



THE CITY OF SAN DIEGO

Report to the City Council

DATE ISSUED: June 14, 2017 REPORT NO. 17-033
ATTENTION: Committee on Smart Growth and Land Use
SUBJECT: Proposed Amendments Modifying the City's Companion Unit Regulations

REQUESTED ACTION:

Planning Department staff requests that the Smart Growth and Land Use Committee recommend the City Council approve the proposed amendments to both the Land Development Code and the Local Coastal Program to modify the City's Companion Unit regulations.

STAFF RECOMMENDATION:

Recommend City Council approval of the proposed amendments modifying the Companion Unit regulations, including adding a Junior Unit category and regulations.

EXECUTIVE SUMMARY OF ITEM BACKGROUND:

The Mayor's Housing Initiative:

Over the past decade, new housing development has not kept pace with job or population growth, resulting in housing costs that have increased at a much faster rate than income levels. With a growing population and a county median home price well over \$500,000, more and more families are finding it increasingly difficult to find an affordable place to live in San Diego. Additionally, many economic analysts have reported that the single greatest threat to our region's economy is the high cost of local housing.

In response, the Mayor has developed a series of goals, strategies and initiatives that will be developed to help increase housing production in the City. This plan is called Housing-SD and includes multiple approaches that are intended to improve housing affordability, improve review processes, facilitate more affordable housing and support Climate Action Plan.

On February 15, 2017, the Smart Growth & Land Use Committee made a similar pledge to address housing affordability and adopted a Work Program that included several actionable items, many of which are included in the Mayor's Housing Initiative.

The proposed amendments to the companion unit regulations discussed in this staff report are the first to be discussed of the action items identified in the Mayor's Housing Initiative.

DISCUSSION:

A. How Companion Units Contribute towards Housing Affordability

Aside from the traditional market-rate construction, there are alternative housing models that contribute to addressing home supply and affordability such as accessory dwelling units, also referred to as companion units, granny flats and second units. The San Diego Municipal Code refers to Accessory Dwelling Units (ADUs) as Companion Units (CUs). These units can be integrated into existing single-family or multi-family properties designed in a variety of ways, including converting a portion of an existing house, adding to the existing house, converting an existing garage, or constructing a new detached structure.

To encourage development of ADUs, Governor Jerry Brown, Jr. signed into law three bills (SB 1069, AB 2299 and AB 2406). AB 2406 went in to effect on September 28, 2016, and SB1069 and AB2299 went into effect on January 1, 2017. These bills provide homeowners the opportunity to construct CUs on their residential property with reduced requirements to parking, zoning setbacks, fire sprinklers, public utilities and fees. AB 2406, referred to as "Junior Accessory Dwelling Units (JUs)," is an optional bill that local governments have the option of adopting as an ordinance.

Companion Unit/Junior Unit Benefits:

- *Low cost to build and affordable-by-design.* CUs and JUs require no public subsidy and cost anywhere from \$10,000 for a simple bedroom conversion to \$200,000 for a high-end companion unit.
- *Provide income to homeowners.* The housing crisis has increased displacement immensely, which has threatened our diverse communities by driving out young families, and seniors on a fixed income. CUs and JUs not only create a new stream of income, but could also ensure a safety net in the event of job loss or death of a spouse.
- *Environmentally friendly.* CUs and JUs have a low-carbon footprint, using less water, electricity and construction materials. Additionally, legislation that encourages CUs and JUs near transit hubs promotes healthy communities and eco-friendly walkable development.
- *Flexibility for changing households.* The makeup of today's households is rapidly changing. CUs and JUs are perfect for college students, seniors, and small families that would like to live on the same lot as family/friends, yet maintain their independence.

B. State Mandated Changes

As reflected above, amendments to the City's Companion Unit regulations are necessary to comply with new state law. A summary of those changes are reflected below.

- Attached CUs are not to exceed 50% of the primary residence's habitable area; maximum of 1,200 square feet.
- Detached CUs cannot exceed 1,200 square feet.

- No required setbacks for existing garages converted to CUs.
- CUs above a garage require a 5-foot setback from the side and rear yards.
- No additional parking is required provided the CU is:
 - Located within ½ mile of public transit.
 - Within an architecturally and historically significant historic district.
 - Part of an existing primary residence or an existing accessory structure.
 - In an area where on-street parking permits are required but not offered to the CU.
 - Located within one block of a car share area.
- Fire sprinklers are not required for CUs if not required for the primary residence.
- Existing structures (attached/detached) converted to CUs with the appropriate meter size are not subject to additional water/sewer fees.

