City of Palo Alto (ID # 8600)

City Council Staff Report

Report Type: Action Items **Meeting Date: 12/4/2017**

Summary Title: State Housing Bills Summary and Relevance to Palo Alto

Title: Discussion and Direction to Staff Regarding the State Housing Bills Effective January 1, 2018

From: City Manager

Lead Department: Planning and Community Environment

Recommendation

This item will allow for a presentation, questions, and discussion about a package of 15 housing bills approved by the Legislature and signed by the Governor in September 2017. The resulting State laws will become effective January 1, 2018 and staff's intention is to summarize how the bills will affect Palo Alto.

While no specific action is recommended, the Council could choose to direct staff to return with additional information or take steps to prepare amendments to the City's zoning ordinance for the Council's consideration. Possible amendments include updates to provide additional objective development standards for multifamily housing consistent with SB 35 and updates to the Housing Accountability Act.

Executive Summary

The Legislature and the Governor approved 15 new laws (referred to as a "housing package") intended to stimulate housing production in response to the State's housing crisis. The new laws will become effective January 1, 2018 and some of these may affect development and decision-making in Palo Alto. This agenda item is intended to provide an overview of the housing bills, and allow for discussion of potential local implications. The bills can be grouped into the following categories:

<u>Housing Accountability Act</u> Changes (AB 678, SB 167, and AB 1515) make it more difficult for jurisdictions to deny or reduce the density of proposed housing projects, including mixed-use projects, and increase penalties for jurisdictions that fail to approve zoning compliant housing projects.

The "By Right" Housing Bill (SB 35) provides for streamlined processing for zoning compliant projects that meet certain criteria.

RHNA Reporting Requirements & Enforcement Bills (AB 879, SB 35, AB 72, AB 879, and AB 1397) require agencies to report more information to the State Department of Housing and Community Development (HCD) each year and give HCD the ability to enforce compliance with State housing laws during the housing cycle, and not just at Housing Element adoption. These bills will also make it more difficult to carry forward sites that have not developed into the City's next Housing Element.

ADU Clean-up Bills (AB 494 and SB 229) make minor adjustments to the ADU laws adopted last year and codified in the Palo Alto Municipal Code earlier this year.

Inclusionary Rental Housing provisions (AB 1505) allow local agencies to require affordable units as part of any rental development, not just for-sale condo development.

Districts for Streamlined Processing (SB 540 and AB 73) are potential alternatives to specific plans (called "coordinated area plans" in Palo Alto), although they each have disadvantages.

Funding Measures (SB 2 and SB 3) provide funding for the State and local agencies immediately (SB 2) and will put a large funding package on the ballot in November 2018 (SB 3).

Background

Background materials related to the new housing laws are attached to this report and will be discussed further at the Council meeting.

As further background, staff offers the following status report on housing production (building permits) compared to the City's RHNA obligation:

Table 1. 1998-2016 Housing Production
Compared to Regional Housing Needs Allocations (RHNA)

	RHNA allocation	Units Permitted	% of RHNA*
1998-2006 Housing Element Cycle	• 265 Very Low • 116 Low Income • 343 Moderate Income • 673 Above Moderate 1,397 Total	• 1,713 total units • 341 affordable units	• 123% of total units • 47% of affordable units

2007-2014 Housing Element Cycle	• 690 Very Low • 543 Low Income • 641 Moderate Income • 986 Above Moderate 2,860 Total	• 1,062 total units • 290 affordable units	• 37% of total units • 16% of affordable units
2014-2022 Housing Element Cycle (Thru 2016)	• 345 Extremely Low • 346 Very Low • 432 Low Income • 278 Moderate Income • 587 Above Moderate 1,988 Total	• 310 total units • 121 affordable units (Thru 2016)	• 16% of total units • 8% of affordable units (Thru 2016)
Total all cycles 1998-2022	• 6,246 total units • 4,000 affordable units	• 3,085 total units • 752 affordable units (Thru 2016)	• 49% of total units • 19% of affordable units (Thru 2016)

Source: Planning & Community Environment, November 2017

As the Council is aware, regional job growth generally factors into the regional housing needs allocation (RHNA) and staff expects a larger allocation for the 2023-2031 cycle because of the regional job growth that's occurred since the recession and the State's ongoing housing crisis.

