



STAFF REPORT

PLANNING COMMISSION MEETING

November 14, 2023

TO: Honorable Chair and Commissioners

FROM: David Loya, Director of Community Development

PREPARER: David Loya, Director of Community Development

DATE: November 08, 2023

TITLE: **Consider a Recommendation to the City Council on the General Plan Updates**

RECOMMENDATION:

Staff recommends the Commission consider changes to the Community Benefits program and Inclusionary Zoning based on the September 26, 2023, Joint Study Session with the Council. The Commission may also consider other topics related to the General Plan 2045 update.

INTRODUCTION:

The Commission has been refining its recommendation to Council based on input from the Council at two Joint Study Sessions held August 22 and September 26, 2023. Specifically, the Council requested additional input on the Community Benefits program and the proposal for Inclusionary Zoning. Specifically, the Council wanted the points system revised and to consider whether to move any benefits to zoning requirements. The Council also discussed the desire to broaden Inclusionary Zoning to address workforce housing. The Commission will return to the conversation started on October 10, 2023, regarding these matters and make a recommendation to Council.

DISCUSSION:

Staff has prepared a starting point for discussing changes to Community Benefits and Inclusionary Zoning.

Community Benefits

The Community Benefit program was designed with the idea in mind that projects would receive streamlined approvals in exchange for community benefits. This allows the developer to invest money into the community instead of investing in a planning process. It allows the City to invest in the planning process with the community instead of replicating the standard discretionary review process that allows a few minutes for each interested community member for input in the hopes it influences the decision. It allows the City to obtain benefits that would not be legal under the current framework for discretionary conditions of approval.

At the September Study Session, several Councilmembers expressed the need to revisit the points system for the Benefits program. The Council also gave specific direction regarding eliminating some of the benefits. Staff has prepared a recommendation for switching to a more simplistic points

system that is based on priority instead of points. The details were still under development as of this writing. Staff will provide a verbal update at the meeting.

One way to simplify the program is to reduce the number of benefits. The Community Benefits list (Attachment A) was amended by staff for a discussion starter. The Commission considered further refinements of the list at their October 10 meeting. The Benefits program can be further simplified by creating a value that increases with priority and allowing the project to select from a small list of benefits to sum to increasing points for increasing density or building height. Points would be allocated as in the revised Community Benefits list (Attachment B), and seven story buildings would provide six points; six stories would provide five points; five stories would provide four; and four stories would provide three points.

This is the easiest program to understand and implement. It does abandon the categories approach that was considered previously. And it eliminates the dollar value of the benefits from consideration. But it ensures a simple program that achieves projects that reflect the community values.

In preparation for this discussion, staff considered several other community benefit programs (Table 1). Most of the programs were designed for other purposes and are not relatable to the work the City of Arcata is doing. Most of the programs are part of a discretionary approval process. One is an attempt to guide projects into the benefits program instead of State Density Bonus law (this program is likely now completely defunct based on enhancements to State Density Bonus). The Redwood City program is the most similar to Arcata’s objectives (Attachment C).

Table 1. Community Benefits Program Examples.

Jurisdiction	Trigger	Benefit Categories	Implementation	No. of Options
Santa Monica	Benefits required for exceeding development standards	affordable housing, VMT reduction, community improvements, social/cultural facilities	Required to meet all benefits listed	6
Redwood City	Required for all projects within a specific district	Open space, social programs, parking, affordable housing, mixed use, active uses, improved facades, neighborhood improvements	Projects >15K sf need 4 pts, < need 2. Mandatory.	3+
Culver City	required for MU projects on commercial zoned properties with >35 u/a	Including but not limited to: pocket parks, parking, streetscape improvements	discretionary approval - these are effectively conditions of approval	19
Benicia	required for buildings over 2 stories, 100% affordable projects exempt	affordable housing, artist or senior housing, parking, open space, infrastructure, public art	Requires residential use. 3 stories - 2 benefits, 4 stories - 3 benefits, 5 stories - 4 benefits.	12+
Peery Park	increase in FAR - two levels up to 120%	mixed use, parking, green building, economic development, public improvements, TDM programs	Increments of 5 and 10% of FAR added for each benefit added to project up to 120% FAR max	29

