



CITY COUNCIL AND PLANNING COMMISSION STAFF REPORT

TO: Honorable Mayor and City Council **DATE:** September 7, 2021
Honorable Chair and Planning Commission

FROM: Matthew Bronson, City Manager

PREPARED BY: Bruce Buckingham, Community Development Director

SUBJECT: Land Use Element and Development Code Update Workshop

RECOMMENDATION

Receive a presentation on the process to update the Land Use Element and Development Code to implement the Housing Element, allow for public comment, and provide direction to staff and the consultant.

BACKGROUND

One of the four Major City Goals for FY 2021-23 is to address housing and homelessness as follows:

Housing and Homelessness. Update City codes and standards to encourage housing construction to meet diverse needs; collaborate with developers and non-profits in efforts to increase overall housing stock with a priority on affordable housing availability; and partner with regional agencies and organizations to address homelessness and related sheltering issues in the city and region.

In support of this goal, the Council adopted the updated 2020-2028 Housing Element in November 2020, which contains goals, policies and programs that will facilitate housing production and demonstrate how the City will accommodate its allocated Regional Housing Needs Allocation (RHNA) of 369 housing units over the next eight years. The Housing Element programs are the specific actions the City must undertake to implement the Housing Element within two years of adoption and require the City to update its General Plan Land Use Element and Development Code.

In February 2021, the Council reviewed the scope of work to implement the adopted Housing Element programs and directed staff to solicit proposals from qualified consulting firms to prepare the Land Use Element and Development Code amendments. In May 2021, the Council approved the contract with MIG Consultants who have considerable experience in San Luis Obispo County performing work for the cities of San Luis Obispo, Paso Robles and Atascadero. The MIG team is led by Genevieve Sharrow and Laura Stetson with assistance from several others. The team also includes Jim Heid who is a developer specializing in infill development which adds a unique perspective to the MIG team.

The first task in this process was to interview stakeholders consisting of developers, architects, property owners and the South County Chambers of Commerce to receive input on housing related issues and the opportunities and challenges to developing projects in Grover Beach. In all, the MIG team received input from 11 people who provided excellent insight to the team. The

second task was to review the Development Code and other policy documents to identify recommendations. The information from both of these tasks as well as background, context, relevant State housing laws, and MIG's findings and recommendations have been incorporated into the Grover Beach Land Use and Development Code Update Findings Report (reference Attachment 1). The Report also includes potential approaches to consider for updating the Development Code.

Public Workshops

The purpose of the joint City Council and Planning Commission workshops on September 7, 2021 and October 5, 2021 are to allow MIG to provide background on parts of the work scope and receive input and direction from the Council. The joint structure of the workshops allow the Planning Commission and public to be part of the process and provide input to assist the Council in formulating its direction. The September workshop will focus on the following topics:

- Development Review Process
- Height
- Density
- Parking

The October workshop will subsequently focus on the following topics:

- Inclusionary Zoning
- Affirmatively Furthering Fair Housing
- Additional Design Elements
- Infrastructure
- Implementation Options Outside of Development Code Update

Following input and direction provided by the Council on the topics listed above, MIG will return to the Council on November 8, 2021 with a summary of the direction to confirm the overall approach identified by the Council. MIG will then proceed to draft the ordinance revisions and prepare the environmental review in compliance with the California Environmental Quality Act (CEQA). Public hearings will be held by the Planning Commission and City Council in spring 2022 to allow for public input on the draft updates and consider adoption. The revisions will include targeted updates to Land Use Element policies related to residential and mixed-use development and a comprehensive update to all residential and commercial zones in the Development Code. There may also be minor updates to the City's Local Coastal Program.

Scope of Work

The Council approved work scope includes implementing all of the 2020-2028 Housing Element programs that are required to be completed within two years of the Housing Element adoption including Housing Element Program 1.8 to implement the SB 2 planning grants program (reference Attachment 2). A summary of the proposed work scope of items to include in the amended Land Use Element and Development Code is as follows:

- Allow by right development of single family residential, multi-family residential and mixed-use projects based on a specific number of units (to be determined by the Council) and/or level of affordability (2020-2028 Housing Element Program 1.8).

