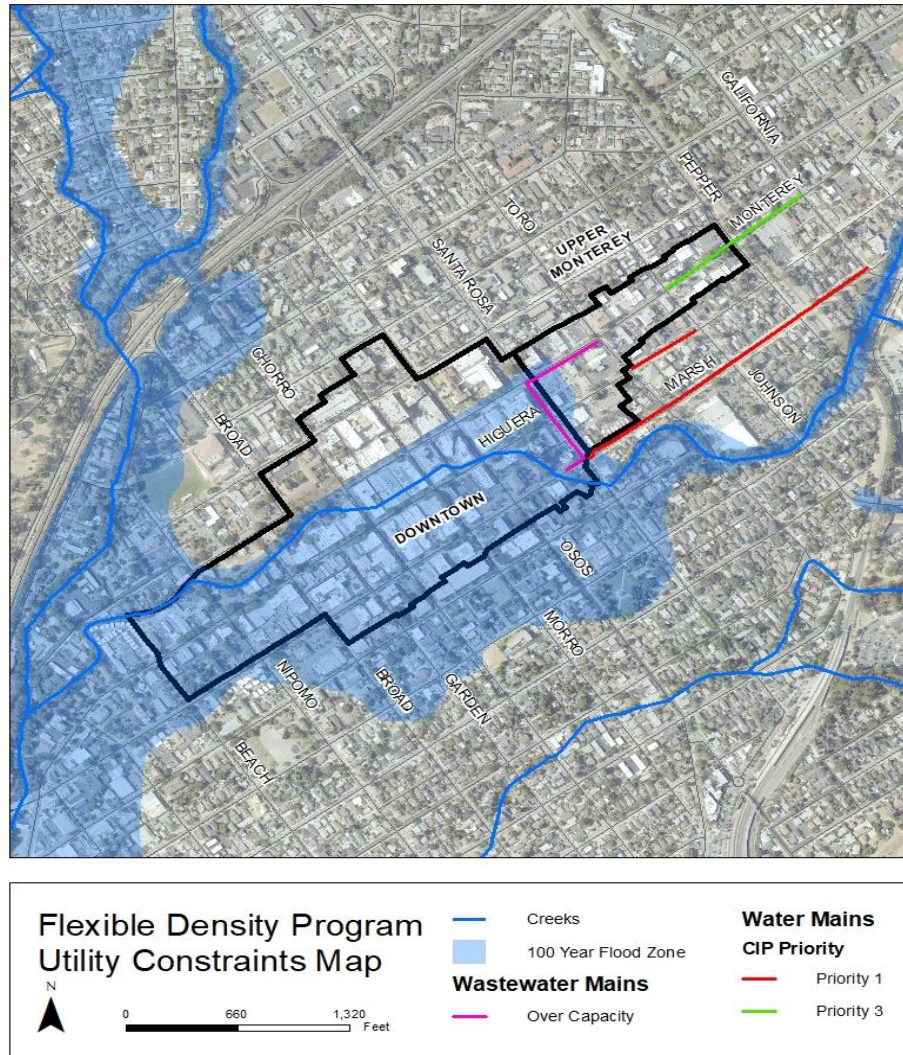


Figure 15: Creek & Utility Constraints in the Downtown Core

The presence of the 100-year flood plain in the Downtown is due to San Luis Creek, which runs through Downtown adjacent to Monterey Street, as shown in Figure 15. Properties that border San Luis Creek are subject to the City’s Creek Setback Ordinance (Zoning Regulations Section 17.70.030), which limits development near creeks to reduce potential impacts to creek wildlife habitats. The required setback in most creek areas is 20 feet from the creek bank, which limits development capacity for properties adjacent to creeks.

Historic resources are also a factor for consideration within the development process and is part of the required California Environmental Quality Act (CEQA) environmental review process. Historic preservation is also a high priority for the City of San Luis Obispo, with specific regulations and guidance outlined in the City's Historic Preservation Ordinance to identify and preserve historic structures and districts throughout the City. Projects within or in close proximity to these properties and districts may require additional architectural and cultural review by the City's advisory bodies. The City has five historic districts, each with their own history, character, and design guidelines. The Downtown Historic District (shown in red) overlaps with the Downtown Core, shown in black in Figure 16 in Section 5.2.2. There are several master list historic properties located in the Downtown Subarea, but no historic properties located in the Upper Monterey Subarea.

### **5.2.1 Utilities Constraints**

Utilities are also an important factor to be analyzed in the development process. Portions of the City's water and wastewater infrastructure within the Upper Monterey Subarea, should be noted as potential constraints to future development, as shown previously in Figure 15. According to the City's Water Distribution Master Plan from 2015, three water main lines either fully within or in close proximity to the Upper Monterey Subarea were identified as needing maintenance as part of future capital improvement projects. A 12 inch diameter water main under Monterey Street from Johnson Avenue to California Boulevard is the only main lying fully within this area. This main was classified as a priority #3 project not requiring critical maintenance but was recommended for future replacement. The master plan recommended this project to be completed within the next 15 years.



Two other water mains in close proximity to the Upper Monterey Subarea were classified as priority #1 projects, posing potential health and safety concerns due to substandard pressures during high demand modeling scenarios. These lines are an 8 inch main under Marsh Street from Santa Rosa Street to California Boulevard, as well as a 4 inch main under Higuera Street from Toro Street to Johnson Avenue. These projects are recommended to be completed in the next 5 years.

According to the City's Wastewater Collection System Infrastructure Renewal Strategy Plan from 2015, two wastewater pipes within the Upper Monterey Subarea were identified as exceeding their capacity under the analysis scenario of Peak Wet Weather Flow (PWWF), which is the maximum sewage flow that the collection system will experience during wet weather. These pipes are recommended for future maintenance or replacement. One of these lines lies under Santa Rosa Street from Monterey Street to Marsh Street and the other lies under Monterey Street from Toro Street to Santa Rosa Street.

### **5.2.2 Parking Constraints**

One of the most significant development considerations for projects is parking demand and availability. Excessive parking requirements can be a constraint to development if properties do not have the available space to accommodate required on-site parking. However, lack of parking availability in neighborhoods can have a negative impact on the quality of life of residents. The City of San Luis Obispo seeks to balance the housing needs of the community and the parking needs of neighborhood residents through goals and policies such as Land Use Element (LUE) Policies 2.16 and 2.17 (see Appendix C), and HE Program 6.11, which states that the City will “continue to allow flexible parking

regulations for housing development, especially in the Downtown Core (C-D Zone), including the possibilities of flexible use of city parking facilities by downtown residents and reduced or no parking requirements”. Programs such as HE Program 6.11 will help reduce parking constraints for downtown projects, including Flexible Density projects.

