



## MEMORANDUM

DATE: April 20, 2022  
TO: Clara Stanger  
FROM: Jessica Mellor  
SUBJECT: 530 Front St.  
Project # CP20-0098

*Jessica S. Mellor*

Clara:

As per your email request on April 15, 2022, I have updated this memo to reflect that this project will no longer be mapped and will be a rental residential project. This memo also references the 530 Front St. Base Density & Density Bonus plans dated July 29, 2020 in order to determine project requirements associated with the inclusionary housing provisions set forth in Chapter 24.16 of the Zoning Ordinance. The project description attached to the plans identifies the project as an application to demolish existing commercial buildings and construct a mixed-use condominium building with 170 residential dwelling units and 10,338 square feet of commercial space. Your January 11, 2022 email regarding substantial changes to this project clarifies that the project is a mixed use, 276 unit project that includes a density bonus.

The following requirements apply to the project in its present form:

### 1. Inclusionary Requirements

SCMC 24.16.020(5) ("Rental Residential Developments with Five or More Dwelling Units ") states rental residential developments that would create five or more new or additional dwelling units and/or live/work units at one location, the applicant shall provide inclusionary units as follows:

- a. Rental residential developments that would create five or more new or additional dwelling units or live/work units at one location shall provide twenty percent of the dwelling units as inclusionary units, which shall be made available for rent to low income households at an affordable rent.
- b. SRO Developments. In a rental residential development comprised of SRO units, twenty percent of the single-room occupancy units shall be made available for rent to very low income households at an affordable rent.
- c. Fractional Affordable Housing Requirement for Rental Residential Developments with More Than Five Dwelling Units. If the number of dwelling units required results in a fractional requirement of 0.7 or less, then there will be no inclusionary requirement for the fractional unit. If the number of dwelling units required results in a fractional requirement of greater than 0.7, then the applicant shall make one inclusionary unit available at an affordable rent. This subsection (5)(c) applies to the fractional unit only, and whole units shall be provided as required by subsections (5)(a) and (b).

*continued next page*

**New Rental Units Proposed (5 or more units rental residential development)**

<p>Total Units: 184</p> <p>Apartments</p> <p><i>*As per the Base Density plans, the base density for this site is 184. If this is not correct, let me know and I will adjust the calculation.</i></p>	<p>184 units total*</p> <p>76 Micro units 40 Studios 20 1-Bedroom 45 1-Bedroom + Den 3 2-Bedroom</p>	<p>Units:</p> <p>184 x 20% = 36.8</p> <p><b>37 units</b></p> <p><i>*Rounded up as per SCMC 24.16.020(5)(c).</i></p>
<p>Required Inclusionary: <i>(rental)</i></p> <p><b><i>*inclusionary units must be representative of overall unit mix.</i></b></p>	<p>37 units</p>	<p>15 Micro units 8 Studios 4 1-Bedroom 9 1-Bedroom + Den 1 2-Bedroom</p>

Any alternate means of compliance with this section are must comply with SCMC 24.16.030.

**2. Inclusionary Unit Standards**

SCMC 24.16.025.1 states that all inclusionary units shall remain affordable in perpetuity.

SCMC 24.16.025.2 states that inclusionary units shall be reasonably dispersed throughout the residential development to prevent a concentration of affordable units within the project.

SCMC 24.16.025.3 states that inclusionary units shall be compatible with the design of market rate units in terms of appearance, materials, and finished quality so as long as the finishes, features, and amenities are durable, of good quality, compatible with the market rate units, and consistent with contemporary standards for new housing.

SCMC 24.16.025.4 states that the square footage of inclusionary units may be reduced, provided all units conform to all requirements of Titles 18 and 19 of the Santa Cruz Municipal Code and meet the minimum square footage requirement that affordable units are at least 75% of the average size of all market rate units in the development with the same bedroom count.

SCMC 24.16.025.5 states that for developments with multiple market rate unit types containing differing numbers of bedrooms, inclusionary units shall be representative of the market rate unit mix.

SCMC 24.16.025.6 states that all building permits for inclusionary units in a phase of a residential development shall be issued concurrently with, or prior to, issuance of building permits for the market rate units, and the inclusionary units shall be constructed concurrently with, or prior to, construction of the market rate units. Occupancy permits and final inspections for inclusionary units in a phase of a residential development shall be approved concurrently with, or prior to, approval of occupancy permits and final inspections for the market rate units. When alternative methods of compliance are proposed pursuant to Section 24.16.030, the planning and community development director and the economic development director may jointly approve alternative phasing of market rate and inclusionary units if it finds that the proposal provides adequate security to ensure construction of the inclusionary units. Phases of construction shall be defined as a part of the first approval.

SCMC 24.16.025.7 states that owners of rental residential developments or SRO developments shall accept tenant-based subsidy holders (subsidy holders) as tenants of the inclusionary units, on

the same basis as all other prospective tenants. The owner shall not apply selection criteria to subsidy holders that are more burdensome than the criteria applied to all other prospective tenants, nor shall the owner apply or permit the application of management policies or lease provisions which have the effect of precluding occupancy of the inclusionary units by subsidy holders.

### 3. Density Bonus Affordability Restrictions

This project includes a request for a Density Bonus, however, I did not see a project description detailing what percentage of a density bonus is being requested, nor what level of affordability is being provided. Therefore I have used the Density Bonus plans to figure out the requested density bonus (50%) and I have provided affordable unit requirements at multiple levels for the developer to choose from as per State Law.

For 50% Requested Density Bonus –

- 15% at Very Low Income **OR**
- 24% at Low Income

<p>Total Units: 184</p> <p>Apartments</p> <p><i>*As per the Base Density plans, the base density for this site is 184. If this is not correct, let me know and I will adjust the calculation.</i></p>	<p>184 units total*</p> <p>76 Micro units 40 Studios 20 1-Bedroom 45 1-Bedroom + Den 3 2-Bedroom</p>
<p>Required DB Affordable Units: Variable (depends on affordability level)</p> <p><i>Affordable units must be representative of overall unit mix.</i></p> <p><i>As per state law, all density bonus calculations resulting in fractions are rounded up to the next whole number.</i></p>	<p><b>VERY LOW INCOME</b></p> <p>184 x 15% = 27.6 = 27 units</p> <p>11 Micro units 6 Studios 3 1-Bedroom 6 1-Bedroom + Den 1 2-Bedroom</p> <p><b>LOW INCOME</b></p> <p>184 x 24% = 44.16 = 45 units</p> <p>18 Micro units 10 Studios 5 1-Bedroom 11 1-Bedroom + Den 1 2-Bedroom</p>

As per state law, Very Low Income units in density bonus projects are restricted to 50% AMI. As this is lower than the standard inclusionary restriction, compliance with the density bonus affordability will satisfy the inclusionary requirements. Low Income in density bonus projects are restricted to 80% AMI for income with rent restricted at 60% AMI level.

As per state law, density bonus affordable units are bound by an affordability period of 55 years. After the end of that period, the density bonus affordability requirements will expire, however, the inclusionary requirements will remain in perpetuity.

#### **4. Conditions of Project Approval**

In accordance with SCMC 24.16.040.1 and .2, the following language shall be included as a condition of approval for this project:

“Applicant shall comply with the inclusionary housing requirements set forth at SCMC Chapter 24.16 Part 1, and shall enter into and record an affordable housing development agreement prior to or concurrently with the final parcel map or final subdivision map approval, or prior to issuance of a building permit for any structure in the residential development, whichever occurs first. The affordable housing development agreement shall run with the land and bind all future owners and successors in interest.”

END MEMO