- Create objective design standards for the development of single family residential, multi-family residential and mixed-use projects that are straightforward and simple to implement (2020-2028 Housing Element Program 1.8).
- Implement 2020-2028 Housing Element programs 1.3, 1.7, 3.4, 4.2, 4.4, 6.4 and 8.2.
- Update Development Code Section 3.20 Affordable Housing Density Bonuses (2020-2028 Housing Element Program 3.2).
- Update to all residential and mixed-use development standards to eliminate potential barriers to housing development (2020-2028 Housing Element Program 1.8).
- Remove subjective development standards/policies that do not comply with the Housing Accountability Act and/or revise to comply with State law.
- Revise/clarify development standards for public improvements in Development Code Chapter 5 that add costs to residential development such as constructing street improvements and utility undergrounding.
- Consider increasing densities and/or incentives/concessions to facilitate housing.
- Provide flexible standards to allow for the development of residential micro-units where appropriate.

Many of the above amendments do not require Council direction because they involve Code revisions that must comply with State housing laws. However, the focus of the public workshops is to discuss the Code updates that the Council has the ability to shape in order to facilitate housing development and receive policy direction from the Council.

Development Context

The Housing Element programs focus on facilitating housing production which is challenging in Grover Beach since the scarcity of vacant residential lots and the small size of most residential lots of 7,500 square feet or less. Most properties on West Grand Avenue identified for higher-density and mixed-use development are also small and typically less than 10,000 square feet, requiring developers to acquire multiple lots in order to create economies of scale that result in feasible projects. This issue is exacerbated by very low turnover of commercial properties because most property owners generate income from property rental and have limited interest in redeveloping or selling the property.

Another challenge is that the focus of market rate housing developers on maximizing returns does not typically address all segments of the housing market. For example, a 7,500 square foot R3 lot is typically developed with three detached single-family residences as part of a planned unit development (PUD). These residences are usually three-bedrooms and average about 1,800 square feet with a two-car garage. However, a typical 7,500 square foot R3 lot also allows for the development of four units, but the units would need to be attached in order to construct four units. Historically most developers have elected to construct the three detached units rather than four attached units, which necessitate the creation of a homeowners association if the units are individually owned.

The two primary areas for allowing new residential development are on the West Grand Avenue corridor and multi-family residential zones (i.e., R2, CR2, R3 and CR3). Over the last decade, there has been a concerted effort to revitalize West Grand Avenue with new mixed use and multifamily residential projects which have included numerous Code amendments to reduce barriers, adoption of the West Grand Avenue Master Plan to provide design guidelines and previous and future City investment in street enhancements. However, despite these efforts there have been no new mixed-use projects constructed on West Grand Avenue since the Beach Place development in 2005.

Since 2010, there have been 139 new single family (includes PUDs) and 53 new multifamily residences constructed in the city totaling 192 new residences over the last 11 years or an average of about 17 new residences per year. Approximately 25% of the 192 residences were developed on the formerly vacant six-acre Green Park site in 2016 at the northeast corner of South 16th Street and Farroll Road. Another 19 residences were developed in 2020 on the formerly vacant two-acre Ron's Nursery site at the corner of South 13th Street and Highland Way.

Council Direction

Staff and the consultant are seeking direction from the Council on the topics below which are discussed in further detail in the Findings Report.

Development Review Process

Housing Element Program 1.8 identifies the ability to allow projects by right (i.e., ministerial) rather than a development application (i.e., discretionary permit) which will be one of several key Development Code revisions. Currently all proposed mixed-use projects, multi-family residential projects, and single-family residences in the R1 Zone north of West Grand Avenue that exceed 16 feet in height require approval of a Development Permit or Use Permit application by the Planning Commission. This discretionary permitting process requires a developer to incur time and costs for project review which adds to the project development cost.

