



City of Oceanside
Development Services Department

Memorandum

Date: October 18, 2023

To: Honorable Mayor and City Councilmembers

Through: Jonathan Borrego, City Manager *JP*
Darlene Nicandro, Development Services Director *DN*

From: Manuel Baeza, Principal Planner *MB*

Subject: **CONTINUED CONSIDERATION OF TEXT AMENDMENTS TO THE ZONING ORDINANCE AND IMPLEMENTING DOCUMENT OF THE LOCAL COASTAL PROGRAM TO ESTABLISH A MAXIMUM DENSITY FOR MIXED-USE PROJECTS IN THE DOWNTOWN DISTRICT AND AN ENHANCED DENSITY BONUS SCHEDULE FOR VERY LOW-INCOME, LOW-INCOME, AND MODERATE-INCOME DWELLING UNITS**

On October 4, 2023, the City Council/Community Development Commission (“City Council/CDC”) considered Zone Text and Local Coastal Program Amendments modifying Article 12 D–Downtown District of the Zoning Ordinance to establish a maximum density of 100 dwelling units per acre for mixed-use development projects in the Downtown District and an enhanced Density Bonus Schedule for Very Low-Income, Low-Income, and Moderate-Income dwelling units. As recommended by staff, the proposed amendment would:

- a) Establish a Density Cap of 100 dwelling units per acre for mixed use projects in the Downtown District;
- b) Establish an enhanced Density Bonus Schedule for Very Low-Income, Low-Income, and Moderate-Income mixed-use projects that would provide up to a 100 percent (100%) Density Bonus, or 200 dwelling units per acre; and
- c) Maintain the maximum number of total units allowed for the Downtown at 5,500 dwelling units.

The public hearing was opened to receive public testimony, and is now closed. Councilmember/CDC member Joyce made a motion to set the Downtown density cap at 85 dwelling units per acre and leave the existing Density Bonus Schedule as-is; that motion died for

lack of a second. Councilmember/CDC member Weiss then made a motion, seconded by Councilmember/CDC member Robinson, to replace “100 dwelling units per acre” with “85 dwelling units per acre” and keep the enhanced Density Bonus Schedule as recommended by staff. The City Council/CDC voted 2-2 (Keim, Joyce – No), resulting in no action. Per Municipal Code Section 2.1.34, the item remains before the City Council. The City Clerk is required by the Municipal Code to place the item for further consideration at the next City Council meeting, which is October 18, 2023. Section 2.1.43(b) of the Municipal Code allows the mayor to participate in the decision despite being absent from the public hearing, provided she has examined the evidence and listened to a recording of the public testimony and can represent that she has a full understanding of the evidence.

At this point, staff’s recommendation remains the same. Attachment 1 includes the October 4 staff report with staff’s proposed Amendments. Attachment 2 includes text changes pursuant to the motion made by Councilmember/CDC member Weiss and seconded by Councilmember/CDC member Robinson at the October 4 meeting. However, the City Council/CDC still has the option of proposing alternative text changes for consideration at the October 18 meeting.

ATTACHMENTS:

1. October 4, 2023 Staff Report
2. Draft Text Amendments for 85 dwelling units/acre with enhanced Density Bonus schedule

STAFF REPORT**ITEM NO. 19**
CITY OF OCEANSIDE

DATE: October 4, 2023

TO: Honorable Mayor and City Councilmembers
Chairperson and Members of the Community Development Commission

FROM: Development Services Department

SUBJECT: **CONSIDERATION OF TEXT AMENDMENTS TO THE ZONING ORDINANCE (ZA22-00002) AND IMPLEMENTING DOCUMENT OF THE LOCAL COASTAL PROGRAM (LCPA22-00002) AMENDING ARTICLE 12 D-DOWNTOWN DISTRICT - OF THE ZONING ORDINANCE TO ESTABLISH A MAXIMUM DENSITY FOR MIXED-USE PROJECTS IN THE DOWNTOWN DISTRICT AND AN ENHANCED DENSITY BONUS SCHEDULE FOR VERY LOW-INCOME, LOW-INCOME, AND MODERATE-INCOME DWELLING UNITS – APPLICANT: CITY OF OCEANSIDE**

SYNOPSIS

Staff and the Downtown Advisory Committee recommend that the City Council (Community Development Commission) introduce an ordinance and adopt a resolution approving Zone Amendment (ZA22-00002) and Local Coastal Program Amendment (LCPA22-00002) approving amendments to Article 12 D–Downtown District of the Zoning Ordinance to establish a maximum density of 100 dwelling units per acre for mixed-use development projects in the Downtown District and an enhanced Density Bonus Schedule for Very Low-Income, Low-Income, and Moderate-Income dwelling units.

