Date of Hearing: June 13, 2018

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
David Chiu, Chair
SB 1227 (Skinner) – As Amended June 4, 2018

SENATE VOTE: 37-1

SUBJECT: Density bonuses

SUMMARY: Creates a density bonus for developers that seek and agree to construct a development project that will restrict 20% of the units to lower income college students. Specifically, **this bill**:

1) Requires cities and counties to grant a 35% density bonus when an applicant for a housing development of five or more units seeks and agrees to construct a project that will contain at least 20% of the total units for lower income students in a student housing development that meets the following requirements:

    a) All units in the student housing development will be used exclusively for undergraduate, graduate, or professional students enrolled full time at an institution of higher education accredited by the Western Association of Schools and Colleges or the Accrediting Commission for Community and Junior Colleges.

    b) The applicable 20% units will be used for lower income students, defined as students that have a household income and asset level that does not exceed the level for Cal Grant A or B award recipients. The eligibility of a student under this clause shall be verified by one of the following methods:

        i) An affidavit, award letter, or letter of eligibility provided by the institution of higher education that the student is enrolled in, or by the California Student Aid Commission that the student receives or is eligible for financial aid from the university, the California Student Aid Commission, or the federal government.

        ii) Any other proof of family income.

    c) For purposes of calculating density, the term “unit” means one rental bed and its pro rata share of associated common area facilities. The units shall be subject to a recorded affordability restriction of 55 years.

    d) Rents for lower income students must be calculated at 30% of 65% of the area median income for a single-room occupancy unit type.

2) Requires the development to provide priority for the applicable affordable units for lower income students experiencing homelessness.

EXISTING LAW:

1) Requires all cities and counties to adopt an ordinance that specifies how they will implement state density bonus law.

2) Requires cities and counties to grant a density bonus when an applicant for a housing development of five or more units seeks and agrees to construct a project that will contain at least any one of the following:

   a) 10% of the total units of a housing development for lower income households;

   b) 5% of the total units of a housing development for very low-income households;

   c) A senior citizen housing development or mobile home park;

   d) 10% of the units in a common interest development (CID) for moderate-income households; and

   e) 10% of the total units for transitional foster youth, disabled veterans, or homeless persons.

3) Requires the city or county to allow an increase in density of 20% over the otherwise maximum allowable residential density under the applicable zoning ordinance and land use element of the general plan for low-income, very low-income, or senior housing, and by 5% for moderate-income housing in a CID.

4) Provides that, upon the developer's request, the local government may not require parking standards greater than the following (the developer may, however, request additional parking incentives or concessions):

   a) Zero to one bedrooms: one onsite parking space;

   b) Two to three bedrooms: two onsite parking spaces; and

   c) Four or more bedrooms: two and one-half parking spaces.

5) Provides that if a rental development is 100% affordable to lower income families then, upon the request of a developer, a city, county, or city and county, the following parking ratios shall apply for the development:

   a) If the development is located within one-half mile of a "major transit stop" and there is unobstructed access to the major transit stop from the development, the ratio shall not exceed 0.5 spaces per unit.

   b) If the development is a for-rent housing development for individuals who are 62 years of age or older, the ratio shall not exceed 0.5 spaces per unit.

   c) If the development is a special needs housing development, the ratio shall not exceed 0.3 spaces per unit.

6) Requires applicants to receive the following number of incentives or concessions:

   a) One incentive or concession for projects that include at least 10% of the total units for lower income households.

   b) Two incentives or concessions for projects that include at least 20% of the total units for lower income households.

   c) Three incentives or concessions for projects that include at least 30% of the total units for lower income households.

7) Permits an applicant to submit to a local government a proposal for the specific incentives or concessions that the applicant requests, as specified, and allows the applicant to request a meeting with the local government.

8) Defines "concession or incentive" as:

   a) A reduction in site development standards or a modification of zoning code requirements or architectural design requirements that exceed the minimum building standards including, but not limited to, a reduction in setback and square footage requirements and in the ratio of vehicular parking spaces that would otherwise be required that results in identifiable and actual cost reductions, to provide for affordable housing costs;

   b) Approval of mixed-use zoning in conjunction with the housing project, as specified; and

   c) Other regulatory incentives or concessions proposed by the developer or the local government that results in identifiable and actual cost reductions to provide for affordable housing.

FISCAL EFFECT: None.

COMMENTS:

Density bonus law: Density bonus law was originally enacted in 1979, but has been changed numerous times since. The Legislature enacted the density bonus law to help address the affordable housing shortage and to encourage development of more low- and moderate income housing units. Nearly forty years later, the Legislature faces the same challenges. Density bonus is a tool to encourage the production of affordable housing by market rate developers, although it is used by developers building 100% affordable developments as well. In return for inclusion of affordable units in a development, developers are given an increase in density over a city's zoned density and concessions and incentives. The increase in density and concessions and incentives are intended to financially support the inclusion of the affordable units.

All local governments are required to adopt an ordinance that provides concessions and incentives to developers that seek a density bonus on top of the cities' zoned density in exchange for including extremely low, very low, low, and moderate income housing. Failure to adopt an ordinance does not relieve a local government from complying with state density bonus law. Local governments must grant a density bonus when an applicant for a housing development of five or more units seeks and agrees to construct a project that will contain at least any one of the following:

- Ten percent of the total units for lower income households;
- Five percent of the total units of a housing for very low income households;
- A senior citizen housing development or mobilehome park;
- Ten percent of the units in a common-interest development for moderate-income households; or
- Ten percent of the total units of a housing development for transitional foster youth, disabled veterans, or homeless persons.

