



City Council AGENDA REPORT

DATE: 01/04/2023

AGENDA OF: 01/10/2023

DEPARTMENT: City Council

SUBJECT: Downtown Expansion Area Plan Amendment Revision - Report from Mayor Keeley and Councilmember Newsome (CN)

RECOMMENDATION: Motion to:

- 1) Revise the building height provisions in the draft Downtown Expansion Area Plan Amendment to provide for a maximum of 1,600 dwelling units, with a 20% affordability requirement on the total number of units and with no single building be more than 12 stories, inclusive of any density bonus incentive.
 - 2) Continue to study the 1,800 units that have been evaluated in the Environmental Impact Report (EIR) technical analyses since June of 2022, and direct Planning Department staff to study an alternative in the EIR that includes the parameters noted above in Item #1.
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BACKGROUND: On June 14, 2022, a majority of the City Council approved a motion directing staff to “initiate work on an Environmental Impact Report (EIR) relating to the area identified for expansion of the boundary of the Downtown Plan.” This decision was the culmination of a planning process that began in 2020 with the objective of accommodating additional residential and commercial capacity in the area and identifying a location for a permanent facility for the Santa Cruz Warriors.

At the June 14th meeting, the Council considered several development scenarios. The staff recommendation for a preferred scenario included, among other development recommendations, a minimum of 1,800 units, a maximum height of 225 feet for one taller building element, 185 feet for three taller elements, and 145 feet for one taller element.

After receiving community input and council discussion, the approved motion incorporated the development recommendations but reduced the minimum number of dwelling units to 1,600 and reduced the building height of the one tall building to 175 feet and 150 feet for the other tall buildings.

Subsequent to the Council action, staff released the Notice of Preparation for the Downtown Expansion Area Amendment EIR on September 16th and a public scoping meeting was held soon after.

DISCUSSION: Since the most recent City Council action, it has been reinforced that the maximum building height is unacceptable to a large number of residents.

Additionally, the community is interested in maximizing the amount of affordable housing that can be produced. Maximizing the number of affordable units must be balanced with making sure that those units can be produced in a financially-viable manner. Given the rental or sales price premium that these units will have by virtue of their prime location in downtown and close to the beach and given the proposed increase in residential capacity for the area that will also generate additional value, the City's current 20% affordability requirement should be increased to result in 20% of the total number of units to be affordable, including density bonus units allowed under law, since state law precludes application of the City's current 20% affordability requirement to density bonus units.

In order to address these legitimate concerns, it is recommended as follows:

1. The maximum height limit in the Downtown Expansion Plan Area be 12 stories inclusive of any density bonus incentives;
2. That 20% of the total of 1,600 housing units be affordable, inclusive of density bonuses; and,
3. The staff is directed to amend the Downtown Area Expansion Plan draft that will be presented to the Council to incorporate items 1 and 2 above.

The context in which California cities operate with respect to new housing development has changed significantly in recent years, and density bonus laws provide developers with significant flexibility in how they accommodate additional units that are allowed by said laws. Recognizing this, should Council adopt the policy recommendation cited above to limit new development in the Downtown Plan Expansion area to a maximum of 12 stories, direction to staff would be to contemplate how density bonus would likely be applied by developers and, to the maximum extent feasible, establish policies that would limit developments to 12 stories, inclusive of density bonus.

Another potential approach to ensuring that buildings reach a maximum of 12 stories is to enter into a development agreement with property owners. This would require that the two parties, the City and the affected property owners, agree upon specific development terms, one of which would be that the maximum number of stories in the respective developments be limited to a maximum of 12 stories, inclusive of density bonus. Should Council adopt the policy recommendation cited above to limit new development in the Downtown Plan Expansion area to a maximum of 12 stories, direction to staff would also be to explore the potential for development agreements with property owners in the plan area.

The recommended policy change to establish a maximum number of dwelling units at 1,600 would have implications for how the City meets its required Regional Housing Needs Assessment, under which the City must plan to accommodate 3,736 units in the next eight years. Reduction of units in this plan area will likely mean that those units will need to be planned for through residential capacity increases elsewhere in the community.

FISCAL IMPACT: Compared to the current direction from the Council, reducing the number of units will reduce the potential property tax revenue from build-out, and sales tax revenue would be reduced with fewer resulting residents. However, residents also cost the City money

through provision of police, fire, library, road maintenance, and various other services. Thus, the net fiscal impact is uncertain.

Prepared & Submitted By:

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ATTACHMENTS:

None.