Environmental Review

This agenda item will not result in any action other than possible direction to staff to provide additonal information or prepare ordinances for future consideration and action. As a result, this agenda item is not a project subject to review under the California Environmental Quality Act (CEQA).

Attachments:

Attachment A: Memo State Housing Bills November 20, 2017 (PDF)

MEMORANDUM

TO: CITY MANAGER JAMES KEENE

FROM: HILLARY GITELMAN, DIRECTOR, PLANNING AND COMMUNITY ENVIRONMENT
MOLLY STUMP, CITY ATTORNEY

SUBJECT: APPLICABILITY OF SB 35 ("BY RIGHT" HOUSING BILL) AND OTHER HOUSING BILLS TO THE CITY OF PALO ALTO

Last month, Governor Brown signed a package of 15 housing bills approved by the California Legislature intended to spur the production of housing in the State. This memo attempts to summarize the relevance of these bills to Palo Alto and focuses on those likely to have the greatest impact.

Please note that this is a general summary only and the bills discussed are complex. Further analysis will be provided prior to the Council's consideration of any zoning code amendments to address the state law changes, and as residential projects come forward in 2018. All of the recently enacted legislation will become effective on January 1, 2018.

A number of the bills will raise the stakes for local agencies when they are considering projects on sites in their housing inventory, when they are considering approval of housing projects, and when they are implementing their housing element through other actions (or inaction).

A. SB 35 ("BY RIGHT" HOUSING): STREAMLINED APPROVAL PROCESS FOR ELIGIBLE PROJECTS

SB 35 (Weiner) has been referred to as the "by right" housing bill because it would require local agencies to expeditiously and ministerially approve multifamily housing projects meeting certain eligibility criteria, if requested by the applicant. A local agency is subject to the provisions of this bill if the state Department of Housing and Community Development (HCD) determines that the jurisdiction has not issued enough building permits to satisfy its Regional Housing Need Allocation (RHNA) by income category or did not submit the required annual report to HCD for 2 years. The bill will be effective from January 1, 2018 until January 1, 2026.

HCD has not yet made the determination as to which agencies will be subject to the bill, but we anticipate that Palo Alto may be subject to the law. This is based on data through the year 2016 (i.e. through 25% of the housing cycle) showing that Palo Alto has issued permits for 16 % of its RHNA allocation for market rate units and 8% of its RHNA for affordable units.

The summary below focuses on which projects will be eligible for streamlining under SB 35, and then discusses the project review and approval process for those eligible projects. Parking requirements are also discussed, followed by some thoughts about how the bill will be relevant to Palo Alto.

1. Eligible Projects

There are a number of requirements that a project must meet to be eligible for SB 35 streamlining. To be eligible, a project must:

- consist of two or more units and be located on a legal parcel or parcels in an area with at least 75% of the perimeter developed with urban uses;
- be on a site that is zoned for residential use or residential mixed-use or has a general plan designation that allows residential use or a mix of residential and nonresidential uses;
- designate at least two-thirds of the project square footage for residential use;
- be consistent with the current zoning ordinance and all objective zoning standards and objective design review standards in effect at the time of application;
- not be located in a coastal zone, wetland, prime farmland, very high fire severity zone, hazardous waste site, delineated earthquake fault zone, flood plain or floodway (unless a flood plain development permit is obtained), within land identified for conservation in an adopted natural resource protection plan, habitat for protected species, under conservation easement, or be subject to mobile home park law;
- not propose demolition of a listed historic resource;
- not propose demolition of existing dwelling units that are subject to affordability restrictions or have been occupied by tenants within the past 10 years;
- not be on a site that was previously used for housing occupied by tenants that was demolished within the past 10 years;
- not involve a subdivision (except for projects using low income tax credits and paying prevailing wage or satisfying other labor requirements);
- provide a minimum percentage of below market rate units for projects with more than 10 units, with the percentage and the level of affordability based on the City's track record of unit production at different levels of affordability during the RHNA period;