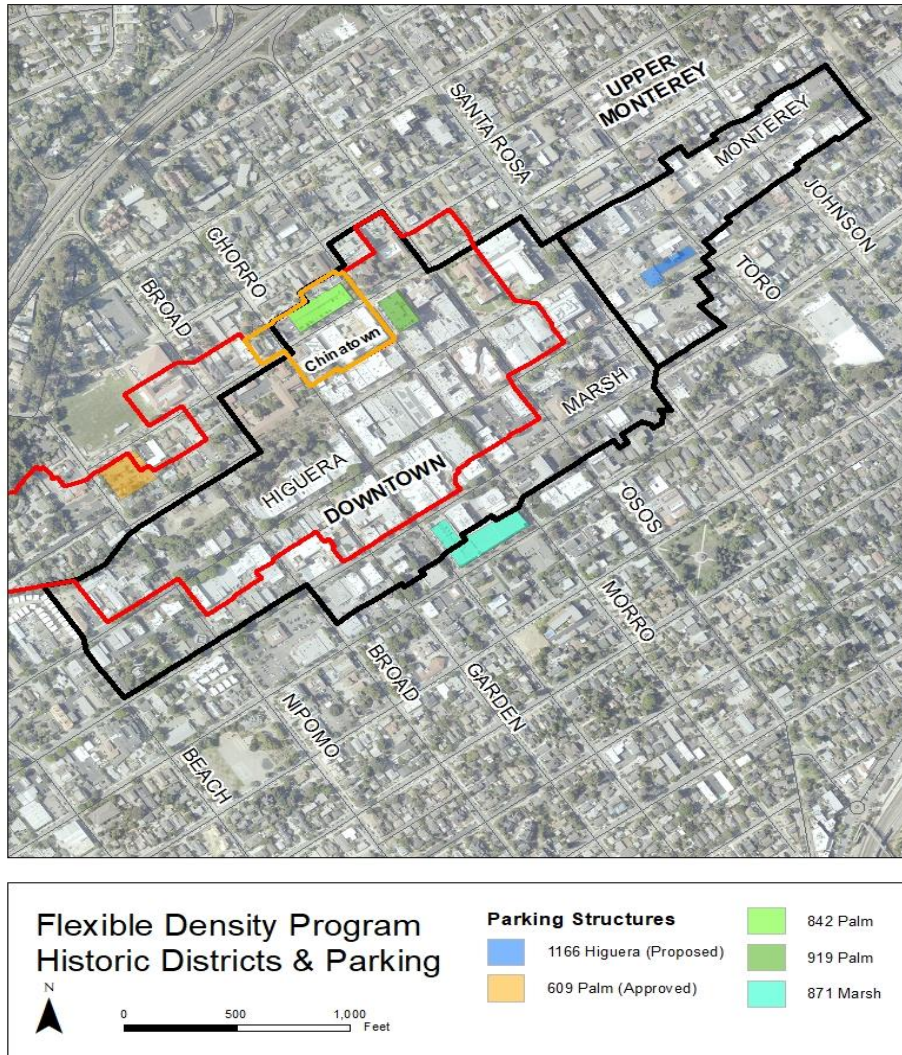


Figure 16: Parking Structures & Historic Districts in the Downtown Core

The inventory of parking spaces currently available in the Downtown includes surface parking lots, parking structures, and on-street parking spaces. The City has expressed prioritization of parking structures as the primary parking option for the Downtown going



forward through LUE Policy 4.14, which states that “any major increments in parking supply should take the form of structures, located at the edges of the commercial core”. There are currently three parking structures in the Downtown, located at 842 Palm Street, 919 Palm Street, and 871 Marsh Street, as shown in Figure 16. The City has also recently approved a new parking structure located at the intersection of Palm Street and Nipomo Street, and another parking structure is envisioned in the City’s Downtown Concept Plan to be located at the intersection of Higuera Street and Toro Street.

There is currently a number of public and private surface parking lots available for residents located throughout the Downtown Core. However, surface parking lots are considered a very inefficient land use compared to other development types that are more needed and utilize land more efficiently. As part of the residential capacity analysis discussed later in this chapter, surface parking lots within the Downtown and Upper Monterey Subareas are identified as underutilized properties that could be developed more efficiently to accommodate residential development as part of the Flexible Density Program.

As shown in the Residential Development Capacity Table in Appendix B, 8 properties in the Downtown Subarea and 8 properties in the Upper Monterey Subarea totaling about 3 acres are fully or mostly covered by surface parking. These 16 properties could accommodate mixed-use development with 110 units under standard density limits and could accommodate an additional 114 units through implementation of the Flexible Density Program, for a total of 224 potential units from these parking lots. This mixed-use development would be a more efficient use of these parking lots, and these lost spaces could be accommodated in a more efficient way through the development of new parking structures on the edges of Downtown, in alignment with LUE Policy 4.14.

### **5.3 Residential Capacity Analysis Methodology**

The development potential of the Downtown Core to accommodate efficiency units was determined by calculating residential capacity in each subarea, parcel by parcel. First, vacant and underutilized properties were identified in each subarea. According to the City's Housing Element, vacant properties have no structures other than signs, walls or fences, and underutilized properties only have minor accessory buildings, such as garages or sheds. The intent of the development potential analysis was to show how many extra efficiency units could be accommodated within each property's developable area in comparison to the allowed density units under standard density requirements for the zone. This approach to determining residential capacity is similar to previous studies done by City staff, as well as the methodology used by the City of Everett for the development of the Metro Everett Subarea Plan. The developable area for each property was determined using all other development standards of the zone, such as FARs, setbacks, and lot coverages.

To determine the development capacity of each property, the floor area of the units allowed by maximum density was subtracted from the total developable area of the property and this leftover area was designated for efficiency units. The total capacity for each property was then calculated by adding the number of efficiency units to the number of residential units allowed based on standard maximum residential density limits. A more detailed description of the residential capacity analysis methodology and accompanying calculations, equations, and variables is shown in Appendix A.

#### 5.4 Residential Capacity Analysis Findings

The results of the residential capacity analysis show that based on the defined program structure and the development potential evaluation methodology, 60 properties in the Downtown Core with a total area of 16.5 acres were identified as vacant or underutilized with potential to accommodate future mixed-use development. These properties are shown in green within the Downtown and Upper Monterey Subareas in Figure 17.