Given this current process, projects could be denied based on inconsistencies with subjective standards such as incompatibility with the neighborhood although it should be noted that only three of 121 residential projects in the city have been appealed to the Council in the last 15 years and none of the projects resulted in a denial. However, recent changes to State law in 2018 as part of amendments to the Housing Accountability Act have limited the ability of cities to deny housing projects and mixed-use projects with at least two-thirds of the square footage designated for residential development. These amendments made it more difficult to deny market and affordable housing projects by eliminating local municipality's abilities to utilize subjective policies and standards. If the project complies with all "objective" general plan, zoning standards, and subdivision standards and criteria, it may only be denied or have its density reduced if:

- The City can make written findings that the project would have a "specific adverse impact" on public health and safety; and
- There is no feasible method to satisfactorily mitigate or avoid the adverse impact other than the disapproval of the housing development project or approved on condition of being developed at a lower density.

The Housing Accountability Act amendments were intended to remove a local municipality's ability to use "subjective" development policy to deny a house project and made it difficult to deny residential projects by defining a "specific adverse impact" as follows:

A significant, quantifiable, direct, and unavoidable impact, based on objective, identified written public health or safety standards, policies, or conditions as they existed on the date the application was deemed complete.

Changing the development review process to allow residential projects by right would guarantee a developer the proposed project could be constructed if it is consistent with the General Plan, met all Development Code standards, and the objective design standards that will be created as part of the Code amendment process. Staff would still review the project to ensure it met all the development standards, but it would significantly reduce the time and cost to process residential

applications and eliminate any degree of risk to the developer. However, this approach would eliminate the public hearing process and the ability for public comment.

Staff would note that one of the State's expressed purposes of providing planning grant funds to cities is to eliminate the discretionary process and allow residential projects by right. However, the City may establish a threshold of the number of units that would be allowed by right as part of the amendment process. As an example, projects with less than five residential units could be allowed by right and five or more could still require a discretionary permit approval by either the Community Development Director or Planning Commission. There could also be exceptions to a threshold such as allowing projects that provide a certain percentage of affordable housing units be allowed by right. However, if a project complies with all objective standards, the reviewing body may not deny or reduce the density of the project. As such, the discretion associated with such a discretionary review is significantly curtailed. For projects that choose to propose building designs that do not comply with objective standards, the discretionary process remains appropriate.

The key to allowing residential projects by right is to have objective development and design standards that ensure high quality development occurs. The City does not have residential design guidelines and the only adopted subjective design guidelines are part of the West Grand Avenue Master Plan. As part of the work scope, MIG will develop objective design standards for single family residences (including PUDs), multifamily residential projects and mixed-use projects. It is critical that the objective design standards promote high quality architecture so the Council can be assured that projects allowed by right will meet design expectations. The Findings Report provides several potential revisions to the development review process for the Council to discuss.

Height

Building height is also correlated with density and can constrain obtaining maximum densities allowed. The Findings Report does not recommend any changes to existing heights in residential zones, but does discuss multiple options for changes to heights in commercial zones with a focus on the West Grand Avenue corridor.

Density

The Council could consider increasing densities in residential zones and/or in commercial zones that allow residential development as a tool for facilitating housing production. This could be implemented by either raising the base density or allowing a density bonus for projects that provide smaller more affordable units or a public amenity. The density bonus could also include more flexible development standards such as parking reductions or increased building height. It is important to ensure that increased density, where desired, can be achieved and other development standards, such as building height or parking, do not inhibit the ability to reach the maximum density.

Another approach to increasing density is to change how density is calculated. For example, currently all units are calculated as one unit, regardless of whether it is a studio or three-bedroom apartment. This approach is a disincentive in developing smaller units because it will not generate the same revenue as a larger unit. There are approaches that can eliminate barriers to producing smaller units such as a density calculation based on the number of bedrooms or square footage. The Findings Report includes options for the Council to consider.

