

Meeting Date: 2/12/2025 Item Number: 4a Time Estimate: 60 minutes

# PLANNING COMMISSION AGENDA REPORT

**SUBJECT:** (CODE-0031-2025) REVIEW OF PROPOSED AMENDMENTS TO TITLE 16 (SUBDIVISION REGULATIONS) AND TITLE 17 (ZONING REGULATIONS) OF THE CITY'S MUNICIPAL CODE.

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# RECOMMENDATION

Adopt the Draft Resolution, which recommends that the City Council introduce and adopt an Ordinance amending Title 16 (Subdivision Regulations) and Title 17 (Zoning Regulations) of the City's Municipal Code regarding accessory dwelling units, junior accessory dwelling units, urban lot splits, and clarifications to regulations for affordable housing projects.

# **1.0 COMMISSION'S PURVIEW**

The recommended amendments are being brought before the Planning Commission to provide Commissioners with an opportunity to evaluate the proposed code amendments and make a recommendation to the City Council. Draft Title 16 and Title 17 amendments are included in Attachments 1 and 2. Formatting of the amendments include strikethrough on text proposed to be deleted, and new text is <u>underlined</u>, so that changes are clear to the public and the Commissioners.

### 2.0 SUMMARY

In 2024 and at the beginning of 2025, numerous bills implementing changes to state law surrounding accessory dwelling units (ADUs), junior accessory dwelling units (JADUs), and urban lot splits have gone into effect, with the intention of streamlining and incentivizing housing production statewide. The core of this update to the City's Municipal Code is to incorporate the provisions of this new legislation as required by state law.

In September 2024, along with numerous other cities in the state, the Community Development Department (CDD) received a letter from the California Department of Housing and Community Development (HCD) that outlined various inconsistencies between the City's ADU ordinance and state law, specifically new laws regarding ADUs. HCD is requiring that the City either revise and amend the Zoning Regulations to correct these inconsistencies or provide how the Zoning Regulations are already consistent with state law. CDD provided a response to HCD outlining what amendments will be made for consistency and what items are already consistent (Attachment D).

In 2024, the City received a Prohousing designation from HCD, which recognizes cities that implement local policies to remove barriers to new housing. This designation allows for the City to receive priority processing and additional points when applying for state funding programs. Staff continues to reevaluate the Zoning Regulations and our development review processes to identify any possible barriers to be addressed in an update like this one.

In conjunction with efforts to bring the City's Municipal Code into compliance with state law, staff has continued to evaluate the efficacy of existing policies and procedures instituted through said code. Based on HCD correspondence and community feedback, this update contains several miscellaneous amendments to the Zoning Regulations that streamline the review process for certain ADU and JADU conversions and clarifies use regulations for affordable housing projects. This update also contains an amendment to the Subdivision Regulations to strengthen and clarify language for car share vehicles and services.

# 3.0 NEW STATE LEGISLATION

Provided below is a brief overview of state legislation that went into effect in 2024 or at the beginning of 2025 that this update specifically addresses and integrates into the City's Municipal Code. The provisions introduced or altered by this legislation require amendments to Chapters 16.15 and 17.86 of the City's Municipal Code. These specific amendments can be viewed in Attachments B and C, respectively.

#### Senate Bill No. 477

Senate Bill No. 477 reorganized various state code provisions relating to the creation and regulation of ADUs and JADUs, consolidating them into Chapter 13 of Division 1 of Title 7 of California's Government Code (sections 66310 through 66342). This update would correct references to the Government Code in the City's Municipal Code by either referencing state law generally or the specific Government Code Section number when necessary.

#### Senate Bill No. 1211

Senate Bill No. 1211 introduced several changes to Government Codes 66313, 66314, and 66323, which deal with state ADU law. This bill prohibits local agencies from requiring the replacement of off-street parking spaces if an uncovered parking space is demolished in conjunction with the construction of, or conversion to, an ADU. It also prohibits local agencies from imposing any objective development or design standard not authorized by the provisions listed in state ADU law and provides a definition for the phrase "livable space" as being "a space in a dwelling intended for human habitation, including living, sleeping, eating, cooking, or sanitation." Lastly, this bill allows up to eight detached ADUs to be developed on a lot with an existing multi-family dwelling, provided that the number of ADUs does not exceed the number of existing units on the lot.