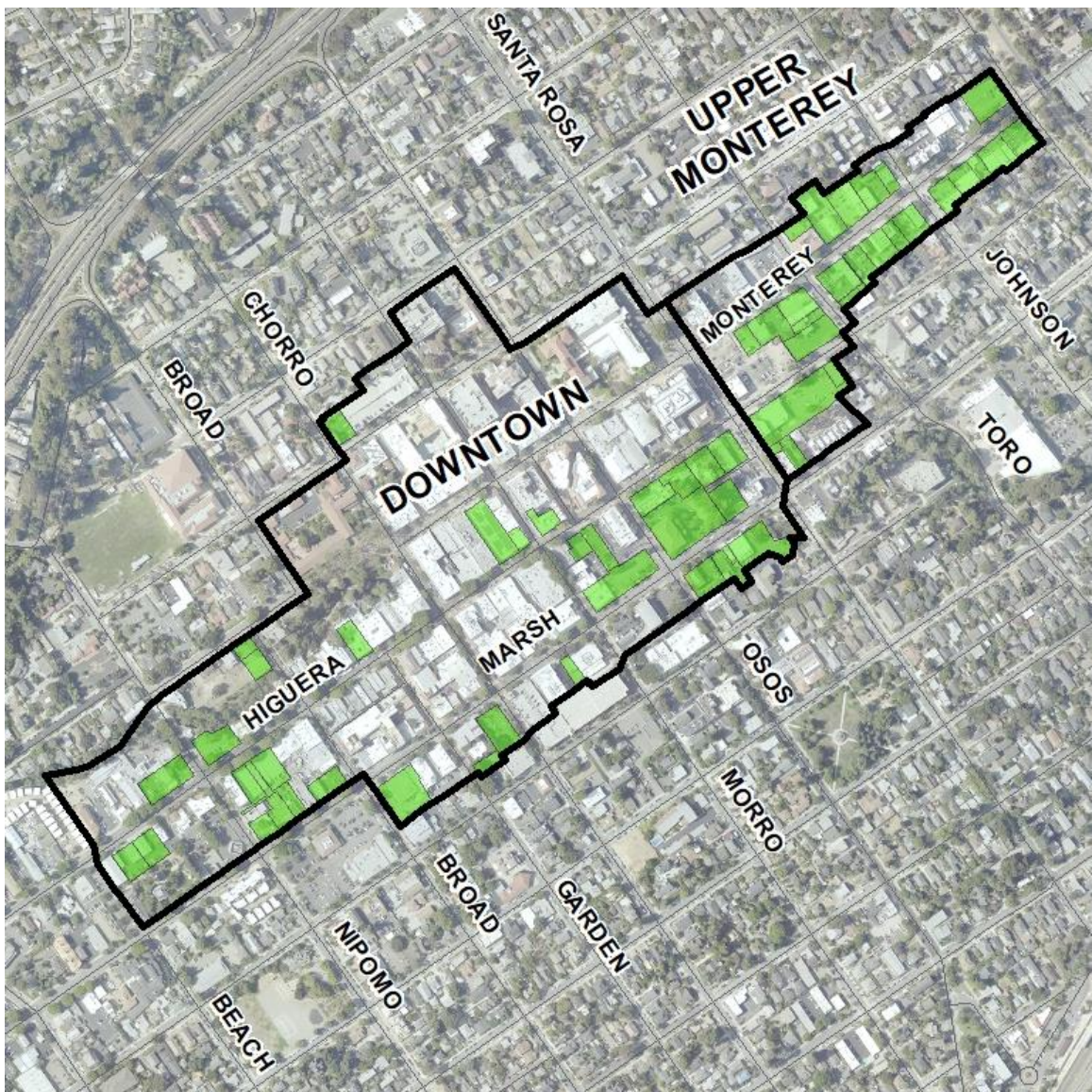


Figure 17: Properties with Development Potential in the Downtown Core

The results of the analysis indicate that these properties have the capacity to accommodate a significant number of efficiency units, approximately ranging from 320 to 640 residential units, in addition to the current residential capacity of approximately 600 residential units for these properties based on maximum density limits. Tables showing full results of the development capacity analysis for the Downtown and Upper Monterey Subareas are shown in Appendix B. The potential extra units identified in this analysis could be developed in compliance with all other development standards such as FAR and setback requirements if maximum density limits were eliminated. These results show that the Downtown Core has a substantial untapped capacity of extra residential units. These results also validate the potential benefit that the Flexible Density Program could have to help facilitate increased downtown residential development in the City and provide a unique housing typology option to downtown residents.

## **6. SUMMARY AND CONCLUSION**

The Flexible Density Program, the development and characteristics of which are described in this report, is designed to facilitate increased residential development in the City of San Luis Obispo and to incentivize development of smaller residential units in the Downtown. The origins of the proposed Flexible Density Program come from goals and policies specified by the City of San Luis Obispo, as well as recent state legislation and incentives adopted by the State of California in response to the ongoing housing shortage and affordability crisis. This report reviewed the development process of a Flexible Density Program ordinance for the City, currently under review for adoption, as follows:

Chapter 1 examined the housing shortage and actions taken by the State and the City to address it, such as recently implemented policies and legislation. Chapter 2 reviewed the City's history and community characteristics. Demographic findings revealed that there is a significant percentage of young professionals in the City, while housing stock findings revealed a dominance of single-family housing units and a comparative lack of other types of housing. These findings validated the City's identification of young professionals as a substantial housing group who might have significant interest in smaller and potentially more affordable housing that could be developed through a flexible density program.

Chapter 3 analyzed relevant literature, research, and case studies regarding efficiency units, innovative city programs incentivizing development of smaller residential units, and successful mixed-use projects featuring efficiency units. Research findings on efficiency units yielded information regarding unit sizes, rental costs, renter preferences, demand, and affordability. Despite inconclusive findings regarding the relationship of rental costs and affordability of efficiency units over the past several years, research has shown continued

demand for efficiency units, which is a housing typology that could provide an ideal downtown housing choice for young professionals in the City.

Innovative city programs that were highlighted in Chapter 3 included the Santa Barbara Average Unit-Size Density (AUD) program and the Metro Everett Subarea Plan, both of which demonstrated unique characteristics and strategies to analyze potential development capacity, facilitate increased residential development, and incentivize development of smaller units. Examples of successful high density efficiency unit projects highlighted in Chapter 3 included the 1321 Mission Street project in San Francisco and the 1144 Chorro Street project in San Luis Obispo, both of which exhibited imaginative approaches to parking, unit design, and provision of public benefits in exchange for incentives. These case studies have also demonstrated developer confidence that these types of projects have potential market demand, both in large urban areas and in smaller cities.

Chapter 4 developed the structure of the Flexible Density Program based on identified community needs, literature and case study findings, as well as City goals and policies. As designed in Chapter 4, the program allows projects within the Downtown Core to provide extra residential units over maximum density limits if the extra units are under 600 square feet. The program was designed to be implemented into the regulations for the Downtown Commercial (C-D) Zone and applied to the entire Downtown Core through the regulations for the Downtown (D) Overlay Zone. This implementation strategy was codified into these respective sections of the Zoning Regulations in a draft ordinance at the end of Chapter 4, along with an initial discussion on future steps of the environmental review process for the program. The full draft ordinance is provided in Appendix D at the end of this report.

Chapter 5 reviewed current conditions of the Downtown and Upper Monterey Subareas, discussed development constraints in these areas, and detailed the residential capacity analysis process. Although the Downtown and Upper Monterey Subareas are thriving neighborhoods that continue to experience active and ongoing mixed-use residential development, both of these areas still contain vacant and underutilized properties that have yet to be developed. Results of the residential capacity analysis indicated that these areas could accommodate a considerable amount of efficiency units, approximately ranging from 320 to 640 residential units, in addition to the residential units that would be allowed under standard maximum density requirements. These results reveal the potential benefits that the Flexible Density Program offers to the City by providing a unique housing typology choice to residents and facilitating increased downtown housing development.

