



Community Development

919 Palm Street, San Luis Obispo, CA 93401-3218
805.781.7170
slocity.org

Memorandum

DATE: March 14, 2023

TO: City Council

FROM: Michael Codron, Community Development Director

VIA: Kyle Bell, Housing Coordinator, & Ryan Tomlinson, Intern

SUBJECT: Downtown Flexible Density Program – Policy Context Summary

SUMMARY

The purpose of this item is for the City Council to provide a detailed policy context analysis regarding the proposed Downtown Flexible Density Program. This Program is intended to support of the City Council's policy to facilitate housing production in the City. Work to complete this task started in 2018 under the Comprehensive Update to the City's Zoning Regulations and benefitted from the public outreach process conducted during the adoption of the updates to the [2020 Housing Element](#) and [2020 Climate Action Plan](#).

POLICY CONTEXT

The City of San Luis Obispo's two-year budget approach has a long tradition of involving the community in its goal setting process, emphasizes long-range financial planning, and supports effective program management. As part of the 2021-23 Financial Plan the City Council established four [Major City Goals](#) for the City to address within the two year financial plan cycle. One of the Major City Goals that was established was for Housing and Homelessness which states:

"In order to expand housing options for all, continue to facilitate the production of housing, including the necessary supporting infrastructure, with an emphasis on affordable and workforce housing..."

The Downtown Flexible Density Program, along with several other important initiatives to increase housing production, are included in Community Development's work program in support of the Major City Goal for Housing and Homelessness (emphasis added);

"Implement the Housing Element by continuing ongoing programs and by completing new programs such as achieving more "by-right" non-discretionary review with Objective Standards, update the Inclusionary Housing Ordinance, and by establishing a Flexible Density program and "Missing Middle" housing program to expand housing opportunities downtown and in single-family neighborhoods."

Since the state of the 2021-23 Fiscal Plan, the Community Development Department has made significant effort on implementing the work programs identified in the Housing and Homelessness Major City Goal. A few of the work programs related to Housing are identified below;

- On December 7, 2021, the City Council adopted the Objective Design Standards [Ordinance No. 1703 \(2021 Series\)](#), that provides for “by-right” housing development.
- On August 16, 2022, the City Council adopted an update to the Inclusionary Housing [Ordinance No. 1719 \(2022 Series\)](#), that resulted in increasing the amount of affordable housing required with each new development project throughout the community.
- The State of California has implemented new legislation that has helped in addressing “Missing Middle” housing within single-family neighborhoods through legislative updates to [Accessory Dwelling Units and Junior Accessory Dwelling Units State Laws](#), and implementation of the [H.O.M.E Act \(SB 9\)](#) and the [Affordable Housing and High Road Jobs Act \(AB 2011\)](#).

The Downtown Flexible Density Program, together with ongoing implementation of the Major City Goal work plan, are designed to work in concert to accomplish the vision for housing in the community, as expressed in the City’s General Plan.

Housing Element: The [General Plan Housing Element](#) sets forth the City’s policies and programs for meeting existing and future housing needs, for preserving and enhancing neighborhoods, and for increasing affordable housing opportunities. It is the primary policy guide for local decision-making on all housing matters.

Housing Element Goal 2 states: “*Affordability: Accommodate affordable housing production that helps meet the City’s Quantified Objectives*”. The intention of this goal is to encourage housing production for all financial strata of the City’s population, as allocated in the Regional Housing Needs Allocation (RHNA) Plan, inclusive of lower-income housing and market rate housing (Policy 2.4). The recent adopted update to the Inclusionary Housing Ordinance was designed to address the objectives for increasing the number of deed-restricted affordable housing units (Program 2.13). The concept of the flexible density program was memorialized in the Housing Element as an opportunity to incentivize housing production within the City’s urban core and support the production of smaller residential units between 150 – 600 square feet in size (Program 2.15).

Housing Element Goal 6 states: “*Housing Production: Facilitate the production of housing to meet the full range of community housing needs*”. The Housing Element identifies key policies related to housing production throughout the community to help meet the (RHNA) plan production targets and support residential infill development by promoting higher residential density where appropriate (Policy 6.8). To further support the goal to stimulate higher density infill projects, the flexible density standards in key areas were identified as an opportunity to support development of smaller apartments and efficiency units (Policy 6.6). Housing Element Goal 6 also encourages prioritizing residential infill development and densification within the City Limits over considerations of new annexations of land (Program 6.15).

Land Use Element: The [General Plan Land Use Element](#) represents a blueprint for the future of the City of San Luis Obispo and sets forth a pattern for the orderly development of land within the City's planning area. The Element describes the expected level of population growth resulting from construction of housing units included in the plan, including new commercial and industrial development.

The Land Use Element (LUE) of the City's General Plan includes the Land Use Diagram, as well as policies that directly shape land use decisions and the resulting physical form of the City. The following summarizes key goals in the LUE related to downtown form:

1. Where appropriate, create compact, mixed-use neighborhoods that locate housing, jobs, recreation, and other daily needs close to one another, while protecting the quality of life in established neighborhoods.
2. Maintain a compact urban form.
3. Preserve the City's heritage of historic buildings and places.
4. Provide a variety of business services and housing in downtown.
5. Provide a safe and pleasant place to walk and ride a bicycle, for recreation and other daily activities.