- pay prevailing wages if the project consists of 10 units or more; and
- use a skilled and trained workforce (e.g. union labor) if the project consists of 75 units or more.

2. PROJECT REVIEW AND APPROVAL PROCESS

SB 35 establishes an expedited review and approval process for eligible projects. Within 60 days of submittal of an application, the local jurisdiction must confirm the project's eligibility under SB 35 and provide a list of all inconsistencies with objective zoning standards and objective design review standards in effect at the time the application is submitted (90 days is allowed for projects containing more than 150 units). "Objective standards" means standards that involve "no personal or subjective judgment by a public official and are uniformly verifiable by reference to an external and uniform benchmark …." If the agency fails to provide this list within the required timeframe, the project is deemed consistent with zoning and design review standards.

Local jurisdictions have a total of 90 days from submittal to process and make a determination on the application, including any hearings by boards/commissions or the City Council (180 days is allowed for projects containing more than 150 units). Reviews within the first 60 days of submittal can focus on applicability of the streamlined process under the law, objective zoning standards and "reasonable objective design standards published and adopted by ordinance or resolution" prior to receipt of the application. Reviews within the last 30 days, including any hearings, can only focus on the reasonable objective design standards. Reviews may be conducted by staff, boards/commissions and/or the City Council, as long as they are based on these standards, and are conducted within the 90 day timeframe.

3. LIMITS ON PARKING REQUIREMENTS

SB 35 would reduce or eliminate parking requirements for eligible housing projects. Projects that qualify for streamlined processing are not required to provide any off-street parking if they are within: ½ mile of public transit; one block of a car share vehicle location; an area where on-street parking permits are required but not offered to the development occupants; or an architecturally or historically significant historic district. Most of Palo Alto's multifamily and mixed use districts would meet this requirement. Eligible projects in other locations could only be required to provide one parking space per unit.

Relevance to Palo Alto

Eligible Sites and Projects: Virtually all of Palo Alto outside of the Baylands and the foothills would be considered urban areas and virtually all of Palo Alto's multifamily and commercial/mixed use zoning districts would allow multifamily projects. Only the AC, R-E, R-1, GM, OS, and PF districts do not allow

multifamily uses. For this reason, project eligibility under SB 35 is likely to be based on site conditions. For example:

- Has the site contained rental housing within the last 10 years?
- Does the site have soil or groundwater contamination?
- Is there an historic building?

Project eligibility will also be affected by specifics of a developer's proposal. For example:

- Does the proposal comply with current zoning and meet all objective zoning standards without the need for any variance or exception?
- Has the developer agreed to pay prevailing wages?
- Has the developer agreed to meet affordability requirements?

For projects with more than 10 units, to qualify for SB 35 streamlining the affordable housing requirement provides that 10% of the units must be restricted for households earning less than 80% of the area median income (AMI). The City currently requires ownership projects to provide 15% of the units as affordable without specifying how many units must be at less than 80% AMI, so ownership projects could qualify for streamlining by meeting the City's requirement at the affordability level required in the State law. 100% affordable projects would also qualify, as would projects proposing 50 percent of the units as affordable to households at less than 80% of AMI.

The City does not currently have an affordability requirement for rental projects (which are required to pay impact fees instead) so rental projects with more than 10 units would have to meet the State standard (10% of the units at 80% AMI) to be eligible for streamlining. If the City enacts inclusionary requirements on rental projects in accordance with **AB 1505** (see below), those projects could be required to meet the 15% standard currently applicable to ownership projects only.