The proposed Flexible Density Program presents a strategy to meet these goals that does not require a substantial financial investment from the City. The proposed program is anticipated to be effective because it provides incentives, through creative adjustments of the zoning requirements, for investment by individual downtown property owners to capture underutilized development capacity within the Downtown Core. This description of the proposed Flexible Density Program ordinance in the City of San Luis Obispo demonstrates the inherent potential of shaping a city's development standards in ways that offer flexibility and incentives to developers to construct smaller and potentially more affordable residential units that are needed in the community.

From an urban planning perspective, the program is innovative and cost effective as it requires minimal financial investment from the City to stimulate change. Instead, the program seeks to provide incentives to property developers to construct units for a housing typology that the City has identified as lacking in the community. The potential benefits of the Flexible Density Program in terms of constructed projects and benefits to community residents and future tenants upon program implementation warrant thoughtful consideration. If this program is successful in contributing to the City's identified housing goals, the program may be implemented with similar success in future identified areas of the City with minor adjustments. Overall, this program is a noteworthy experiment which proposes cost-effective and creative efforts to expand available housing stock to help meet the City's housing needs.



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## APPENDICES

### APPENDIX A: Residential Capacity Analysis Methodology

To determine the development capacity of each property, the floor area of the units allowed by maximum density was subtracted from the total developable area of the property and this leftover area was designated for efficiency units. The total developable area of each property was calculated using the equation below

#### Total Developable Area of Property

##### ***Total Developable Area***

$$= \text{Lot Size} * \text{FAR} * \text{Lot Coverage} * \text{Development Factor} * \text{Mixed Use Factor}$$

Where:

- *Lot Size* = property area in square feet
- *FAR (Floor Area Ratio)* = 3.0 in the C-D & C-R Zones
- *Lot Coverage* = 100 percent in the C-D & C-R Zones
- *Development Factor* = 75 percent
  - (percentage of property development potential that will actually be built)
- *Mixed-Use Factor* = 45 – 55 percent range
  - (mixed-use project floor area percentage dedicated to residential uses)

#### Total Unit Floor Area Allowable under Maximum Density

The total number of residential units allowed based on maximum residential density limits as well as the total area of these units were both calculated using the equations below.

$$\text{Residential Units Allowed by Density} = \text{Lot Size} * \text{Maximum Residential Density}$$

Where:

- *Lot Size* = property area in acres
- *Maximum Residential Density* = 36 density units per acre in the C-D & C-R Zones

$$\text{Total Area of Allowed Units} = \text{Number of Allowed Units} * \text{Average 2 Bed Unit Size}$$

Where:

- *Number of Allowed Units* = units allowed based on max. residential density limits
- *Average 2 Bed Unit Size* = 942 square feet (U.S. Census Bureau, 2017)

Remaining Developable Area Available for Additional Efficiency Units

Next, the allowed unit area was subtracted from the total developable area to determine the leftover area for efficiency units. This leftover area was then divided by the average studio unit size in order to determine the number of efficiency units that each property could accommodate, as shown in the equation below.

$$\text{Total Efficiency Units} = \frac{(\text{Total Developable Area} - \text{Total Area of Allowed Units})}{\text{Average Studio Unit Size}}$$

Where:

- *Total Efficiency Units* = total efficiency units that the property has space for in addition to the standard units that the property can accommodate based on maximum density limits
- *Total Developable Area* = total lot area that can be developed based on dev. standards
- *Total Area of Allowed Units* = total area of units allowed based on max. density limits
- *Average Studio Unit Size* = 516 square feet (U.S. Census Bureau, 2017)

The total capacity for each property was calculated by adding the number of efficiency units to the number of units allowed through standard maximum residential density limits. Tables showing full results of the development capacity analysis for the Downtown and Upper Monterey Subareas are shown in Appendix B.

## APPENDIX B: Residential Capacity Analysis Results

### Residential Capacity Analysis Results – Downtown Subarea

**Downtown**

APN	Address	Lot Area (sf)	Existing Built (sf)	Total Developable Area (sf)	Allowed Units (Density)	Flex. Dens. Units (45% Residential)	Flex. Dens. Units (50% Residential)	Flex. Dens. Units (55% Residential)
002-402-034	586 Higuera	17,762	6,694	39,965	15	7	11	15
002-415-008	800 Palm	10,083	2,000	22,687	8	5	7	10
002-421-018	parking lot	14,194	0	31,937	12	6	9	12
002-421-020	parking lot	4,616	0	10,386	4	2	3	4
002-421-029	parking lot	6,850	0	15,413	6	2	4	5
002-422-012	600 Marsh	6,850	2,288	15,413	6	2	4	5
002-422-013	640 Marsh	8,628	1,350	19,413	7	4	6	8
002-422-019	661 Higuera	12,050	9,400	27,113	10	5	8	11
002-422-021	664 Higuera	6,900	1,880	15,525	6	3	4	6
002-422-022	659 Higuera	4,950	3,900	11,138	4	2	3	5
002-422-023	647 Higuera	8,100	7,770	18,225	7	3	5	7
002-422-024	692 Marsh	10,242	1,526	23,045	8	5	8	10
002-423-040	746 Higuera	9,250	9,250	20,813	8	4	6	8
002-425-009	876 Higuera	19,750	19,750	44,438	16	10	14	18
002-425-011	898 Higuera	4,100	5,000	9,225	4	1	2	3
002-431-006	952 Higuera	6,600	5,750	14,850	5	4	5	7
002-432-006	1144 Morro	25,678	9,434	57,776	21	12	18	23
002-432-009	parking lot	8,800	0	19,800	7	4	6	8
002-432-012	parking lot	5,650	0	12,713	5	2	3	4
002-435-003	1065 Higuera	12,350	9,670	27,788	10	6	9	11
002-435-004	1085 Higuera	12,700	3,200	28,575	10	7	9	12
002-435-021	1043 Higuera	11,600	4,600	26,100	10	5	7	10
002-435-022	1001 Higuera	12,050	8,200	27,113	10	5	8	11
002-435-023	parking lot	12,500	0	28,125	10	6	9	12
002-435-024	1150 Osos	44,200	19,230	99,450	37	20	30	39
002-443-001	1001 Marsh	14,000	5,126	31,500	12	6	9	12
002-443-015	1027 Marsh	1,750	2,677	3,938	1	2	2	2
002-443-016	1043 Marsh	21,800	5,792	49,050	18	10	15	19
002-443-018	1023 Marsh	9,248	3,086	20,808	8	4	6	8
003-511-009	561 Higuera	11,200	1,200	25,200	9	6	8	10
003-511-027	565 Higuera	11,200	3,150	25,200	9	6	8	10
003-523-016	717 Marsh	25,400	14,640	57,150	21	12	17	23
003-525-003	parking lot	5,400	0	12,150	4	3	4	5
003-525-012	parking lot	15,750	0	35,438	13	8	11	14
003-527-027	883 Marsh	4,250	2,601	9,563	4	1	2	3
<b>Total</b>		<b>416,451</b>	<b>169,164</b>	<b>937,015</b>	<b>345</b>	<b>190</b>	<b>280</b>	<b>370</b>