Parking

The current Code establishes minimum parking requirements based on the number of bedrooms and requires guest parking spaces for multi-family and mixed-use projects. Providing onsite parking can be a constraint to achieving the maximum density and should be balanced with the objective of increasing housing production. This is especially critical for redevelopment of

properties on West Grand Avenue because greater parking requirements typically reduce the buildable area of the property. The Findings Report provides several parking reduction options for Council discussion beyond the reductions previously made by the Council in 2018.

Lastly, staff would note for the Council's information that the Legislature has recently approved two housing bills that would affect density in single-family residential neighborhoods statewide. SB 9 would allow up to four units on existing single-family lots either through construction of a duplex or subdivision of the lot into two lots and construction of two smaller units on each lot. Local governments could deny a duplex or lot split if the project poses an unfixable public health or safety impact and the property owner must live in one of the units for three years after a lot split. SB 10 allows a local government to zone any parcel of land in urban infill or near public transit to allow a building of 10 units or less. The Governor has until October 10 to sign or veto the bills though a group has filed a ballot initiative for the November 2022 election to amend the State Constitution and prevent land use and zoning decisions from being made at the state level. Staff will work with the League of California Cities to monitor these actions at a state level for their applicability to Grover Beach.

FISCAL IMPACT

The Council previously directed staff to apply for three grants totaling approximately \$250,000 which have subsequently been awarded to the City. The three grants include Senate Bill 2 (SB 2), Local Early Action Planning (LEAP), and Regional Early Action Planning (REAP). The grants all require that the funding be used for activities that demonstrate a nexus to accelerating housing production. During the Code amendment process there could be tasks identified that are not eligible for funding. Staff will advise Council if this occurs and identify potential sources of funding.

ALTERNATIVES

The Council has the following alternatives to consider:

1. Receive a presentation on the process to update the Land Use Element and Development Code to implement the Housing Element, allow for public comment, and provide direction to staff and the consultant; or
2. Provide alternative direction to staff.

PUBLIC NOTIFICATION

The agenda was posted in accordance with the Brown Act. Notification was sent to persons that have previously expressed interest in housing production.

Attachments

1. Findings Report
2. 2020-28 Housing Element Programs

CITY OF GROVER BEACH

Land Use and Development Code Update



FINDINGS REPORT

September 2021

CITY OF GROVER BEACH

Land Use and Development Code Update



FINDINGS REPORT

September 2021

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Executive Summary

This Grover Beach Development Code Update Findings Report presents the consultant team’s findings and recommendations regarding actions the City may consider to achieve its goal of attracting residential development citywide and new mixed-use, residential, and catalytic projects along West Grand Avenue. The focus of MIG’s work is to identify amendments to the Development Code that could facilitate new development with a focus on new housing to implement the Housing Element. However, based on input received during stakeholder interviews and team members’ experience in similar communities, this report includes additional recommendations the City Council may elect to investigate further, beyond the scope of Development Code update.

Catalyzing new investment and development to fulfill a community’s vision and support its aspirations for a strong local economy and desirable sense of place requires a multi-pronged approach. Sponsors of new development have many options of where to invest their time and dollars, and will seek communities that capture their imagination, act as good public partners by setting clear rules of engagement, and are open to innovative products and ideas shaped by a rapidly changing market. Conversely, new investment will eschew those communities whose codes and approval processes are challenging and inefficient, not to mention difficult to navigate.

From interviews with a broad range of stakeholders – Grover Beach should take pride in knowing that it has done an admirable job of creating a development-supportive regulatory environment including updating planning documents to reduce obstacles to housing development and adopting the West Grand Avenue Master Plan to revitalize the city’s central commercial corridor. As one person said during the stakeholder interviews, “Grover Beach moves at the speed of business.” Many of those in the development community praised the work of City staff and noted that the ground rules are clear, the staff are accessible, and Grover Beach is a relatively hassle-free place to entitle and build new homes.