Downtown is the community's urban center serving as the cultural, social, entertainment, and political center of the City (LUE Policy 4.1). Downtown is not only a commercial district, but also a neighborhood. Its residential uses contribute to the character of the area, allow a 24-hour presence which enhances security and help the balance between jobs and housing in the community (LUE Policy 4.2). The LUE also encourages the development of downtown housing that minimizes the need for automobile use and minimizes the storage of vehicles in surrounding neighborhoods (LUE Policy 2.9).

The LUE includes policies to modify the City's Zoning Regulations to allow efficiency units and variable density within the Downtown Core (LUE Policy 4.28). LUE Program 2.15 directs the City to evaluate alternatives to the current maximum density thresholds, height, parking, and setback standards that currently restrict residential intensity. Program 2.16 provides direction to the City to consider using portions of City-owned parking lots and structures for residential parking.

The Land Use Element policy related to residential growth (LUE 1.11.2) states that the City's housing supply shall grow no faster than one percent per year, on average, based on established thresholds (LUE Table 3). Affordable dwellings restricted to residents with extremely low, very low, low, or moderate incomes, new dwellings in the Downtown Core, and legally established accessory dwelling units are exempt from these regulations (Section 17.144.020.D).

Consistency with the Downtown Concept Plan

The [Downtown Concept Plan](#) is the community's vision for how downtown San Luis Obispo should be developed over the next 25 years. The concept plan is not a regulatory document and is intended to provide guidance for development projects and public improvements downtown. The Plan promotes a compact urban core, additional housing opportunities, reduce auto travel by providing services, jobs, and housing in proximity to each other.

Residential uses downtown are intended to provide a range of multi-unit housing types to help meet the vision of a more compact and walkable downtown living environment. The Plan includes eight Planning Principles intended to guide the development in downtown. Principle 3 (Variety in Form and Function) encourages a variety of compatible buildings, uses, activities, and housing types for an inclusive and vital downtown by encouraging flexible mixed-use development, a variety of housing options, and to reduce auto travel by providing jobs and housing in proximity to each other. Principle 7 (Compatible Design) encourages higher-density projects, smaller dwelling units, and other innovative residential solutions.

Consistency with the Active Transportation Plan

According to the City's 2021 [Active Transportation Plan](#), the City has a jobs-to-housing ratio of 2.5:1, where many San Luis Obispo workers commute into the City from outside areas, increasing the City's weekday population. Most employed San Luis Obispo residents work within the City, with nearly 60% reporting a daily commute time of less than 15 minutes.

The Active Transportation Plan encourages increasing infill housing within the City's urban setting to reduce commute times and alleviate single occupant vehicle dependency. Promoting housing downtown will help reduce traffic gridlock and urban sprawl, while also increasing foot-traffic along local storefronts to increase the economic vitality of the downtown commercial core.

Consistency with the Access and Parking Management Plan

The recently adopted 2023 [Access and Parking Management Plan](#) sets a path for modernizing parking management and maximizing use of available land. It makes it easier for drivers to find available parking, which reduces traffic congestion and creates safer streets. The City's Parking Services Division operates roughly 2,600 public parking spaces downtown, spread across five off-street surface lots, three parking structures, and street parking controlled through a variety of time limits, per-hour pricing, permits, and curb use restrictions (loading zones). A widely recognized best practice in parking management involves the comparison of actual parking utilization rates with an 85 percent occupancy threshold. Overall parking occupancy for all on and off-street spaces in the downtown study area was almost always well below the 85 percent occupancy threshold during the study period, except for Farmer's Market nights.

Parking Services offers a variety of different parking permits to meet the needs of various user groups. The [Downtown Residential Overnight Parking](#) (DROP) permits cost \$375 per quarter and are valid for parking on the third and fourth floors of the Marsh Street and Palm Street structures, day and overnight, which will be available to qualifying units under the Downtown Flexible Density Program. In the third quarter of 2022, only 16 parking passes were sold to downtown residences. The Access and Parking Management Plan also includes policies for decreasing the permit rates for qualifying low-income households.

Consistency with the Climate Action Plan

The City of San Luis Obispo's 2020 [Climate Action Plan \(CAP\) for Community Recovery](#) set one of the nation's most ambitious climate action goals: community-wide carbon neutrality by 2035 ([CAP Work Program](#)). The Flexible Density Program is specifically included in the CAP Pillar for Connected Communities as Foundational Action No. 5.1, which states: *"Complete the 2019-21 Housing Major City Goal, including Housing Element of the General Plan Update and Flexible Zoning Requirements for Downtown"*. Higher-density smaller units built downtown not only allows for more in-town employees to live close to work, but it also enables wider utilization of active transportation in place of car travel and other carbon-intensive high-cost modes of transportation.

Transportation is the single largest source of greenhouse gas emissions (GHG) in San Luis Obispo, due primarily to the use of single-occupancy fossil-fueled vehicles. By continuing to build a safe pedestrian and bicycle network, producing more housing in key locations, enhancing public transit, supporting electric vehicle infrastructure, and investing in mobility innovations, the City can reduce GHG emissions from vehicle trips while also reducing individual mobility costs. Construction of new housing near significant transportation nodes and corridors reduces private vehicle trips and associated GHG emissions and is therefore a fundamental concept in sustainable housing development.