Jurisdiction	Trigger	Benefit Categories	Implementation	No. of Options
Emeryville	replaces state density bonus. Requires 50% units affordable housing. Triggers on projects over 100' tall.	open space, public improvements, unit mix, economic development, other determined through discretionary approval.	Formula based points system to set required benefits based on ratio of bonus requested and "bonus increment". Requires discretionary approval. This program is probably moot given current density bonus law.	10

Community Benefits as Standards

The Commission has discussed the concept of moving several community benefits to the zoning code and enforcing them as standards previously. The recommendation previously was to keep them as benefits. The Commission should determine whether to reverse that prior decision.

The Commission will note that several of the items described as Community Benefits have values that are embedded in the cost of the project (Attachment B). This has motivated concerns that the City is not obtaining a true benefit because it is not an added cost to the development. To contrast that position, the Commission may wish to consider the fact that the single highest priority of nearly every engagement on this topic is housing. The lack of housing has been identified by many as a crisis. This has been cited by renters, home buyers, businesses, service industry, and decision makers.

This input raises several questions. Does the value of housing for our community constitute a community benefit that we are willing to incentivize or not? Do we overburden the financial pro forma of a project through benefits as requirements? How do we assess the impact of projects that are not proposed because they cannot pencil?

There is a philosophical underpinning to the question, “do we make these benefits requirements or not?” The question is rooted in whether the housing is an intrinsic benefit. But there are also practical implications. It is commonly known that development costs are very high in California. Development costs are particularly high in this post Covid world. Projects are having difficulty penciling exclusive of conditions of approval given market rates. The more complex and expensive permitting is, the fewer units will be produced and the higher cost those units will be.

The current proposed Community Benefits program addresses this by allowing flexibility in meeting the requirements. Some of the benefits are lower cost to implement than others. Some are even embedded in the cost of the project. But if these are the outcomes we hope to see from development, and if we want to see developments at all, then providing a structure that rewards projects that provide these benefits seems prudent.

Staff recommends the Commission stand by their original vote to recommend all of the community benefits remain in the program and not be moved into standards.

Inclusionary Zoning

The Commission has studied this issue at several hearings. Commissioners should review the record for information on inclusionary zoning, including the staff report and video from the August 8, 2023,

meeting. This context will assist with a recommendation to address the Council’s comments at the September 26 Study Session.

Council directed staff to evaluate a workforce program. On October 10, 2023, staff provided an analysis of a moderate-income program to the Planning Commission. The conclusion of that assessment was that a moderate-income program is not needed. The rental rates as calculated using standard practices are higher than the market rate for nearly every family size earning 120% AMI, a program set based on generally accepted standards does not make sense in our area. The income of moderate-income households is sufficient to pay market rents without burden.

For the purposes of developing a workforce housing density bonus, we will define the upper income limit as median income. A median-income household earnings and housing costs at the upper limit can pay market rents (Table 2). But the median income category floor is 80% AMI.

Table 2. Income and rents affordable to median income households.

Household Size	1	2	3	4	5
Unit Size	OBR	1BR	2BR	3BR	4BR
Median Monthly	\$4,887	\$5,587	\$6,283	\$6,983	\$7,541
30% Median Monthly	\$1,466	\$1,676	\$1,885	\$2,095	\$2,262
Less Utility Allowance	\$1,346	\$1,556	\$1,765	\$1,975	\$2,142
Hourly Wage (2080hr/yr)	\$28.20	\$32.24	\$36.25	\$40.29	\$43.51

The City could consider adopting its own standard that is based on low-income rent limits set by the State. This program will need to be evaluated by the City’s legal team, but could be structured similar to the low-income program adjusting for income. Staff proposes using the formula 30% of 75% of AMI to establish rent limits adjusted for household size (Table 4).

Table 4. Comparison of various rent programs and market rent.