Ministerial Review Process: The City may wish to amend the zoning code to implement the new law. SB 35 includes a provision that prohibits local agencies from adopting any requirements that apply to projects solely or partially on the basis of eligibility for streamlined review, however, this would not appear to preclude adoption of necessary procedures or from examining its ARB findings and guidelines to determine whether some can be re-framed as objective standards applicable to all projects.

While zoning compliance would be required for projects to be eligible for streamlined review, the City's current requirements for a use permit, for site and design approval, and for compliance with subjective

ARB findings regarding design and compatibility could not be enforced. Objective performance standards (requirements) in PAMC Chapter 18.23 would remain in effect, although guidelines in that chapter indicating issues that "should" be addressed may be unenforceable.

Examples: In some ways, **SB 35** is a game-changer for multifamily housing development in Palo Alto because of its potential to influence the size and location of multifamily housing applications that the City receives. Large projects requiring legislative actions (e.g. rezoning) or design exceptions will still have to go through the City's regular process. However, over 13% of the land in Palo Alto is zoned for multifamily, commercial, or mixed-use, and property owners in these areas could choose to shape their proposals to be eligible for streamlined review.

For example, the owner of a site along El Camino (in the CN or CS zoning district) could propose a project with ground floor retail and housing above. As long as the residential square footage makes up 75% of the project and other standards are met, the project would qualify for streamlined review. In this situation, existing zoning limits residential FAR to 0.5 and other objective development standards (height, setback, etc.) are in place, so that the project would be fairly modest in scale unless a property owner assembles a large site. The recent development on the Compadres site at 3877 El Camino Real is a recent example (http://www.cityofpaloalto.org/civicax/filebank/documents/61110). This was a 17-unit project on a 32,825 square foot site that could have been eligible for streamlined review if the applicant had not requested a design enhancement exception for an underground garage extending into a required setback. (Note that parking would not have been required if the project was eligible for streamlining, but the applicant may have wanted to provide parking for the units nonetheless.) Also, in this case and others, the applicant, who provided two affordable units, could have requested bonus units under the State density bonus law. Bonus units and design concessions enabled by the State density bonus law are considered code complying and would not make a project ineligible for streamlined review.

Qualifying developments in CD (downtown) would also be modest if located on small parcels, but could be more sizeable on larger development sites because of the residential FAR of 1.0 for mixed use projects. In the Stanford Research Park, in the RP zone district, the property owner/lease holder could propose development consistent with the RM-30 standards, as long as the site is not within 150-feet of a R-1 or similar zone. This kind of proposal could be quite large given parcel sizes in the area and the applicable 0.4 FAR.

Staff has not been able to estimate the total number of projects or units that could be created under the new law because its applicability is dependent on site-specific conditions like parcel size, existing uses, and the property owner's potential return on investment from redevelopment for multifamily housing.

B. UPDATES TO THE HOUSING ACCOUNTABILITY ACT

The Housing Accountability Act (Government Code § 65589.5) currently precludes a local agency from denying or reducing the density of a housing development project that meet objective development standards unless it finds: 1) the project would have specific, quantifiable, direct, and unavoidable impacts on public health or safety, based on objective safety standards, policies, or conditions in existence at the time the application was deemed complete; and 2) these impacts cannot be mitigated except by disapproval or reduction in density. (Gov. Code § 65589.5, subd. (j)). In addition, for projects that meet specified affordability thresholds, an agency may not impose conditions that render the project infeasible for the use or very low, low, or moderate income households, unless it makes similar findings. For affordable housing projects, these findings may be required even if the project does not comply with objective development standards. (Gov. Code § 65589.5, subd. (d)).