Given rapid changes in the real estate market, there is no doubt that the Development Code regulations would benefit from modifications (see modifications identified in this report). But to attract the kind of catalytic investment at the scale that the City would like to see along West Grand Avenue and beyond will require much more. The City needs a multi-pronged approach including pre-planning, pre-development entitlement; facilitating land assembly by connecting property owners and developers; and more proactive research and communication on the potential of the local market. Efforts should be directed to articulate a clear vision for what kind of development the City wants, what resources are available to support innovation, and how the development community can help the City achieve its vision.

From a Development Code standpoint, some of the most helpful revisions would include increasing development capacity in areas where a high level of activity and vitality is desired, including re-evaluating standards related to parking, lot size requirements, height, and density to provide more opportunities for development; and expediting administrative processes to deliver projects in a timely manner.

Grover Beach should also consider revisions to fee schedules to incentivize construction of smaller, affordable units, and consider deferment of payment until certificate of occupancy issuance for affordable housing developments. While smaller jurisdictions such as Grover Beach struggle with limited

funding sources, a variety of new State programs and the State's drive to facilitate housing production can help advance these projects. The California Department of Housing and Community Development has just initiated the Prohousing Designation Program, which rewards cities and counties that demonstrate policies and strategies that accelerate housing production. These include additional points or preferences in grant programs such as the Affordable Housing and Sustainable Communities Program, the Transformative Climate Communities Program, and the Infill Incentive Grant Program. And as the State and region emerge from the economic impacts of the COVID-19 pandemic, creative local tax measures might be explored, such as an additional tax on short-term rentals or cannabis to support housing development (see Implementation Options section for additional details).

Foremost, the findings and recommendations in this report establish the framework for City Council discussion regarding the Development Code updates to be undertaken. City staff looks to the Council to direct which amendments to pursue, and staff will direct the MIG team to begin that work. As a separate effort, the Council may also ask staff to investigate potential strategies that may work in concert with Development Code amendments to support funding of new housing and attract creative developers from across the region and State and introduce them to benefits of building and living in Grover Beach.

Introduction

The City of Grover Beach is a small, beach-side community located in south-central San Luis Obispo County, bounded by the Pacific Ocean to the west and the cities of Pismo Beach and Arroyo Grande to the north and east, respectively. Historically, Grover Beach has provided some of the lowest cost housing in the region, especially given its beach location. The recent increase in rental prices throughout the region, however, has initiated new local interest in increased housing production to meet pent-up demand and emerging market attraction to Grover Beach. To help meet this demand and implement the 2020-2028 Housing Element, the Development Code update will:

- Provide revised and new development standards aimed at facilitating increased housing production.
- Develop an objective design review process and design standards that allow for streamlined review of housing and implement the requirements of the California Housing Accountability Act.
- Identify strategies to encourage “missing middle” housing with an objective to better serve people earning moderate incomes while also increasing the diversity of housing options for people at varied life stages. Missing middle housing is often smaller scale and in neotraditional formats such as duplexes, triplexes and quadraplexes, etc.
- Update the density bonus ordinance, farmworker housing standards, and manufactured housing regulations consistent with State law, and other measures to support reduced development costs for new housing.
- Address the needs of unhoused individuals and families, through a review of the City’s emergency shelter overlay zone and allowing for low barrier navigation centers (consistent with State law).
- Encourage new investment and regeneration of obsolete properties, particularly in support of an active and engaging West Grand Avenue, through mixed-use development—horizontal and vertical—along this major corridor and within the heart of the city.
- Provide greater predictability in the development process—timeframes, required documentation, and expectations in pursuit of approvals.
- Identify solutions to support housing development—and affordable housing in particular.