### Senate Bill No. 450

Senate Bill No. 450 introduced several changes to Government Codes 65852.21 and 66411.7, which deal with urban lot splits and resultant residential development. This bill removes a local agency's ability to deny a proposed housing development associated with an urban lot split on the basis that it would have a specific, adverse impact on the physical environment. This bill also specifies that a local agency must consider and approve or deny a proposed housing development project associated with an urban lot split within 60 days of receiving a complete application. If the local agency denies the application, they are required to provide a list of items that are defective or deficient and a description of how they can be resolved by the applicant.

### Senate Bill No. 684

Senate Bill No. 684, now existing under Government Codes 65852.28, 65913.4.5, and 66499.41, allows the subdivision of a multi-family zoned lot less than 5-acres in size into 10 or fewer lots at a minimum lot size of 600 square feet for the subsequent development of 10 or fewer residential units. The number of lots and the number of residential units are not mutually exclusive. For example, a property may be subdivided into four lots while still being allowed to develop up to 10 residential units. The provisions introduced under this bill are discussed in more detail below. Subdivisions under Government Code 66499.41 are referred to in this update as "major urban lot splits."

#### Senate Bill No. 1123

Effective July 1, 2025, Senate Bill No. 1123 will implement several changes to the provisions introduced under Senate Bill No. 684. This bill expands the types of lots eligible for major urban lot splits and adds new requirements and allowances for these developments

### 4.0 ACCESSORY DWELLING UNITS

### Letter from California's Department of Housing and Community Development

In 2024, the City's Community Development Department (CDD) received a letter from California's Department of Housing and Community Development (HCD)<sup>1</sup> outlining inconsistencies between the City's Municipal Code and California's Government Code regarding accessory dwelling units (ADU). CDD provided a response to the 13 items identified by HCD that described how we plan to amend the Municipal Code or how the code is already in compliance with state law. Both HCD's letter and CDD's response can be reviewed in Attachment D. Below is a brief overview of the items identified by HCD that will require amendments to Chapter 17.86 of the City's Municipal Code. These specific amendments can be viewed in Attachment C.

<sup>&</sup>lt;sup>1</sup>HCD has statutory authority to review local agencies' ADU ordinances and to enforce State ADU Laws (see Govt. Code §65585.)

- **Statutory Numbering**: Senate Bill 477 restructured and relocated state ADU code to Chapter 13, of Division 1, of Title 7, of the Government Code. This means that existing references to state code pertaining to ADUs are now outdated. This update contains numerous changes to statutory references throughout the City's Municipal Code.
- Zones: The City's existing Zoning Regulations permit ADUs in the following zones: AG, C/OS, R-1, R-2, R-3, R-4, and O. HCD claimed that this list is not inclusive of all zones that would allow ADUs as described under Government Code 66314, which states that ADUs are to be allowed in a lot zoned for single-family or multi-family dwellings and has a proposed or existing dwelling. This update would amend the Zoning Regulations to include the C-N, C-C, C-R, C-D, C-T, C-S, and M zones in this existing list of zones where ADUs are permitted. (Attachment C 17.86.020(B)(3))
- Mixed Use: The City's existing Zoning Regulations state that structures containing both commercial and residential uses are not considered residential structures, prohibiting the development of ADUs on such properties. Government Code 66323 states that ADUs described under that section are to be permitted in residential or mixed-use zones with proposed or existing single-family or multi-family dwellings. Additionally, Government Code 66314 permits ADUs on any lot zoned to allow residential use with a proposed or existing dwelling. This update would remove this description of mixed-use structures from the Zoning Regulations. (Attachment C 17.86.020(B)(3))
- Max Sizes: The City's existing Zoning Regulations specify gross floor area limits as allowed by the Government Code. However, these regulations do not account for ADUs that qualify under Government Code 66323, which prohibits local agencies from imposing specific gross floor area limitations on certain ADU configurations described under said section. This update would add language referencing section 66323 to the Zoning Regulations pertaining to gross floor area limits. (Attachment C – 17.86.020(B)(3))
- ADU Allowance: The City's existing Zoning Regulations state that only one ADU is permitted per lot. They also state that the provisions of Government Code 65852.2(e) (now 66323) cannot be combined with other ADU provisions outlined in the City's Municipal Code. This conflicts with Government Code 66323 that states "a local agency must ministerially approve an application for a building permit... to create any of the following: (1) One accessory dwelling unit and one junior..." The use of the word "any," followed by an enumeration of by-right ADU types permitted, implies that any of the said types can be combined. This permits a property zoned for a single-family residence, that meets specified requirements, to create one converted ADU, one detached, new construction ADU, and one JADU via Government Code 66323. This update would remove language from the Zoning Regulations that limit the number of ADUs permitted on a residential property. (Attachment C 17.86.020(B)(3))
- **Sprinklers**: The City's existing Zoning Regulations state that fire sprinklers are not required in an ADU if fire sprinklers are not required in the existing primary residence. Government Code 66314 supports this, but also stipulates that the construction of an ADU will not trigger a requirement for fire sprinklers to be installed in the existing primary residence. This update would add this additional fire sprinkler language to the Zoning Regulations (Attachment C 17.86.020(B)(3)).