**APPENDIX B, continued**  
**Residential Capacity Analysis Results – Upper Monterey Subarea & Summary**

**Upper Monterey**

APN	Address	Lot Area (sf)	Existing Built (sf)	Total Developable Area (sf)	Allowed Units (Density)	Flex. Dens. Units (45% Residential)	Flex. Dens. Units (50% Residential)	Flex. Dens. Units (55% Residential)
001-222-012	1234 Monterey	21,650	8,870	48,713	18	10	14	19
001-222-013	1242 Monterey	15,366	4,150	34,574	13	5	10	14
001-222-014	1248 Monterey	13,016	2,865	29,286	11	5	8	11
001-222-015	1266 Monterey	5,700	1,200	12,825	5	2	3	5
001-222-019	parking lot	5,700	0	12,825	5	2	3	5
001-224-029	parking lot	19,700	0	44,325	16	8	14	18
002-331-001	1219 Monterey	14,500	5,000	32,625	12	7	10	13
002-331-002	1239 Monterey	12,700	3,478	28,575	10	7	9	12
002-331-004	1255 Monterey	12,100	3,764	27,225	10	5	8	11
002-331-012	parking lot	4,284	0	9,639	4	1	2	3
002-331-016	1243 Monterey	6,100	3,776	13,725	5	3	4	6
002-331-018	parking lot	9,971	0	22,435	8	5	7	10
002-333-003	1329 Monterey	9,259	4,500	20,833	8	4	6	8
002-333-004	1335 Monterey	4,800	600	10,800	4	2	3	4
002-333-015	1371 Monterey	13,355	1,978	30,049	11	6	9	12
002-333-017	1301 Monterey	10,300	2,396	23,175	9	4	6	8
002-333-021	1357 Monterey	13,101	2,004	29,477	11	6	8	11
002-436-005	1166 Higuera	17,050	1,760	38,363	14	8	12	16
002-436-007	1185 Monterey	12,300	3,112	27,675	10	6	9	12
002-436-008	1185 Monterey	4,269	1,500	9,605	4	1	2	3
002-436-012	parking lot	5,900	0	13,275	5	2	4	5
002-436-013	1131 Monterey	14,538	5,840	32,711	12	7	10	13
002-437-003	parking lot	4,430	0	9,968	4	1	2	3
002-437-028	1105 Higuera	47,130	15,000	106,043	39	20	32	42
002-437-029	parking lot	1,846	0	4,154	2	0	0	0
002-437-030	parking lot	6,400	0	14,400	5	3	5	6
<b>Total</b>		<b>305,465</b>	<b>71,793</b>	<b>687,296</b>	<b>255</b>	<b>130</b>	<b>200</b>	<b>270</b>

**Total**

Neighborhood	Zoning	Lot Area (sf)	Existing Built (sf)	Total Developable Area (sf)	Allowed Units (Density)	Flex. Dens. Units (45% Residential)	Flex. Dens. Units (50% Residential)	Flex. Dens. Units (55% Residential)
Downtown	C-D	416,451	169,164	937,015	345	190	280	370
Upper Monterey	C-R	305,465	71,793	687,296	255	130	200	270
<b>Total</b>		<b>721,916</b>	<b>240,957</b>	<b>1,624,311</b>	<b>600</b>	<b>320</b>	<b>480</b>	<b>640</b>

## APPENDIX C: Policy Consistency Analysis – Relevant City Policies

### Land Use Element

#### Flexible Density Program

##### *Land Use Policies*

LUE 4.28. Allowing Efficiency Units and Variable Density in Downtown

The City shall modify zoning regulations to allow efficiency units and variable density in the Downtown Core.

#### Compact Urban Form & Density

##### *Land Use Goals*

LUE Goal 15. Emphasize more productive use of existing commercial buildings and land areas already committed to urban development.

LUE Goal 34. Where appropriate, create compact, mixed-use neighborhoods that locate housing, jobs, recreation, and other daily needs in close proximity to one another, while protecting the quality of life in established neighborhoods.

LUE Goal 36. Grow gradually outward from its historic center until its ultimate boundaries are reached, maintaining a compact urban form.

LUE Goal 40. Focus its government and cultural facilities and provide a variety of business services and housing in the Downtown.

##### *Land Use Policies*

LUE 2.2.7. Neighborhood Enhancement

The City shall promote infill development, redevelopment, rehabilitation, and adaptive reuse efforts that contribute positively to existing neighborhoods and surrounding areas.

LUE 3.8.5. Mixed Uses

The City encourages compatible mixed uses in commercial districts.

LUE 4.19. Sense of Place

To keep the commercial core's sense of place and appeal for walking, it should remain compact and be the City's most intensely developed area.

LUE 4.20.2. Upper Floor Dwellings

Existing residential uses shall be preserved and new ones encouraged above the street level.

This new housing will include a range of options and affordability levels.



#### LUE 4.20.4. Building Height

New buildings shall fit within the context and scale of existing development...

Tall buildings (50-75 feet) shall be designed to... include... housing and retail uses, such as:

- B. Housing affordability in excess of the Inclusionary Housing Requirement
- E. High residential density achieved by a concentration of smaller dwelling units
- J. Receiving Transfer of Development Credits for OS protection or historic preservation
- K. Proximity of housing to convenient transit connections

## **Development Standards**

### ***Land Use Policies***

#### LUE 2.15. Residential Densities

The City will evaluate alternatives to the current maximum number of dwelling units per acre (based on bedroom count) and height, parking, and setback standards, to regulate residential building intensity, and bulk and mass. Floor area limits will be considered.

#### LUE 2.16. Use of Downtown Parking by Residents

The City shall evaluate the potential to use portions of City-owned parking lots and structures for residents' parking.

#### LUE 2.17. Off-Setting Vehicle Needs for Downtown Residents

The City shall require new housing projects in the Downtown area to provide residents with information and services to off-set vehicle needs, such as providing transit passes, providing space for hourly car rental services, and providing on-site bicycle storage facilities.

## **Sustainable Transportation**

### ***Land Use Goals***

LUE Goal 41. Provide a safe and pleasant place to walk and ride a bicycle, for recreation and other daily activities.

### ***Land Use Policies***

#### LUE 2.9. Reduced Automobile Dependence in Downtown

The City shall encourage the development of Downtown housing that minimizes the need for automobile use and minimizes the storage of vehicles in surrounding neighborhoods.

#### LUE 2.18. Fees for Parking Expansion Downtown

The City shall evaluate the potential for development fees to fund new parking spaces in an additional parking structure for residents of new housing projects in the Downtown core.

#### LUE 4.12. Traffic in Residential Areas

The City shall strive to protect Downtown residential areas from cut-through traffic.