This Findings Report has been prepared to frame City staff discussions with the Planning Commission and City Council, and thus guide the particular Development Code amendments to be pursued. This report includes the following:

- Key insights from stakeholder interviews
- Summary of relevant Grover Beach planning documents and State laws
- Current trends in the housing market, the local economy, and housing types (including affordability by design)
- Analysis and summary of the development code, including standards and processes, as well as fees and infrastructure requirements that could be barriers to increased affordability and diversity of housing products
- Summary of 2020-2028 Housing Element policies and programs requiring implementation via the Development Code

- Overview and evaluation of the West Grand Avenue Master Plan and existing design guidelines
- Implementation options and ideas to consider
- Consistency with other regulatory plans, and new plans to consider including Affirmatively Furthering Fair Housing and inclusionary housing options.

Stakeholder Interviews

As part of this initial phase of analysis, the City’s consultant interviewed several local developers, architects, and Chamber of Commerce staff. Interviews took place over the course of three days and provided insights into housing trends, current local market and development constraints, the development process in Grover Beach and surrounding communities, innovative ideas to encourage new housing construction through Development Code revisions, and a focused discussion for attracting investment and new development along West Grand Avenue. All interviews were conducted by video conference, and notes were taken using a digital whiteboard. Those interviewed and other stakeholders are invited to remain involved through the duration of the Grover Beach Development Code update project. Specific insights and comments shared by interviewees are integrated by topic throughout this Findings Report. Priority topics include:

- Parking
- Parcel size, setbacks, and open space
- Height
- Density
- Process, fees, and infrastructure
- Attracting the development types and densities the City wants

Relevant Planning Documents

General Plan

The City of Grover Beach General Plan is a requirement of State law and serves as the community’s comprehensive and long-range plan for development and the use of land within its planning area (the corporate city limits). The Grover Beach General Plan includes the following components, or elements, which have been updated periodically over the past two decades:

- Land Use (July 2020)
- Housing (November 2020)
- Circulation (August 2005)
- Parks and Recreation (March 2005)
- Conservation and Open Space (July 2020)
- Safety (October 2000; update initiated in 2021)
- Noise (June 1993)

Housing Element (2020)

Adopted in November 2020, the 2020-2028 Housing Element is required to be updated on a regular basis (every eight years). The element demonstrates the City’s ability to accommodate the City’s fair share of regional housing needs, called the Regional Housing Needs Allocation (RHNA), and identifies implementation actions to address local housing needs and constraints. The 2020 Housing Element

includes implementation actions to amend the Development Code and Land Use Element to achieve Housing Element objectives and reflect new State laws.

Local Coastal Program (2014)

The Local Coastal Program (LCP) is a mandated planning document for any jurisdiction with shoreline areas. The LCP describes policies and procedures governing the use and development of land within Grover Beach's coastal zone, including policies related to shoreline access, recreation and visitor-serving facilities, commercial fishing, habitat areas, locating new development, and visual resources, among others. The coastal zone in Grover Beach extends along approximately 4,100 feet of coastline and inland approximately 3,000 to 6,500 feet and includes approximately 24 percent of the city's land mass.¹ Most recently amended in 2014, the LCP will be updated (if needed) in tandem with the Development Code update.

Development Code (2020)

The City of Grover Beach Development Code (Article IX of the Grover Beach Municipal Code) carries out the policies of the General Plan by classifying and regulating the uses of land and structures within the city. Most recently amended in 2020, the stated purposes of the Development Code are to:

1. Provide standards and guidelines for the continuing orderly growth and development of the city that will assist in improving the character and community identity of Grover Beach;
2. Ensure development is of human scale, pedestrian-oriented and compact where appropriate, and designed to create attractive streetscapes and pedestrian spaces;
3. Provide for a mixture of land uses, pedestrian-oriented development, safe and effective traffic circulation, and adequate on- and off-street parking facilities;
4. Provide neighborhoods with a variety of housing types to serve the needs of a diverse population; and
5. Ensure compatibility between different types of development and land uses.

The Issues and Recommendations section of this Findings Report provides a review of the Development Code and presents a variety of potential options for revision to the Development Code that the City Council may consider to encourage housing production.