AB 678 (Bocanegra) and **SB 167 (Skinner)** are identical bills that significantly increase the burden of proof for local agencies to justify disapproval of housing projects or approval of housing projects at lower densities than allowed. **AB 1515 (Daly)** requires the courts to give less deference to a local government's planning and zoning consistency determination. In sum, the three bills make the following changes:

- The definition of "housing development projects" is expanded to include mixed use projects where at least two-thirds of the floor area is designated for residential use.

- An agency must now provide a written explanation of any inconsistencies with objective development standards and policies within 30 days (60 days for projects with more than 150 units). If the agency fails to respond within these timelines, the project is deemed consistent with all objective standards.

- A project must be deemed consistent with objective standards and policies if there is "substantial evidence that would allow a reasonable person to conclude" that the project is consistent. In other words, an agency must find consistency with objective standards as long as there is relevant evidence to support that finding, even if the weight of the evidence is to the contrary.

- The bills clarify that receipt of a density bonus is not a basis for finding a project inconsistent with objective standards.

- Whereas existing law requires that agencies support their findings with substantial evidence in the record, the bills increase that burden to require a preponderance of the evidence. This is a much less deferential standard for judicial review of a decision to deny or reduce the density of a project.

- The bills require an award of attorney's fees to a successful plaintiff and the imposition of harsh penalties (at least $10,000 per housing unit) for agencies who fail to comply with a court's order within 60 days.

Provisions of the Housing Accountability Act are already quite stringent, and recently resulted in successful litigation by a developer in Los Gatos. All three of these bills would strengthen existing provisions in the law and increase penalties for non-compliance, making it much more difficult for the City to disapprove or reduce the number of units in a housing project.

Relevance to Palo Alto

Eligible Sites and Projects: The Housing Accountability Act applies to all housing projects in the City, including mixed use projects that dedicate at least two-thirds of their square footage to residential uses and transitional or supportive housing projects. In addition, the HAA provides heightened protections for affordable housing projects that make at least 20% of their units affordable to low-income households (up to 80% of AMI) or 100% of their units affordable to middle-income households (up to 150% of AMI). These thresholds are greater than the minimums required by the City's BMR program, so housing projects will not automatically qualify for this heightened protection.

Short timelines for review: Under the recent amendments to the HAA, staff will have only 30 days to review projects against objective general plan and zoning code standards before the projects are deemed consistent. Although the City may not deny or reduce the density of a project once it is deemed consistent with objective standards, a project may still be subject to discretionary approvals such as architectural review. Note: if the City re-frames some of its architectural review findings as objective standards (as suggested in the discussion of SB 35), this may narrow the scope of discretionary architectural review. In addition, because HAA permits denial or reduction of density only in the event of specific adverse impacts on public health and safety, the City may wish to focus discretionary findings on those issues.

Examples: In Palo Alto, the HAA would come into play if the City wanted to deny a housing project that is on its face consistent with the City's objective zoning standards, or if the City wanted to attach conditions reducing the number of units in such a project.

Because so much of Palo Alto's multifamily housing development has historically required legislative changes (e.g. rezoning to Planned Community), the HAA has not regularly come into play. However, this will be an issue to keep an eye on as the City proceeds with zoning changes to stimulate additional housing production and proceeds with the North Ventura Coordinated Area Plan that sets forth specific standards for multifamily housing in the area.

C. **NEW HOUSING ELEMENT AND ANNUAL REPORTING REQUIREMENTS WITH HIGHER THRESHOLDS AND PENALTIES**

Several bills (SB 35, AB 72, AB 879 and AB 1397) affect housing element requirements and annual reporting of housing development.

AB 879 (Grayson) and SB 35 address the existing requirement that local agencies file a report with the state Department of Housing and Community Development (HCD) and Office of Planning and Research (OPR) each year, expanding the information required, and imposing penalties if reports are not submitted in a timely fashion. A public hearing on the report and submittal of the report to HCD and OPR must occur by April 1st of each year. (Charter cities such as Palo Alto had previously been exempt from the requirement for a public hearing on the annual report.)