- Denial Requirements: Government Code 66317 outlines the required timeline for a local agency to review and provide a decision on an ADU application, as well as guidelines for a local agency to follow in the event of application denial. These guidelines require a local agency to provide a full set of comments to the applicant with a list of items that are defective or deficient and a description of how those items can be resolved. The City's existing Zoning Regulations include language for the required timeline but does not address application denials. This update would add this language. (Attachment C 17.86.020(B)(4))
- JADUs on Multiple Single-Family Lots: The City's existing Zoning Regulations state that a junior accessory dwelling unit (JADU) may be located on a lot that contains one existing or proposed single-family structure. Government Code 66333 states "one [JADU] per residential lot zoned for single-family residences with a single-family residence built, or proposed to be built, on the lot." The use of "a" implies that one JADU may be allowed on a lot that contains more than one single-family structure, which the Zoning Regulations restricts. This update would change the Zoning Regulations to address this discrepancy. (Attachment C – 17.86.020(C)(2))
- JADUs, Sanitation, and Interior Entry: The City's existing Zoning Regulations state that an interior connection to the residence that a JADU exists within may be maintained or removed. Government Code 66333 specifies that JADUs that do not contain a separate bathroom must maintain an interior entrance to the main residence in addition to the required separate exterior entrance. This update would add this language to the Zoning Regulations. (Attachment C – 17.86.020(C)(3))
- Short Term Rental: HCD asserted that because Government Code 66333 does not provide language for rental term limits for JADUs, the City's Zoning Regulations are inconsistent with state law on the matter. The City responded to HCD, stating its intent to preserve this element of the City's Municipal Code to ensure housing affordability as well as consistency with other elements of the code regarding ADUs. The City further expressed that ADUs and JADUs represent a significant portion of the City's new housing stock, and amending the code as suggested by HCD would reduce a considerable portion of available housing in favor of short-term rental income for investors. Government Code 66333 does not expressly prohibit the City from imposing minimum rental terms for JADUs, and the City believes its interpretation is consistent with state law and furthers the state law's purpose of housing production.

#### Additional Amendments

In addition to the changes described above, staff proposes several miscellaneous amendments related to ADUs. These changes were identified as possible barriers to housing development or possible inconsistencies with state law that were not identified by HCD. These proposed amendments are as follows:

 ADU Design: The Zoning Regulations require that new ADUs match the primary residence in style, form, and materials. As state law continues to implement objective design standards regarding ADUs, these specific requirements are subjective in nature, challenging to implement, and do not always result in the best building design. This update would remove this language from the Zoning Regulations. (Attachment C – 17.86.020(B)(3))

 Separate Conveyance: The Zoning Regulations currently restrict the conveyance and sale of ADUs separate from the primary residence, which is inconsistent with state ADU law. This update would add references to state ADU law to account for instances in which ADUs can be separately conveyed and sold in the Zoning Regulations. (Attachment C – 17.86.020(B)(2))

### 5.0 URBAN LOT SPLITS

Originally introduced under Senate Bill No. 9, now referenced under California Government Code Sections 65852.21 and 66411.7, urban lot splits allow for the subdivision and subsequent development of a single-family residential lot (zoned R-1) into two lots of relatively equal size, each entitled to a maximum of two residential units. Sections 65852.21 and 66411.7 also provide a streamlined subdivision and development review process prohibiting discretionary review. The City created Chapter 16.15 (Urban Lot Splits) under Title 16 (Subdivision Regulations) of its Municipal Code to implement these provisions as required by state law. In 2024, the state legislature passed Senate Bill No. 450 (Section 3.0 New State Legislation), altering the provisions of these sections. This update would incorporate the changes presented in said legislation, which can be viewed in Attachment B.