Household Size	1	2	3	4	5
	OBR	1BR	2BR	3BR	4BR
Low HOME Rent	\$722	\$773	\$928	\$1,072	\$1,196
High HOME Rent	\$812	\$907	\$1,183	\$1,360	\$1,498
Fair Market Rent Countywide	\$812	\$907	\$1,183	\$1,681	\$2,015
Market Rent Arcata*	\$975	\$1,195	\$1,350	\$2,000	\$2,424
Proposed Workforce Housing Limits	\$980	\$1,137	\$1,294	\$1,451	\$1,577

<https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/income-limits-2023.pdf>

* Data collected and analyzed by Community Development staff for current market conditions.

The Council had competing desires to increase the percentage of inclusionary units and simultaneously avoid interfering with the Gateway planning work due to the provisions of State Density Bonus Law. The following proposal avoids interacting with Density Bonus by adding a median-income category (Table 5). This proposal preserves the Commission’s original recommendation for low and very low-income households. However, the Commission may wish to revisit this based on further investigation into the effect of inclusionary zoning at various development densities (Table 6).

Table 5. Inclusionary Zoning Proposed Amendment.

Household Income	% Affordable	Requirement
Very-Low (50% AMI)	4%	Pick one
Low (80% AMI)	6%	Pick one
Median Income (AMI)	10%	Required

This proposal would require a developer that triggers inclusionary zoning to provide 10% of the units to households earning less than area median income, as well as either 4% to very-low income households or 6% to low-income households.

The overlap between the current PC recommendation and the State Density Bonus law effectively trigger Density Bonus for every project up to 95 units, at which point there is a one unit difference between the low income category requirements. In short, the PC recommendation has the same effect as the State Density Bonus law.

Table 6. Affordability comparisons between inclusionary zoning and density bonus.

Affordability Option	% affordable	unit count	
		30	50
Orig recommendation VL	0.03	1	2
Orig recommendation L	0.06	2	3
PC recommendation VL	0.04	2	2
PC recommendation L	0.09	3	5
Density Bonus VL	0.05	2	3
Density Bonus L	0.1	3	5

Additional Clean-up

The Commission may consider the following recommendation from Environmental Services based on discussions with the Creeks and Wetlands Committee. There was no formal action from the Committee on this recommendation, but Environmental Services staff recommended the changes, citing the detail is incorporated in the zoning ordinance, and the language is too detailed for policy.

Staff recommends the Commission incorporate the following changes into their recommendation.

RC-2b Environmental Buffer Area (EBA). A streamside protection area is hereby established along both sides of the streams identified on the City Watercourse Map. The purpose of the EBA is to remain in a natural state in order to protect stream ecosystems and their associated riparian habitat areas. ~~The EBA shall include:~~

~~1. In areas where existing development, as defined in the Zoning Code, is adjacent to the stream, the EBA shall be not less than 25 feet outward on both sides of the stream, measured from the top of bank.~~

~~2. In all other locations within the City, the EBA shall be not less than 100 feet outward on both sides of the stream, measured from the top of bank.~~

~~3. In locations within the City having significant areas of riparian vegetation exceeding 100 feet in width measured from the top of bank, the EBA shall be expanded to encompass all of the riparian vegetation, except in no case shall the EBA exceed 250 feet in width from the top of bank on either side of the stream.~~

RC-3a **Requirement for wetland delineation and study.** All proposed development applications shall include a site plan that shows the precise location of any wetlands that exist on the subject property. Any application for development on a parcel where wetlands may be present shall include a wetland reconnaissance or delineation report, as follows:

- ~~1. The wetland reconnaissance or delineation report shall be based upon field investigations and shall be prepared by a professional or technical expert qualified in wetlands science.~~
- ~~2. For the purposes of this plan, wetlands shall include Coastal Zone lands where one or more of the following three wetland indicators are present or non-Coastal Zone lands where two or more of the following three wetland indicators are present:
 - ~~a. source of water (surface or subsurface) which is present for sufficient periods to promote hydric soils formation or growth of hydrophytic plant species;~~
 - ~~b. hydric soils; or~~
 - ~~c. hydrophytic plants.~~~~
- ~~3. Where a wetland reconnaissance indicates the probable existence of wetlands, a detailed wetland delineation shall be required, including a map with the best available contour information showing where each of the three wetland indicators are present, why the boundary was established with data sheets to back it up, and the precise boundaries of any areas that are determined to be wetlands.~~
- ~~4. If wetlands of any size are found to exist on the property, an analysis of the potential functional or habitat services of the wetlands shall be required.~~