AB 1397 (Low) will be important the next time the City updates its housing element. Like most fully developed jurisdictions, Palo Alto's inventory of housing sites relies heavily on sites that are underdeveloped, but not vacant. **AB 1397** will require a more detailed analysis before allowing sites with existing uses to be considered suitable for residential development.

AB 72 (Santiago) requires HCD to review any action or inaction by a locality that it determines is inconsistent with an adopted housing element, including failure to implement any programs in the housing element. If HCD identifies any inconsistency, it is required to issue written findings and provide 30 days for a response. After 30 days, HDC may revoke its certification of the agency's housing element and may notify the Office of the Attorney General that the agency is not in compliance with the law.

Under the current law, HCD makes a decision to certify (or not) an agency's housing element within 90 days of adoption and certification provides a rebuttable presumption that an agency's housing element complies with the law. By allowing HCD to de-certify housing elements during the eight year housing element cycle, this bill provides an avenue for developers and advocates to petition HCD and ultimately challenge the sufficiency of the agency's housing element in court.

Relevance to Palo Alto

The City of Palo Alto's adopted housing element contains 72 implementation programs and the City is making slow progress towards their implementation. In future housing element cycles, the City may wish to include fewer programs, make them clearer, and identify a realistic schedule for their implementation.

Based on the heightened scrutiny for housing elements, staff would recommend extreme caution when considering development on housing sites that would produce fewer units than projected in the housing element. Staff would also recommend deferring elimination of housing sites along San Antonio Road

until the next housing element cycle. Both the adopted housing element (Program 2.2.5) and the recently adopted Comprehensive Plan Update (Program L2.4.1) suggest eliminating these housing sites in exchange for higher densities and/or additional sites in Downtown and the California Avenue. At a minimum, staff believes it would be wise to consult with HCD on this proposal *after* the City adopts a zoning ordinance to permit higher densities, identifies potential new sites, and completes the quantitative analysis of housing at all income levels envisioned by **SB 166**. If this analysis cannot be accomplished before the next housing element update, it can be completed in that context. Work on the next housing element will have to begin in 2020 or 2021.

SB 166 (Skinner) amends the existing "no net loss" provision in state law that requires a local government to accommodate its remaining unmet housing need at all times throughout the housing element planning period. The bill requires specific "no net loss" findings, based on substantial evidence in the record if the jurisdiction approves fewer (or no) units or a different income category on a site in its Housing Element's inventory than anticipated. If the jurisdiction cannot make the finding that the remaining sites in the Housing Element inventory are adequate to meet the RHNA by income category, the jurisdiction would need to identify other sites that are already zoned to accommodate lower or moderate income housing or rezone sites accordingly. This law does not apply to charter cities like Palo Alto, although HCD will require all agencies to include related data in their annual reports, which will allow for a determination as to whether an agency's sites remain adequate. Because this data could be used by HCD in a mid-cycle review of a City's housing element under AB 72 (above), staff believes it would be wise to carefully consider the status of City's housing inventory throughout the housing cycle and include a sizeable surplus of sites in the City's next housing element.

Relevance to Palo Alto

Palo Alto included sites for 2,187 units in its Housing Element (which was adopted in November 2014 and certified by HCD in January 2015). This represented 199 more units than the City's RHNA requirement and has allowed the City to approve projects on housing sites that do not provide the number of units anticipated on that site without coming out of compliance with the State requirement.

For example, the City approved two hotels at 744-48 San Antonio Ave, two sites that were identified in the housing element with a combined realistic capacity of 38 units. The City still has enough total sites in its inventory to meet its RHNA because of the surplus included in the Housing Element.

Under the new law, the total number of units isn't the only thing to watch, because HCD will now be keeping track of the number of units in each income category. This means that that if sites that are zoned at 20 units per acre or more (which HCD allows us to count toward low income requirements) develop with market rate housing, the City could theoretically have a deficit in the lower income

categories. Again, this suggests that the City will need to identify substantially more sites for more units than required by its RHNA in the next housing element cycle.