Urban lot splits, as they are described in the City's Municipal Code, are relegated to R-1 zoned properties. In 2024, the state legislature passed Senate Bill No. 684 (Section 3.0 New State Legislation), now referenced under California Government Code Sections 65852.28, 65913.4.5, and 66499.41, creating a similar subdivision and development system for multi-family zoned properties. In addition to SB 684, the state legislature passed Senate Bill No. 1123 (Section 3.0 New State Legislation), which altered some of the provisions introduced by the former. Staff's approach to integrating the provisions of SB 684 and 1123 into the City's Municipal Code involves substantial changes to Chapter 16.15 of the Subdivision Regulations. These specific amendments can be viewed in Attachment B.

The number of similarities between these two types of urban lot splits provides the opportunity to expand upon an existing section in the City's Municipal Code. However, there are enough differences to necessitate a means to reference both types independently of one another. Therefore, staff has proposed to refer to urban lot splits under California Government Code Sections 65852.21 and 66411.7 (SB 9) as minor urban lot splits, and those under Sections 65852.28, 65913.4.5, and 66499.41 (SB 684 & SB 1123) as major urban lot splits.

#### Major Urban Lot Splits

Below is a review of major urban lot splits, including various qualifying requirements, standards, and regulations that apply as required by state law:

- Permitted Locations: Major urban lot splits are allowed in the R-1 (must be vacant and no larger than one and one-half acre), R-2, R-3, and R-4 zones where the property is substantially surrounded by urban uses and all qualifying requirements can be met. (Attachment B – 16.15.005)
- Adverse Impacts: The Community Development Director may deem an application noncompliant upon written findings that the proposed housing development project associated with a major urban lot split would have a specific, adverse impact on public health and safety. (Attachment B 16.15.010)
- Procedural Requirements: The City is required to approve or deny major urban lot split applications ministerially within 60 days of receiving a complete application. If an application is denied, the City is required to provide a full set of comments and a list of items that are defective or deficient with a description of how said items can be resolved. (Attachment B – 16.15.010)
- **Maximum Number of Dwellings**: The resulting lots of a major urban lot split must contain at least one residential unit, with the entirety of the property to be subdivided limited to a maximum of 10 residential units. (Attachment B 16.15.020)
- Hazardous and Protected Areas: A major urban lot split cannot be located on a site identified in subparagraphs (A) to (J), inclusive, of paragraph (9) of subdivision (a) of California Government Code Section 66499.41, unless the development satisfies the requirements specified therein. (Attachment B – 16.15.020)
- Demolition or Alteration of Housing: A major urban lot split cannot result in the demolition or alteration of the type of housing identified in paragraph (8), inclusive, of subdivision (a) of California Government Code 66499.41. This includes housing subject to a recorded covenant, ordinance, or law restricting rent to levels affordable to persons and families of low-, very low-, and extremely low-income, and more. (Attachment B – 16.15.020)
- Subsequent Urban Lot Splits: A major urban lot split cannot be conducted on a lot that was established through a prior urban lot split. (Attachment B 16.15.020)
- **Subdivision Map Act**: Major urban lot splits must conform to all applicable objective requirements of the Subdivision Map Act, except as otherwise provided in Chapter 16.15 of the City's Municipal Code. (Attachment B 16.15.020)
- Lot Requirements and Limits: A major urban lot split may not result in more than 10 lots, with each lot being no smaller than 600 square feet. If the property subject to a major urban lot split is zoned for single-family use, each lot shall be no smaller than 1,200 square feet. Additionally, the average total area of floorspace for the proposed dwelling units associated with a major urban lot space cannot exceed 1,750 square feet. (Attachment B 16.15.020)
- **Rental Term**: The rental of any residential unit created via a major urban lot split must be for terms longer than 30 days. (Attachment B 16.15.020)