#### LUE 4.14. Parking

The City shall ensure there is a diversity of parking opportunities in the Downtown. Any major increments in parking supply should take the form of structures, located at the edges of the commercial core, so people can walk rather than drive between points within the core. Retail uses outside the core, and professional office developments, may have on-site parking for customers and clients.

#### LUE 10.4. Encouraging Walkability

The City shall encourage projects which provide for and enhance active and environmentally sustainable modes of transportation, such as pedestrian movement, bicycle access, and transit services.

### **Housing Development**

#### *Land Use Goals*

LUE Goal 38. Develop buildings and facilities which will contribute to our sense of place and architectural heritage.

#### *Land Use Policies*

##### LUE 3.8.4. Commercial Revitalization

The City shall encourage the revitalization, upgrading, and beautification of commercial retail centers and conversion of strip commercial area to coordinated, complementary retail and service uses, and where appropriate, provision of housing on upper floors.

### **Affordability**

#### *Land Use Goals*

LUE Goal 19. Accommodate residents within all income groups.

LUE Goal 21. Actively seek ways to provide housing which is affordable to residents with very low, low, and moderate incomes, within existing neighborhoods and within expansion areas.

## **Downtown & Upper Monterey Neighborhoods**

### ***Land Use Policies***

#### LUE 4.2. Downtown Residential

Downtown is not only a commercial district, but also a neighborhood. Its residential uses contribute to the character of the area, allow a 24-hour presence which enhances security and help the balance between jobs and housing in the community.

#### LUE 4.2.1. Existing and New Dwellings

The City shall use the following when evaluating development in the Downtown area:

- A. Existing residential uses within and around the commercial core should be protected, and new residential uses should be developed.
- B. Dwellings should be provided for a variety of households.
- C. Dwellings should be interspersed with commercial uses.
- D. All new, large commercial projects should include residential uses.
- E. Commercial core properties may serve as receiver sites for transfer of development credits, thereby having higher residential densities than otherwise allowed (see Policies 6.4.5 and 6.4.6).

#### LUE 8.2.2. Upper Monterey

In the Upper Monterey area, the emphasis will be on revitalization and enhancement. The area above Johnson shall have an emphasis on land use compatibility and neighborhood preservation. The following actions will be pursued in this area.

- A. The City shall investigate adding the Upper Monterey area to the Downtown Parking District, thereby allowing in-lieu payment towards common parking facilities.
- B. The City shall integrate a new Downtown Transit Center in the Upper Monterey area and provide enhanced connectivity to the center from the Upper Monterey area.
- ...
- G. The City will work with developers to assemble adjacent properties into lots of suitable size for redevelopment limited to areas southwest of California Boulevard.
- ...
- H. The City will investigate applying form-based codes to guide future development and will involve residents in adjoining areas as well as business and property owners along Monterey Street as part of the public review process in development of the master plan/design guide. Particular attention will be given to creek protection, noise, safety, light and glare, and privacy impacts to adjoining neighborhoods

## **Housing Element**

### **Flexible Density Program**

#### ***Housing Policies***

##### **HE Policy 2.8**

Continue to coordinate public and private sector actions to encourage the development of housing that meets the City's housing needs.

##### **HE Policy 2.15**

Evaluate a flexible density pilot program and initiate an update of the Zoning Regulations and Community Design Guidelines to incorporate flexible density development options in Downtown and portions of Upper Monterey and Mid-Higuera Special Focus Areas to support the production of smaller residential units (150 to 600 square feet).

##### **HE Program 3.6**

Continue to encourage the creation of dwellings in the Downtown Core (C-D Zone) and the Downtown Planning Area by continuing the "no net housing loss" program, consistent with Chapter 17.142 (Downtown Housing Conversion Regulations) of the Zoning Regulations.

##### **HE Policy 6.6**

Consistent with the City's goal to stimulate higher density infill where appropriate in the Downtown, Upper Monterey, and Mid-Higuera Special Focus Areas,, the City shall consider changes to the Zoning Regulations that would allow for flexible density standards that support the development of smaller apartments and efficiency units.

##### **HE Program 6.12**

Continue to develop incentives to encourage additional housing in the Downtown, Upper Monterey, and Mid-Higuera Special Focus Areas, particularly in mixed-use developments. Density based on flexible density in a project should be explored to encourage the development of smaller units.

### **Compact Urban Form & Density**

#### ***Housing Policies***

##### **HE Policy 3.5**

Encourage and support creative strategies for the rehabilitation and adaptation and reuse of residential, commercial, and industrial structures for housing.

##### **HE Policy 6.8**

To help meet the 6th cycle RHNA production targets, the City will support residential infill development and promote higher residential density where appropriate.

##### **HE Program 6.15**

Encourage residential development through infill development and densification within City Limits and in designated expansion areas over new annexation of land.

## **Development Standards**

### ***Housing Policies***

#### HE Program 6.11

Continue to allow flexible parking regulations for housing development, especially in the Downtown Core (C-D Zone), including the possibilities of flexible use of city parking facilities by Downtown residents, where appropriate, and reduced or no parking requirements where appropriate guarantees limit occupancies to persons without motor vehicles or who provide proof of reserved, off-site parking. Such developments may be subject to requirements for parking use fees, use limitations and enforcement provisions.

## **Housing Development**

### ***Housing Goals***

#### HE Goal 5: Housing Variety & Tenure

Provide variety in the type, size, and style of dwellings.

#### HE Goal 6: Housing Production

Facilitate the production of housing to meet the full range of community housing needs.

### ***Housing Policies***

#### HE Policy 5.2

New planned housing developments should provide a variety of dwelling types, sizes and styles.

#### HE Policy 7.2

Higher density housing should maintain high quality standards for unit design, privacy, security, amenities, and public and private open space. Such standards should be flexible enough to allow innovative design solutions.

## **Affordability**

### ***Housing Goals***

#### HE Goal 2: Affordability

Accommodate affordable housing production that helps meet the City's Quantified Objectives.

## **Downtown & Upper Monterey Neighborhoods**

### ***Housing Policies***

#### HE Policy 6.7

Encourage and support partnerships to increase housing opportunities specifically targeted towards the local workforce.

## **Other Regulatory / Policy Documents**

### **AB-352 (Santiago, 2017) - Efficiency Units**

*Health & Safety Code (HSC) Section 17958.1*

*SECTION 1. Section 17958.1 of the Health and Safety Code is amended to read:*

(a) Notwithstanding Sections 17922, 17958, and 17958.5, a city, county, or city and county may, by ordinance, permit efficiency units for occupancy by no more than two persons which have a minimum floor area of 150 square feet and which may also have partial kitchen or bathroom facilities, as specified by the ordinance. In all other respects, these efficiency units shall conform to minimum standards for those occupancies otherwise made applicable pursuant to this part.

(b) “Efficiency unit,” as used in this section, has the same meaning specified in the International Building Code of the International Code Council, as incorporated by reference in Part 2 of Title 24 of the California Code of Regulations.

(c) A city, county, or city and county shall not do any of the following:

(1) Limit the number of efficiency units in an area zoned for residential use and located within one-half mile of public transit or where there is a car share vehicle located within one block of the efficiency unit.