The proposed amendment would:

- a) Establish a Density Cap of 100 dwelling units per acre for mixed use projects in the Downtown District;
- b) Establish an enhanced Density Bonus Schedule for Very Low-Income, Low-Income, and Moderate-Income mixed-use projects; and
- c) Maintain the maximum number of total units allowed for the Downtown at 5,500 dwelling units.

BACKGROUND

In 2019, the City Council directed staff to explore the elimination of the City's previous 43 dwelling unit per acre density cap in the Downtown District. Staff examined various options for density limits and concluded the elimination of the density cap would be best suited for areas of downtown zoned for mixed-use development.

A Zone Amendment (ZA) and Local Coastal Program Amendment (LCPA) were approved by the City Council on August 21, 2019 amending Article 12 – Downtown District to remove the 43 dwelling units per acre density limit for mixed use developments in the Downtown District while continuing to maintain the maximum number of total units allowed under the Redevelopment Plan (capped at 5,500 dwellings units). The amendments were subsequently approved by the California Coastal Commission (CCC) on August 19, 2021 and readopted by the City Council on November 17, 2021 with recommended modifications from the CCC.

When the density cap was removed, it was assumed projects would be subject to applicable development standards, such as maximum building height standards, minimum setback requirements, minimum parking requirements, and minimum open space/landscaping requirements, which would effectively regulate density based on a project’s ability to meet these standards. However, subsequent changes at the state level to California’s Density Bonus Law have significantly limited the City’s ability to apply development standards on density bonus projects under certain circumstances, thereby resulting in projects that were much more dense than envisioned for Downtown.

In response to City Council concerns with unanticipated consequences associated with unlimited densities paired with State Density Bonus law for proposed Mixed Use projects in the downtown, the City Council subsequently directed staff to develop a new density cap for consideration. As a separate concern, the City Council has recently expressed a strong desire to increase the availability of affordable housing in the City.

To address both the need to establish a density cap and encourage the construction of more affordable housing, staff explored ways of obtaining the range of density seen in recent projects in the Downtown District (both developed or in process) and incentivize the development of more affordable housing. This effort resulted in a two-part zoning text amendment to Article 12 revising existing Section 1232 (D)(2), and adding new Section 1234. Both Sections are provided in Exhibit A of the proposed Ordinance update, included as Attachment 1.

PROJECT DESCRIPTION

The proposed zoning text amendment to Article 12 – Downtown District of the Zoning Ordinance would establish a density cap at a maximum 100 dwelling units per acre (du/acre) for mixed-use projects in the Downtown District and incentivize the development of more affordable housing (discussed in more detail below). The amendment would maintain the Downtown District’s overall unit cap of 5,500 units. To date, there are approximately 2,300 units in the Downtown District. Furthermore, a total of 323 affordable units are included as part of mixed-use projects that are either approved or currently going through the entitlement review process within the Downtown District.

In order to address both needs of establishing a cap and incentivizing more affordable housing, staff first researched mixed-use projects in the Downtown District to determine

the levels of density being proposed by developers. Controlling for outliers, the average density of downtown projects was approximately 175 du/ac which was used to develop a target range of 150 to 200 du/acre for future projects. State Density Bonus Law does not prohibit a city from granting a density bonus greater than what is provided in State law for projects meeting density bonus requirements. Staff identified an appropriate density with an enhanced density bonus schedule to incentivize the construction of more affordable units in the Downtown.

The proposed enhanced density bonus schedules, developed by staff, for income restricted units for the Very Low-Income, Low-Income, and Moderate-Income categories are the same as current law for lower percentages of reserved affordable units. However, the revised density bonus schedules provide a sizable increase in density bonus of 75% when a project provides 15% Very Low-Income, or 20% Low-Income units (currently reserving 15% Very Low-Income earns a 50% bonus and reserving 20% Low-Income earns a 35% bonus). For Moderate-Income Units, a 35% bonus is given at 30% affordable units (currently reserving 30% earns a 25% bonus). Given that most density bonus projects in the Downtown District are currently proposed with a 10% reservation requirement for Low-Income households (10% is the minimum reservation requirement to qualify for a density bonus for the Low-Income category), it's anticipated that future projects would include between 15% to 20% affordability in order to achieve the target density, thereby increasing the number of affordable units produced in the downtown area. Staff notes that once a project exceeds 20% affordability it becomes exceptionally difficult for a development to meet financial obligations and achieve an acceptable rate of return on investment. As such, it was essential that target densities be reached at affordability levels of under 20%.