D. OTHER 2017 BILLS

1. FUNDING FOR AFFORDABLE HOUSING

Two of the newly adopted bills are funding bills – **SB 2 (Atkins)** and **SB 3 (Beall)**. SB 2 establishes a fee on some real estate transactions and is expected to raise $200 to $300 Million annually. The funds will be collected by Counties and managed by HDC. In 2018, HCD will make 50% of the funding available to local agencies for planning and zoning updates, and starting in 2019, HCD will make 70% of the funding available to local agencies for affordable housing via competitive grant programs. The programs emphasize rapid rehousing of the homeless and housing for extremely low income households (less than 60% of AMI). SB3 will place an affordable housing bond measure on the State ballot in 2018. If approved, it would provide approximately $3B in funding for affordable housing. The City can request some of the SB 2 funds to support zoning for multifamily housing in 2018 if desired.

2. THE PALMER "FIX"

AB 1505 (Bloom) would allow local governments to require a percentage of units in rental housing projects to be deed restricted as affordable, which has not been allowed since a 2009 California Court of Appeal decision, *Palmer/Sixth Street Properties L.P. v. City of Los Angeles*.

With enactment of this bill, Palo Alto will be able to amend Chapter 16.65 of the Municipal Code to require 15% of the units in rental projects to be affordable, similar to the requirement for ownership projects. The City could either impose this requirement on all rental projects, or on projects above a given size threshold and continue to require payment of impact fees ($20/ft) for smaller rental projects. The new law requires agencies to make alternatives available to developers who do not wish to provide the units on site (e. g. payment of fees).

3. SB 540 AND AB 73 – INCENTIVES

SB 540 (Roth) and **AB 73 (Chiu)** would provide local agencies with financial incentives to expedite project approvals, rather than mandating a ministerial process.

SB 540 would allow agencies to apply for funding to prepare an EIR and specific plan (called a coordinated area plan in Palo Alto) to create a Workforce Housing Opportunity Zone that would enable fast track (60-day) approval of housing consistent with the plan for five years after plan adoption. **AB 73** would allow agencies to adopt "housing sustainability districts" subject to HCD approval. Approved sustainability districts would enable agencies to apply for a "zoning incentive payment" from HCD and provide for ministerial approvals of housing projects and could be in effect for up to 10 years.

Both **SB 540** and **AB 73** appear to be targeted at larger cities like San Francisco or San Jose. Staff can analyze the potential applicability of **SB 540** for the North Ventura Coordinated Area Plan if the City Council is interested, although the Workforce Housing Opportunity Zone provisions do not appear to provide any benefits that are not already available to specific plan (and coordinated area plan) areas .

4. ACCESSORY DWELLING UNITS

Two of the bills, AB 494 and SB 229, provide minor clarifications of the 2016 state legislation on accessory dwelling units. Specifically, they clarify that:

- An ADU may be proposed on a parcel zoned to allow a single-family residential use that includes an existing or ***proposed*** single-family home. This is consistent with the City's implementation of the ADU Ordinance, and conforming amendments will soon be presented to Council for consideration.
- Conversions of space within an existing single-family home or accessory structure (i.e., garage conversion) to an ADU shall be allowed in any zoning district where single-family residential is an allowed use (i.e., multi-family zoning districts permitting single-family dwellings). The state law previously required only that such conversions be allowed in single-family residence districts, and the City's ADU Ordinance therefore applied these provisions to the R-1 district, all R-1 subdistricts, and the RE district only. The forthcoming Ordinance amendment will also apply the conversion provisions to the R-2, RMD, RM, and OS and PC districts where single-family residential is an allowed use.
- Parking requirements for ADUs are further reduced. The City's Ordinance does not require parking for an ADU, so the new state law provisions do not require any changes to the Ordinance.