C. Additional Proposed Incentives

In addition to introducing the code changes necessary to be in compliance with the state's mandate, the proposed amendments below incorporate additional incentives designed to further reduce local development regulations in order to help promote the construction of CUs.

- The premises does not have to be owner occupied if site contains a CU.
- CU height will not be limited to the current requirement of 15 -17 feet, but will instead require compliance with the height limits specified in the base zone.
- A one-story CU (existing or proposed) may encroach into setbacks for a maximum length of 30 feet.
- No additional parking is required provided the CU is:
 - 500 square feet or less.
 - Located within a Transit Priority Area.
 - One block from a bike shared station.
- Parking ratio has been reduced from 1.0 to 0.5 spaces per bedroom.
- Replacement parking may be in any configuration including lifts.
- A Junior Unit (JU) category has been added in accordance with AB 2406.
 - JU can be a maximum of 500 square feet of the existing primary residence's habitable area.
 - Either the primary residence or the JU must be owner occupied.
 - JU requires interior and exterior access.
 - JU can share bathroom with the primary residence.
 - JU requires efficiency kitchen.
 - No additional parking is required for JU.

CONCLUSION:

The proposed amendments to the Municipal Code and the Local Coastal Program, while required to comply with state regulations, also include additional incentives in order to encourage property owners to construct alternative housing on their property, generate rental income, and provide more housing options for San Diego residents. Although the proposed Municipal Code changes provide reduced requirements to parking and zoning setbacks, CUs and JUs, continue to be subject to all applicable development regulations for the premises including: lot coverage, floor area ratio, height, hardscape, building spacing, architectural projects, and the California Building and Fire Codes.

CITY STRATEGIC PLAN GOAL(S)/OBJECTIVE(S):

Goal #3: Create and sustain a resilient and economically prosperous City.

Objective #1: Create dynamic neighborhoods that incorporate mobility, connectivity, and sustainability.

FISCAL CONSIDERATIONS:

Costs associated with implementation of an ordinance would be covered by project applicants.

PLANNING COMMISSION RECOMMENDATION:

On May 25, 2017 the Planning Commission recommended to approve staff's recommendation (including strong support for parking exemptions within the Transit Priority area) with three conditions:

1. To the extent legally possible, minimize parking in the front yard, excessive hardscaping and wide curb cuts;
2. Require a minimum 30-day rental period; and,
3. Premises must be owner occupied for both Companion Units and Junior Units.

COMMUNITY PARTICIPATION AND OUTREACH EFFORTS:

Code Monitoring Team (CMT): On March 8, 2017, the Code Monitoring Team voted 7-2-1 to recommend approval of the proposed code changes with the following condition:

That both Companion Units and Junior Units require a minimum 30 day rental period. (Note: The members were roughly divided on the 30 day minimum rental period and that Companion Units be owner occupied.)

Technical Advisory Committee (TAC): On March 8, 2017, the Technical Advisory Committee voted 8-0-0 to approve the Code Monitoring Team recommendation.

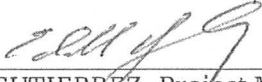
Community Planners Committee (CPC): On April 25, 2017, the Community Planners Committee voted to 18-4-1 to approve the proposed changes with the following modifications:

Clearly define Floor Area Ratio (FAR), clarify bedrooms allowed, replacement parking for garage conversion must be enclosed, remove Transit Priority Area (TPA) as a parking

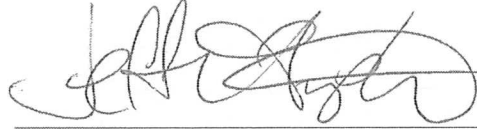
exemption, remove MF zones, premises must be owner occupied, rentals must be 30 days or more and clarify that Mini Dorm regulations apply.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Key stakeholders include neighborhood and community planning groups, residents, visitors, transients and residential property owners.



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- Attachments: 1. Planning Commission Report No. PC-17-043 (Attachments 1-5)
2. Planning Commission Erratum (Attachment 6)