- Housing Unit Specifications: Residential units on lots created by a major urban lot split must be either constructed on fee simple ownership lots, part of a common interest development, part of a housing cooperative, constructed on land owned by a community land trust, or part of a tenancy in common. (Attachment B – 16.15.020)
- Housing Element: If a parcel to be subject to a major urban lot split is identified in the City's Housing Element, the associated housing development project must result in at least as many units as projected for that parcel. Additionally, if the parcel is identified as contributing to a portion of the City's share of the regional housing need for low- or very low-income households, the housing development project must result in as many affordable units as projected and be subject to a recorded affordability restriction of at least 45 years. If the parcel is not identified in the City's Housing Element, the associated housing development project must result in allowable residential density or 66% of the applicable residential density specified in subparagraph (B) of paragraph (3) of subdivision (c) of California Government Code Section 65583.2, whichever is greater. (Attachment B 16.15.020)
- Water and Sewer Requirement: Lots created through a major urban lot split must be served by a public water system and municipal sewer system. (Attachment B 16.15.020)
- Separately Alienable: A major urban lot split shall not result in any existing dwelling unit being alienable separate from the title to any other existing dwelling unit on the lot. (Attachment B – 16.15.020)
- Floor Area Ratio: A housing development project associated with a major urban lot split is subject to a floor area ratio standard not less than 1.0 for developments consisting of 3 to 7 units, inclusive, and a floor area ratio not less than 1.25 for projects consisting of 8 to 10 units, inclusive. (Attachment B – 16.15.020)

#### Update to Minor Urban Lot Splits

The existing provisions of Chapter 16.15 of the City's Municipal Code are still applicable to minor urban lot splits. However, with the passing of SB 450, several changes were implemented to Government Code Sections 65852.21 and 66411.7 that will require the following changes:

- Impacts to the Physical Environment: Local agencies may no longer deny housing development projects associated with urban lot splits on the basis that the project would have a specific, adverse impact upon the physical environment. (Attachment B – 16.15.020)
- **Procedural Requirements**: Local agencies are required to approve or deny an urban lot split ministerially within 60 days of receiving a complete application, and upon denial, must provide the applicant with a list of defective or deficient items with a description of how they can be resolved. (Attachment B 16.15.020)

# 6.0 MISCELLANEOUS CHANGES

### Car Share Vehicles

Under 16.15.025 of the City's Municipal Code, housing developments associated with urban lot splits are required to provide one parking space per residential unit. This parking requirement is waived if the property is located within one-half mile walking distance of either a high-quality transit corridor as defined in subdivision (b) of Section 21155 of the Public Resources Code, or a major transit stop as defined in Section 21064.3 of the Public Resources Code. Parking is also waived if the property can show that a car share vehicle is located within one block of the subject parcel. The property would then be required to enter into an agreement with the City to ensure that a car share vehicle will remain available in perpetuity until off-street parking is provided or development of a high-quality transit corridor or a major transit stop within one-half mile of the subject parcel occurs.

Currently, the City of San Luis Obispo does not contain a high-quality transit corridor, nor a major transit stop. To be exempt from parking, property owners have utilized the car share vehicle exemption. However, staff has found that existing guidelines for car share vehicles are lacking in detail, allowing this exemption to be used in a manner inconsistent with its purpose. Following a review of surrounding jurisdictions, staff is proposing the following definition to be added to Chapter 16.26 of the City's Municipal Code:

"Car share vehicle" means a motor vehicle that is operated as part of a regional fleet by a public agency or private car sharing company or organization that possesses a valid business license with the City of San Luis Obispo and provide hourly or daily services. Car share vehicles shall be stored on parking spaces dedicated to car share vehicles in between each use. Execution of a contract between the public agency or private car sharing company or organization and the client, and retrieval of the car share vehicle's keys, shall take place at the location of the car share vehicle.