The recommended density cap of 100 du/ac represents a notable increase over the originally proposed 75 du/ac and was selected as it is able to achieve the target range when used with the enhanced density bonus schedules. Larger densities of 125 and 150 du/acre were also studied. However, because they are already at or close to the target density of 150 to 200 du/acre there would be very little incentive to propose affordable housing beyond minimum levels required for eligibility.

Should the Amendments be approved, the Ordinance would take effect 30 days from the day of adoption for those areas of the Downtown District outside of the Coastal Zone. For those areas of the Downtown District within the boundaries of the Coastal Zone the amendments will require subsequent approval of the proposed LCPA by the CCC before becoming effective. This process can take as long as a year (sometimes longer) to work its way through the CCC's process for LCPAs. Projects currently going through the entitlement process that have filed a complete SB330 application have "locked in" applicable development standards and would not be subject to this Amendment. Most pending projects in the Downtown area have filed an SB330 application, so the proposed changes would most likely be applicable to projects that have yet to be filed.

ANALYSIS

Removal of the density cap was intended to facilitate further revitalization in the downtown area by eliminating a regulatory barrier that was perceived to hinder higher density mixed-use development in the downtown core. Given the unintended consequences of removing the density cap, staff now recommends establishing a maximum density of 100 du/acre for mixed-use projects in the Downtown District. The request includes the following considerations:

- A density cap would effectively regulate the maximum potential density of mixed-use projects, including density bonus projects, and would help ensure projects are compatible with the scale and character of surrounding land uses.
- The proposed maximum density of 100 du/acre represents more than a 100% increase from the previous maximum density of 43 du/acre and demonstrates the City is supportive of higher density mixed-use development where appropriate.
- The proposed enhanced density bonus schedules for Very Low-Income, Low-Income, and Moderate-Income categories allow for projects to attain the target density of 150 to 200 du/acre and incentivizes the development of affordable housing at higher levels than what could be obtained under the current standards.
- The proposed density is consistent with the City's Housing Element and with state housing law which identifies 30 units per acre as the default density suitable for low- and moderate-income housing. Establishing a maximum density would still allow mixed-use density bonus projects to achieve densities much higher than existing residential projects in the area.
- Future mixed-use development plans shall be subject to findings of consistency with the Land Use Element of the Redevelopment Plan and the total number of dwelling units in the Downtown District shall not exceed 5,500. To date, there are approximately 2,300 existing units in downtown. Since August of 2019, an additional 637 units have been entitled or are currently under construction.
- Pursuant to Section 1232 (KK) – Downtown District Development Regulations, the City shall develop and implement a D Downtown District Traffic Monitoring and Mitigation Plan to ensure that the higher-density allowance does not adversely impact traffic circulation or parking conditions in the downtown area.

FISCAL IMPACT

There is no fiscal impact.

COMMISSION OR COMMITTEE REPORT

On July 26, 2023, the Downtown Advisory Committee conducted a hearing on the proposed amendment to Article 12 D-Downtown District, and after due consideration, voted 7-0 to recommend approval of the amendment.

ENVIRONMENTAL DETERMINATION

Pursuant to the California Environmental Quality Act of 1970 and State Guidelines thereto, the City of Oceanside acting as Lead Agency has determined that the project is exempt from CEQA per Article 5, Section 15061(b)(3), under the common sense exemption that CEQA applies only to projects which have the potential for causing a significant effect on the environment.

CITY ATTORNEY'S ANALYSIS

The City Council is authorized to hold a public hearing in this matter. Consideration of the matter should be based on the testimony and evidence presented at the hearing. After conducting the public hearing, the Council shall affirm, modify or deny the project. The supporting documents have been reviewed and approved as to form by the City Attorney.

RECOMMENDATION

Staff and the Downtown Advisory Committee recommend that the City Council (Community Development Commission) introduce an ordinance and adopt a resolution approving Zone Amendment (ZA22-00002) and Local Coastal Program Amendment (LCPA22-00002) approving amendments to Article 12 D–Downtown District of the Zoning Ordinance to establish a maximum density of 100 dwelling units per acre for mixed-use development projects in the Downtown District and an enhanced Density Bonus Schedule for Very Low-Income, Low-Income, and Moderate-Income dwelling units.

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- c) Maintain the maximum number of total units allowed for the Downtown at 5,500 dwelling units.

PREPARED BY:



Manuel Baeza
Principal Planner

SUBMITTED BY:



Jonathan Borrego
City Manager

REVIEWED BY:

Darlene Nicandro, Development Services Director
Sergio Madera, City Planner



ATTACHMENTS:

- 1. City Council Ordinance (w/Exhibit A)
- 2. City Council Resolution (LCPA22-00002)
- 3. Downtown Advisory Committee Memorandum dated July 26, 2023
- 4. Notice of Exemption