As part of the density bonus application, a developer may also request incentives, concessions and parking ratio reductions. The number of incentives and concessions, and the parking ratio reduction, vary depending on the percentage and type of affordable housing included in a project.

Income qualifications: This bill would allow a developer to seek and receive a 35% increase in density if they agree to restrict 20% of the units in the development to low-income students. To qualify to live in lower income units students would be required to provide proof that their household income qualifies them for a Cal Grant. A student can provide either written proof of eligibility for financial aid or any other proof of family income. The Cal Grant program identifies income ceilings in statute based upon a student's household income, both for new and renewing participants. To qualify, you must apply for the Free Application for Federal Student Aid or California Dream Act Application and meet the eligibility and financial requirements as well as any minimum GPA requirements. Cal Grants can be used at any University of California, California State University or California Community College, as well as qualifying independent and career colleges or technical schools in California. Many students who receive Cal Grants in the state are struggling with housing insecurity. To ensure those students are able to access the units created by this bill, the committee may wish to consider limiting proof of income to eligibility for financial aid and eliminate the option of providing an alternative proof of income.

Master lease: In order to qualify for the 35% density bonus under this bill as well as concessions and incentives, and reductions in parking, 100% of the units in a development must be restricted to students enrolled in an accredited university or community college. The development would be owned and operated by a private developer that would likely enter into a contract with the local university to provide students to rent the units. The committee may wish to consider requiring the developer to provide proof of an operating agreement or master lease with one or more institutions of higher education at the time the developer receives a certificate of occupancy. This will provide greater certainty that the units will be rented to students and support the goal of the bill.

Homeless College Students. According to studies by the Association of Community College Trustees, California State University, and University of California, it is estimated that 762,585 California college students experience housing insecurity or homelessness, including 693,000 (1-in-3) students in California's community college system; 53,000 (1-in-10) students in the California State University (CSU) system, and 12,585 (1-in-20) students in the University of

California (UC) system. Housing (and food) insecurity has a direct impact on academic success. Housing insecure and homeless students are much more likely to report lower GPAs, more academic concerns, higher levels of stress, and more mental and physical health issues than their housing and food secure counterparts.

According to research by The Institute for College Access and Success (TICAS), 30% of community college students in California are solely responsible for their housing costs. About one-third of community college students experiencing housing or food insecurity are both working and receiving financial aid, but are not matched by additional support. Homeless community college students are more likely to work low-wage, low-quality jobs, and get less sleep. A survey from Peralta Community College District (PCCD) in spring 2017 found that almost half of PCCD students were severely rent burdened—paying 50% of more of their monthly income toward rent. In addition, Los Angeles Community College District found that one in five of its students experienced homelessness while enrolled, and 55% were housing insecure.

CSU has been using survey data from the 2006-07 Student Expenses and Resources Survey, adjusted annually for inflation, to estimate living costs for its standard student expense budgets and financial aid packages for off-campus students. However, the survey does not account for regional variations in cost, and median rents have been rising faster than the rate of inflation in many California metropolitan areas, including areas with large CSU campuses, such as Sacramento, Fresno, San Jose, and Long Beach. Median rent in Sacramento specifically grew 7.4% over a one-year period from 2016 to 2017, compared to an annual inflation rate of 1.3% over the same period. As a result, many aid-eligible students have been unable to cover rapidly increasing housing costs.

Purpose of the bill: According to the author, "SB 1227 increases the production of affordable student housing for our college students exclusively enrolled in a Western Association of Schools and Colleges accredited college or university. Existing law does not distinguish between student and non-student housing. These projects are subject to local control, require unnecessary costs that are normally meant for non-student housing, unaffordable to a typical struggling college student and therefore, contributes to California’s already existing housing crisis."

*Committee amendment***:**

1) Delete the option to provide "any other proof of family income" to qualify for the lower-income units.

   - On page 4, delete line 33 " (ib) Any other proof of family income."

2) Require a developer to provide proof of an operating agreement or master lease with one or more institutions of higher learning at the time the developer receives a certificate of occupancy.

Double-referred: This bill was also referred to the Committee on Local Government where it will be heard should it pass out of this committee.

REGISTERED SUPPORT / OPPOSITION:

Support

Bay Area Council (sponsor)
California Building Industry Association
California Community Builders
California YIMBY
Community College League of California
Dr. Constance M. Carroll, Chancellor of San Diego Community College District
Foothill – De Anza, Kern and Peralta Community College Districts
Half Moon Bay Brewing Co.
Heller Manus Architects
Inn at Mavericks
Kriss Worthington, Councilmember, City of Berkeley, District 7
Los Angeles Area Chamber of Commerce
Los Angeles County Economic Development Corporation
North Bay Leadership Council
Mavericks Event Center
Pacific Standard
Postmates
McKinsey and Company
San Francisco Chamber of Commerce
San Francisco Housing Action Coalition
San Mateo County Economic Development Association
SV Angel
TMG Partners
The Two Hundred

Opposition

City of Camarillo

Analysis Prepared by: Lisa Engel / H. & C.D. / (916) 319-2085