(2) Limit the number of efficiency units in an area zoned for residential use and located within one mile of a University of California or California State University campus.

(3) For purposes of this subdivision, any requirements related to density, setbacks, lot coverage, or height restrictions established by local ordinance are not considered a limit on the number of efficiency units.

**Development Standards**  
*City of San Luis Obispo Municipal Code*  
*Title 17, Zoning Regulations*

**Chapter 17.30. Retail Commercial (C-R) Zone**

*17.30.010 – Purpose & Application*

The C-R Zone is intended to accommodate a wide range of retail sales, business, personal, and professional services, as well as recreation, entertainment, transient lodging, and limited residential uses. The land uses allowed in this zone will generally serve the entire community and the region, as well as tourists and travelers. (Ord. 1650 § 3 (Exh. B), 2018)

*17.30.020 – Development Standards*

The general property development standards for the C-R Zone shall be as set forth in Table 2-17: C-R Zone Development Standards. See also Section 16.18.030 (Lot Dimensions) for minimum lot dimensions.

Table 2-17: C-R Zone Development Standards		
Development Standard	C-R Zone	Additional Regulations
Maximum Residential Density	36 units/acre	See also Section <a href="#">17.70.040</a> (Density)
Minimum Setbacks		
Front	No setback required unless adjacent to zone with minimum setback requirement, in which case the adjoining setback shall be as provided in the zone of adjacent lot. Lots separated by streets or other rights-of-way are not considered adjacent. If more than one zone is adjacent, the largest setback shall be required	
Interior Side and Rear		
Corner Lot—Street Side		
Maximum Building Height	45 feet	See also Section <a href="#">17.70.080</a> (Height Measurement and Exceptions)
Maximum Lot Coverage	100%	See also Section <a href="#">17.70.120</a> (Lot Coverage)
Maximum Floor Area Ratio	3.0	In the Downtown, as mapped in the General Plan Land Use Element, a site that receives transfer of development credit for open space protection may have a FAR of up to 4.0. See also Section <a href="#">17.70.060</a> (FAR Measurement and Exceptions)
Minimum Lot Area	9,000 square feet	See also Section <a href="#">16.18.030</a> (Lot Dimensions)
Edge Condition Requirements	See Section <a href="#">17.70.050</a> (Edge Conditions)	

## Chapter 17.32. Downtown Commercial (C-D) Zone

### 17.32.010 - Purpose & Application

The C-D Zone is intended to accommodate a wide range of retail sales, service, and entertainment uses that respond to community-wide and regional market demands, and to provide opportunities for a variety of housing types, including affordable workforce housing. The C-D Zone applies to the city’s pedestrian-oriented central business district, where the historical pattern of development creates limitations on building form and the ability for individual businesses to provide on-site parking. Ground floor, street-fronting uses generally will be limited to those that attract frequent pedestrian traffic. The C-D Zone is intended to maintain, enhance, and extend the desirable characteristics of the downtown, and to accommodate carefully integrated new development. (Ord. 1650 § 3 (Exh. B), 2018)

### 17.32.020 - Development Standards

The general property development standards for the C-D Zone shall be as set forth in Table 2-18: C-D Zone Development Standards. See also Section 16.18.030 (Lot Dimensions) for minimum lot dimensions.

Table 2-18: C-D Zone Development Standards		
Development Standard	C-D Zone	Additional Regulations
Maximum Residential Density	36 units/net acre	See also Section <a href="#">17.70.040</a> (Density)
Minimum Setbacks		
Front	No setback required unless adjacent to zone with minimum setback requirement, in which case the adjoining setback shall be as provided in the zone of adjacent lot. Lots separated by streets or other rights-of-way are not considered adjacent. If more than one zone is adjacent, the largest setback shall be required	
Interior Side and Rear		
Corner Lot—Street Side		
Maximum Building Height	50 feet	Maximum height may be increased up to 75 feet with the provision of defined community benefits, as set forth in Section <a href="#">17.32.030(E)</a> (Maximum Building Height in C-D Zone). See also Section <a href="#">17.70.080</a> (Height Measurement and Exceptions)
Minimum Building Height	2 stories	The minimum building height shall be 2 stories adjacent to all street frontages
Maximum Lot Coverage	100%	See also Section <a href="#">17.70.120</a> (Lot Coverage)
Maximum Floor Area Ratio	3.0—maximum allowed for buildings up to 50 feet in height 3.75—maximum allowed for buildings approved greater than 50 feet in height 4.0—maximum allowed for approved buildings over 50 feet in height with transfer of development credits for open space protection or historic preservation See also Section <a href="#">17.70.060</a> (FAR Measurement and Exceptions)	
Minimum Lot Area	3,000 square feet	See also Section <a href="#">16.18.030</a> (Lot Dimensions)
Edge Condition Requirements	See Section <a href="#">17.70.050</a> (Edge Conditions)	



**Sustainable Transportation**  
*City of San Luis Obispo Municipal Code*  
*Title 17, Zoning Regulations*

**Chapter 17.32. Downtown Commercial (C-D) Zone**

*17.32.030 - Additional Regulations*

*B. Limitations on New Driveways*

Although residential uses are encouraged in the C-D Zone, it is not the intent of the city to ensure that parking is provided on site for residential uses. Therefore, there is no guarantee of parking availability, either on site or off site, for downtown residential projects. On-site parking may be considered inappropriate at certain downtown locations where the pedestrian experience would be harmed by vehicle ingress and egress across the sidewalk. In order to maintain pedestrian orientation and the continuity of sidewalks within the C-D Zone, the installation of new driveway approaches is subject to the director's action. When new driveway approaches are proposed in conjunction with an application for review by the architectural review commission, a separate planning application shall not be required. In order to approve the new driveway approach, the review authority shall make at least one of the following findings:

1. The proposed driveway approach will not harm the general health, safety, and welfare of people living or working in the vicinity of the project site because the number of vehicles expected to use the driveway is limited (fewer than ten spaces) and there are no other alternatives, such as service alleys, to provide vehicle access to the site.
2. The proposed driveway approach is located along a nonarterial street and will not significantly alter the character of the street or pedestrian circulation in the area in consideration of the characteristics of pedestrian flow to and from the project site and surrounding uses.
3. The proposed driveway approach is a shared facility and provides efficient access to more than a single project in a way that eliminates the need for additional driveways.
4. The proposed driveway approach provides access to public parking.

***City of San Luis Obispo Climate Action Plan for Community Recovery***

Connected Goal 5.1 - Complete the 2019-21 Housing Major City Goal, including the Housing Element of the General Plan Update and Flexible Zoning Requirements for Downtown.

Active transportation and transit are important alternatives to single occupancy vehicles. However, even the best bicycle and transit systems in the world must be supported by land use and development patterns that allow people to live close to where they work and play. Underscoring the importance of housing on quality of life, affordability, and sustainability, housing is included as a Major City Goal in the 2019-21 Financial Plan. The work program for the Major City Goal includes updating the Housing Element of the General Plan and establishing flexible zoning requirements for downtown, both of which would make sustainable housing easier to build.