This new definition will add clarity to the existing car share vehicle exemption and ensure that this alternative will offset the impacts of on-street vehicle parking to the same extent as off-street parking and proximity to major transit as contemplated by state law. (Attachment B – 16.26.065)

### Streamlining of ADU Conversions

As state law continues to provide more avenues for the development of ADUs and JADUs, staff has seen an increase in the variety of designs being submitted for review. One such design that was brought to the attention of staff is the preemptive conversion of newly constructed or altered space in an existing residential structure that would be eligible for conversion to an ADU or JADU if already existing.

One example is the expansion of an existing residence (whether a primary residence or detached ADU) that includes the construction of a new garage. Under state law and the City's municipal code, the new garage would be eligible for conversion to an ADU or

JADU when it officially becomes existing space. However, this means that under the current process, the applicant would need to receive approval for this addition and construct the space to the required building standards for a garage. Then, they would need to submit a second application for the ADU or JADU conversion, and upon approval, demolish and/or alter portions of the newly constructed garage into the approved ADU or JADU. Comments received by the development community on this issue state that this places an unnecessary burden on the applicant/property owner and is generally wasteful. To streamline this process, staff is proposing the following provision to be added as 17.86.020(B)(4)(c) (Attachment C):

Building permit applications involving the construction of new space or the alteration of existing space within an existing residential structure may be designed in such a manner as to facilitate the conversion to an accessory dwelling unit or junior accessory dwelling unit. Said new construction or alterations to the existing structure(s) shall be consistent with the City's objective design standards and any applicable zoning regulations. An accessory dwelling unit or junior accessory dwelling unit created through such a building permit application cannot be combined with the provisions of California Government Code Section 66323.

### Supportive/Transitional Housing Clarification

In recent months, CDD has received feedback from some of the City's affordable housing partners that the standards outlined in the Zoning Regulations restrict the development of potential projects that could provide supportive and/or transitional housing. With the production of such housing being a priority for the City, and to be consistent with efforts to reduce barriers to affordable housing development, staff is proposing the following note to be added to the Supportive and/or Transitional Housing, with On- or Off-Site Services land use category of Table 2-1 of Chapter 17.10 (Attachment C):

Projects that contain supportive and/or transitional housing located within a commercial zone are not required to be a mixed-use development and may be 100% residential except for those projects located in the C-D zone or Downtown Core. This includes projects that combine below market rate housing and supportive and/or transitional housing units.

### 7.0 GENERAL PLAN CONSISTENCY

The proposed amendments to both Title 17 (Zoning Regulations) and Title 16 (Subdivisions) are consistent with the City's Housing Element, specifically in promoting Goals 5 (Housing Variety) and 6 (Housing Production). The state's intention in implementing the legislation discussed in this report is to promote and develop a diverse housing market that includes an increase in "missing middle" housing types (e.g., duplex, triplex, quadplex, cottages, etc.). These revisions to state ADU law allows for increased residential infill development that contributes to the City's 6<sup>th</sup> cycle RHNA production targets. This legislation also seeks to remove barriers to housing development by limiting the use of discretionary review for housing-related projects and allowing for smaller subdivisions to promote more efficient land use.

# 8.0 ENVIRONMENTAL REVIEW

The proposed code amendments have been assessed in accordance with the authority and criteria contained in the California Environmental Quality Act (CEQA) and the State CEQA Guidelines. Specifically, the proposed amendments have been determined to be exempt from further environmental review pursuant to CEQA Guidelines Section 15061(b)(3), the "Common Sense" exemption, because the activity is covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment, and it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment. The proposed code amendments pertaining to ADUs and JADUs are also exempt under Public Resources Code Section 21080.17 that applies to local ordinances implementing state law related to accessory dwelling units.

# 9.0 ALTERNATIVES

- 1. The Commission may modify the proposed amendments to Chapters 16.15, 16.17, and 16.26 of the Subdivision Regulations and 17.10, 17.69, and 17.86 of the Zoning Regulations, so long as they are consistent with state law.
- 2. The Commission may continue action if additional information is needed. Specific direction should be given to staff if continued.

### 8.0 ATTACHMENTS

- A Draft Planning Commission Resolution
- B Revised Title 16 Text (Subdivision Regulations Legislative Draft)
- C Revised Title 17 Text (Zoning Regulations Legislative Draft)
- D HCD Correspondence