



CITY COUNCIL AGENDA REPORT

DATE: 12/19/2023

AGENDA OF: 1/23/2024

DEPARTMENT: Planning & Community Development

SUBJECT: A23-0001: Downtown Plan Amendments and Local Coastal Program Implementation Plan Amendments Responding to Modifications Requested by the California Coastal Commission on Previously Adopted Downtown Plan Amendments Related to Removing Public Hearing Requirements for Day Care and Supportive Housing, Consistent with State Law; Expanding Hotel, Residential, and Recreational Use Allowances; Revising Additional Height Criteria; Adding Language to Encourage Activated Roof Top Amenities; and Amending Landscape Requirements to Allow More Flexibility with Landscaping and Tree Selection (PL)

RECOMMENDATION: Motion to adopt a resolution:

- 1) Acknowledging receipt of the resolution of certification from the California Coastal Commission, including the suggested modifications,
- 2) Amending the Downtown Plan and Local Coastal Program Implementation Plan to match the minor changes related to contributions to the Affordable Housing Trust Fund in response to action by the California Coastal Commission, and
- 3) Directing the Director of Planning and Community Development to submit the accepted changes to the Coastal Commission.

BACKGROUND The Downtown Plan is a dynamic document that is updated from time to time to reflect changing needs of the City. The last two updates to the Downtown Plan were in 2017, when additional height allowances and other changes were incorporated, and in 2020, when changes to various use regulations were approved, primarily relating to personal services, tattoo parlors, and alcohol sales. Continuing that regular update cycle, Planning and Community Development staff and Parks and Recreation staff compiled a series of proposed Downtown Plan Amendments related to the following topics that were presented to the Planning Commission in September 2023 and to the City Council in October 2023:

- Streamlining processes to minimize unnecessary delays,
- Updating standards that have proven to be problematic,
- Ensuring consistency throughout the many sections of the plan, and
- Updating the plan to address recent State law changes.

The Downtown Plan Amendments included a variety of updates, clarifications, corrections, and changes intended to better serve the City.

On October 24, 2023, by resolution, the City Council approved the proposed Downtown Amendments and directed staff to prepare an application to submit to the California Coastal Commission (CCC) to approve a Local Coastal Program Amendment for the portions of the Downtown Plan that are located within the Coastal Zone, specifically, Chapter 4 (Development Standards and Design Guidelines). Following adoption of the Downtown Amendments by the City Council, City staff submitted the application to the CCC for review and approval in October of 2023. At their meeting on December 15, 2023, the CCC passed a motion approving the LCP amendment conditional upon the City accepting a modification by the Commission and incorporating the additional language into the Downtown Plan and LCP.

DISCUSSION: The modification requested by the CCC relates to the in-lieu fee applied to non-residential projects in the downtown that make a request to exceed the base heights in Additional Height Zones A and B. This language was added by the City Council at the October 24, 2023 hearing with the intention of ensuring that nonresidential projects which are granted additional height reasonably contribute to the City’s need for affordable housing. As part of the discussion by the CCC, a question was raised as to whether the in-lieu fee assigned (\$5.00 per square foot of gross floor area above the base height) was sufficient. To address it, the CCC modified the language to state that the in-lieu fee would be “a minimum” of \$5.00 a square foot. The modified language is shown below, with deleted text in strikethrough and added text underlined:

vii. Affordable Housing Public Benefit Fee For Non-Residential Projects. An application for additional height is voluntary. Because an applicant requesting additional height is receiving a benefit in the form of increased height and intensity, and to ensure that non-residential projects which are granted additional height reasonably contribute to the City’s need for affordable housing, nonresidential projects that are granted additional height shall be required to pay an in-lieu public benefit fee. The in-lieu public benefit fee shall be a minimum of \$5.00 per square foot of gross floor area occurring above the 50-foot Base Height limit (i.e., the additional gross floor area occurring within the project on levels that exceed the 50-foot Base Height limit). The fee shall be paid prior to occupancy of the project. All fees provided collected under this section shall be deposited in the City of Santa Cruz’s affordable housing trust fund.

This language appears in two sections of the Downtown Plan, one for Additional Height Zone A and the other for Additional Height Zone B. While the modified language does allow for flexibility when assigning affordable housing in-lieu fees for nonresidential projects, it also leaves some uncertainty for project applicants as to what the project’s contribution will be at the time an application is filed. It will only be when a decision is made by the appropriate decision-making authority, including appeals, that the fee will be officially known to the applicant. That said, most of the projects proposed in the additional height areas since inception of the Downtown Plan in the 1990’s have been mixed use developments containing a residential component. As that trend is expected to continue, staff anticipates that this provision will have limited applicability.

Next Steps. Should the City Council adopt the CCC’s changes, the Council’s decision will need to be transmitted back to the State. As summarized in the attached CCC Action Notice, the changes will take effect inside the coastal zone as soon as “the Commission’s Executive Director reports to the Commission her determination that the City’s actions are legally adequate, and the

Commission does not object to the Executive Director’s determination.” If the City Council moves to adopt the modifications as shown in the attached resolution, City staff will submit to the Coastal Commission for review at the next available meeting, which will likely be the February 7-9, 2024 hearing. The amendments will take effect inside the Coastal Zone the same day the adoption of the modifications is certified by the Coastal Commission.

Should the City Council disagree with the requested modifications, the changes to the Downtown Plan would not take effect in the Coastal Zone. Staff would need to coordinate with the Coastal Commission regarding alternative revisions, and those revisions would need to be approved by both the City Council and Coastal Commission. If the changes represented substantive modifications, they would need to return to the Planning Commission for a formal recommendation to the City Council, who would then need to approve them. They would then need to be resubmitted to the Coastal Commission as a new LCP amendment, triggering a new round of review.

Environmental Review. The October 24, 2023 report to Council and associated attachments contained analyses consistent with the California Environmental Quality Act (CEQA). The proposed amendments under consideration by the Council, which only add a requirement that a monetary contribution to the City’s Affordable Housing Trust Fund be *at least* \$5 per square foot (rather than \$5 per square foot), has no effect on the prior CEQA analyses, and the prior analyses, findings, and determinations remain.

Health in All Policies. The proposed amendments are consistent with the Health in All Policies pillars of equity, public health, and sustainability in that they have the potential to increase funding for affordable housing, expand housing opportunities, and provide a variety of housing types that help better serve the needs the community.

FISCAL IMPACT: The proposed amendments have the potential to increase revenues into the City’s Affordable Housing Trust Fund. It has no effect on the City’s General Fund, unless the fee were levied in a manner that precluded a non-residential project from being constructed, in which case they would have a negative fiscal impact compared to the alternative of a new commercial project being constructed, because non-residential projects typically have a net-positive effect on the City’s General Fund. The amount of foregone General Fund revenue would vary from project to project.

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ATTACHMENTS:

1. RESOLUTION
2. CALIFORNIA COASTAL COMMISSION STAFF REPORT DECEMBER 2023 MEETING
3. CALIFORNIA COASTAL COMMISSION ACTION NOTICE