**APPENDIX D: Draft Flexible Density Program Ordinance**

**ORDINANCE NO. (2021 SERIES)**

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SAN LUIS OBISPO ADOPTING A NEGATIVE DECLARATION AND AMENDING TITLE 17 (ZONING REGULATIONS) OF THE MUNICIPAL CODE SUPPORTING THE FLEXIBLE DENSITY PROGRAM (PL-CODE-\_\_\_\_-2021)**

**WHEREAS**, California has a housing supply and affordability crisis of historic proportions, and the lack of housing is a critical problem that threatens the economic, environmental, and social quality of life in California.

**WHEREAS**, housing is a major city goal for the City of San Luis Obispo, particularly providing a diversity of housing options and developing affordable housing and workforce housing through the lens of climate action and regionalism; and

**WHEREAS**, providing a diversity of housing options has the potential to reduce the cost of housing due to the increase in the total housing stock supply; and

**WHEREAS**, development of small “efficiency” dwelling units that are more affordable at their fair-market value than standard sized dwelling units, and to increase the production housing units in the downtown core area in the City of San Luis Obispo will help meet the full range of community housing needs; and

**WHEREAS**, the potential environmental impact of the proposed ordinance has been evaluated in accordance with the California Environmental Quality Act pursuant to an initial environmental study (EID XXXX-2020) and an Initial Study/Negative Declaration of environmental impact has been prepared and circulated for public review and comment period from [DATE] to [DATE]; and

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of San Luis Obispo as follows:

**SECTION 1.** The recitals set forth above are hereby adopted as the findings of the City in adopting the policies herein.

**SECTION 2. Environmental Review.** The City Council has determined that the adoption of the ordinance will not create a substantial environmental effect as defined by the California Environmental Quality Act (“CEQA”) and hereby adopts the Negative Declaration and directs staff to prepare and file a Notice of Determination with the County Clerk within five working days of the execution of this Resolution and approval of the Project and with the Office of Planning and Research.

**SECTION 3. Findings.** Based on all the evidence, the City Council makes the following findings:

1. the proposed amendments to Title 17 implement HE Program 2.15 and partially implements HE Goal 6 of the San Luis Obispo General Plan, to plan for new housing that meets the full range of community housing needs; and
2. the proposed amendments to Title 17 will not cause significant health, safety, or welfare concerns since the amendments are consistent with the General Plan and directly implements City goals and policies.

**SECTION 4. Action.** The City Council hereby adopts the proposed amendments to Title 17 as set forth below.

**SECTION 5.** Chapter 17.32.030(G) of the San Luis Obispo Municipal Code entitled “Flexible Density Developments in the C-D Zone” is hereby added to Chapter 17.32 (Downtown Commercial (C-D) Zone) with the following language:

**Chapter 17.32 DOWNTOWN COMMERCIAL (C-D) ZONE**

17.32.030(G) – Flexible Density Developments in the C-D Zone and D Overlay.

1. Purpose. The development and incentivizing of “flexible density” units is intended to facilitate the construction of smaller and more affordable housing units.
2. Definition. Flexible density units (alternatively termed “efficiency” units) are defined within the range of 150 to 600 square feet.
3. Development Incentives. New developments within the C-D Zone which propose additional dwelling units as part of the project that are over the maximum density requirements of the C-D Zone are granted development incentives if the additional housing units are “flexible density” units as defined in this section. Developments that qualify are granted the incentives of unbundled parking pursuant to Section 17.72.020(D) (Unbundling Parking) and the elimination of maximum density requirements.
4. Required Project Features. Projects that shall be allowed to develop “flexible density” units shall meet all mandatory project features required for applying the Planned Development (PD) Overlay Zone pursuant to Section 17.48.060 (Mandatory Project Features). Projects shall also comply with the provisions and requirements of Section 17.70.130 (Mixed-Use Development), including restricting residential units from occupying any ground floor space in the C-D Zone and within the D Overlay.
5. Affordable Housing Requirement. Projects shall provide affordable housing, in compliance with city standards, at the rate of ten percent for low-income households, or twenty percent for moderate-income households, as a percentage of the total number of housing units built (no in-lieu fee option).

**SECTION 6.** Chapter 17.54.020(C) of the San Luis Obispo Municipal Code entitled “Applying Flexible Density Incentives” is hereby added to Chapter 17.54 (Downtown (D) Overlay Zone) with the following language.

**Chapter 17.54 DOWNTOWN (D) OVERLAY ZONE**

17.54.020(C) - Applying Flexible Density Incentives.

The “flexible density” incentives of the C-D Zone as defined in Section 17.32.030(G) (Flexible Density Developments in the C-D Zone) shall be applied to qualifying projects within the downtown core, as identified in the General Plan Land Use Element. (Ord. 1650 § 3 (Exh. B), 2018). Developments that qualify are granted the incentives of unbundled parking pursuant to Section 17.72.020(D) (Unbundling Parking) and the elimination of maximum density requirements.

**SECTION 7.** Chapter 17.70.040(A)(4) of the San Luis Obispo Municipal Code entitled “Density in the D Overlay Zone” is hereby added to Section 17.70.040 (Density) with the following language:

**Chapter 17.70 SITE DEVELOPMENT AND GENERAL DEVELOPMENT STANDARDS**

17.70.040(A)(4) – Density in the C-D Zone and properties that include the D Overlay Zone.

Applicable “flexible density” projects within the C-D Zone are exempt from density limits, pursuant to Section 17.32.030(G) (Flexible Density Developments in the C-D Zone). These density incentives are applied to all qualifying “flexible density” projects within the C-D Zone and properties within the Downtown Core that include a D Overlay, pursuant to Section 17.54.020(C) (Applying Flexible Density Incentives).

**SECTION 8.** Chapter 17.72.020(D)(4) of the San Luis Obispo Municipal Code entitled “Unbundled Parking in the D Overlay Zone” is hereby added to Chapter 17.72 (Parking and Loading) with the following language:

**Chapter 17.72 PARKING AND LOADING**

17.72.020(D)(3) – Unbundled Parking in the Downtown Core.

Residential and Non-residential projects may unbundle parking for either the residential or non-residential uses within the Downtown Core.

**INTRODUCED** on the \_\_\_\_\_ day of \_\_\_\_\_, 2021, **AND FINALLY ADOPTED** by the Council of the City of San Luis Obispo on the \_\_\_ day of \_\_\_, 2021, on the following roll call vote:

AYES:  
NOES:  
ABSENT:

\_\_\_\_\_  
Mayor Heidi Harmon

ATTEST:

\_\_\_\_\_  
Teresa Purrington  
City Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
J. Christine Dietrick  
City Attorney

**IN WITNESS WHEREOF**, I have hereunto set my hand and affixed the official seal of the City of San Luis Obispo, California, this \_\_\_\_\_ day of \_\_\_\_\_, 2021.

\_\_\_\_\_  
Teresa Purrington  
City Clerk