RC-3c **Designation of Environmental Buffer Areas for Wetlands.** An Environmental Buffer Area shall be established to separate all permitted development from adjacent existing wetlands that are to be preserved in a natural state, and from new wetland areas that are created as mitigation of wetland infill. The Environmental Buffer Area's purpose is to remain in a natural state in order to protect wetland ecosystems and their associated habitat areas from destruction or degradation. The extent of the Environmental Buffer Area shall be established based upon analyses and recommendations contained in a site-specific wetland delineation study. ~~but shall include the wetland area and a setback area that shall generally range from a 50-foot minimum to a 100-foot maximum width. Specific findings, based on evidence provided for City review, shall be required for setbacks less than 100 feet in width.~~

RC-3h **Designation of wetland protection zones.** The :WSP Zone shall be applied to wetlands, wetland setbacks, wetland buffer areas and modified wetland buffer

areas, as defined in the City's Zoning Code, at the time of development review and approval.

A wetlands map, maintained by the City, will show the general location of wetlands, riparian corridors, and uplands within the City limits and urban services zone. All proposed development within or adjacent to the areas identified on the map as wetlands or riparian corridors shall comply with City Wetlands Development Standards ~~and shall include the following in the development proposal:~~

- ~~1. A wetland delineation.~~
- ~~2. A mitigation plan for impacted areas.~~
- ~~3. Setback areas from delineated wetlands.~~
- ~~4. Easements for onsite delineated wetlands.~~
- ~~5. Permitted and protected uses and activities within delineated wetland areas.~~
- ~~6. Fencing to prevent livestock from degrading wetlands and riparian vegetation.~~

RC-3j **Minimum mitigation requirements for wetland impacts.** Diking or filling of a wetland that is otherwise in accordance with the policies of this General Plan, shall, at a minimum, require ~~the following mitigation measures, monitoring program, and funding.~~ mitigation measures, a monitoring program and acceptable funding.

- ~~1. A detailed restoration plan, monitoring program, and funding source for each site shall be required as part of the project application. The restoration plan shall include provisions for restoration to equal or greater wetland biological productivity and contingencies for mitigation as appropriate. The monitoring program shall include reporting requirements that document mitigation success and contingency plans as determined necessary by staff. Dedication of the land to a public agency, purchase, or other stewardship method that permanently restricts the use of the site to habitat and open space purposes, shall be required. The site shall be dedicated, purchased, or other stewardship agreed upon, and mitigation funding shall be provided, prior to any permitted diking or filling.~~
- ~~2. Areas adequate to maintain functional capacity shall be opened to tidal action, or other sources of surface water shall be provided. This provision shall apply to diked or filled areas that themselves are not environmentally sensitive habitat areas, but would become so if, as part of a restoration program, they are opened to tidal action or provided with other sources of surface water. All of the provisions for restoration, purchase (if necessary), and dedication described under part 1 shall apply to any program or activity performed pursuant to this policy.~~
- ~~3. Mitigation shall, to the maximum extent feasible, be of the same type as the wetland to be filled (e.g., freshwater marsh for freshwater marsh, and saltwater marsh for saltwater marsh).~~
- ~~4. Where no suitable private or public restoration or enhancement sites are available, or where a wetlands mitigation bank in Acreata's Planning Area has been established that provides suitable replacement area, an in-lieu fee may be required to be paid. The fees shall be paid to an appropriate public agency for use in the restoration or~~

~~enhancement of an area of equivalent productive value or surface area, or to the entity managing the wetlands mitigation bank.~~

ATTACHMENTS:

- A. Benefits Menu_v6 (PDF)
- B. Community Benefits (PDF)
- C. Redwood City Com Benefits (PDF)