West Grand Ave Master Plan (2011)

In January 2010, the City launched the West Grand Avenue Master Plan project to implement goals set forth in the City's 2004 Visioning Project, 2010 General Plan Update, and Economic Development Strategy. With the overarching objective of revitalizing West Grand Avenue economically and aesthetically, the Master Plan focuses on streetscape and circulation concepts, opportunity sites, flexible design guidelines, and implementation tools and recommendations for three distinct districts along the 1.3-mile corridor. The Council reviewed the public improvements identified in the Master Plan in February 2021 and provided direction to focus future efforts on landscaped center medians and streetscape improvements including street trees. The Issues and Recommendations section of this Findings Report provides a review and evaluation of the West Grand Avenue Master Plan.

¹ City of Grover Beach Local Coastal Program, 2014.

Updates to State Housing Law

Since 2017, several significant pieces of housing legislation have been adopted by the California Legislature. The Legislature's aim has been focused on ensuring that all jurisdictions provide real opportunities for housing development for people of all income levels—and for lower-income households in particular. In 2017, a package of 15 housing bills brought about significant change, followed each year by additional legislation. The most far-reaching laws are outlined below.

Housing Accountability Act

The Housing Accountability Act (HAA) was enacted in 1982 to address the high cost of housing in California. The act, strengthened in 2018 with a package of housing bills, protects both of the following:

- Developments that comply with all "applicable, objective general plan, zoning, and subdivision standards and criteria." **Local governments may not disapprove – or reduce the density/size of – multi-family residential and mixed-use projects** unless they find that the project would have an unavoidable impact on public health or safety that cannot be mitigated in any way other than rejecting the project or reducing its size.
- Developments that contain a minimum amount of affordable housing (either 20 percent of units for lower-income households or 100 percent of units for moderate-income), even if the projects do not comply with all objective standards. Local governments may not disapprove or reduce the size of qualifying affordable housing projects except under specific circumstances defined in the statute.

This modification to the Housing Accountability Act is consistent with a recent and consistent statewide legislative push toward requiring jurisdictions to increase local by-right approvals: removing discretionary actions. Consistent with this legislation, Grover Beach will develop objective design standards for housing and mixed-use development review.

SB 35 – Government Code Section 65913.4

Housing Elements are required to identify sites and methods to achieve a housing target called the regional housing needs allocation (RHNA). When jurisdictions have made insufficient progress toward achieving their lower-income RHNA, these jurisdictions are subject to a streamlined ministerial approval process for proposed developments. The State Department of Housing and Community Development (HCD) reported as of July 2020 that Grover Beach is subject to SB 35 streamlining for all multi-family projects that include 50 percent or more affordable units. If, during this housing element cycle, the City makes insufficient progress toward meeting the above moderate-income RHNA as well as the lower income RHNA by 2028, streamlining would apply for all multi-family projects that include 10 percent or more affordable units.

To qualify, a project:

- Must be located on a site with residential or mixed-use zoning
- Have 75 percent of the perimeter adjoined by parcels that are developed with “urban uses”
- Be consistent with objective zoning and design review standards
- Pay prevailing wage for all construction workers on the project; for larger projects (75 or more units that are not affordable), a skilled and trained workforce must be employed

- Involve no land division, unless the development receives a low-income housing tax credit
- Is not required to have any parking if located within 0.5 miles of a public transit stop, historic district, near car share, etc.; otherwise, provide one parking space per unit

Exceptions to the above include:

- Site may not be located in wetlands, very high fire hazard areas, prime farmland, etc.
- Project cannot be on a site that includes housing occupied by tenants within the past 10 years.

Grover Beach Housing Element Program 6.3 requires the City to establish a written policy, procedure, or other guidance to specify the SB 35 streamlining approval process and standards for eligible projects, consistent with Government Code Section 65913.4.

No Net Loss Provision

Government Code Section 65863 stipulates that a jurisdiction must ensure that its Housing Element inventory of sites to meet the RHNA can accommodate the jurisdiction’s share of the RHNA (by income level) throughout the Housing Element planning period (through 2028 for Grover Beach). If a jurisdiction approves a housing project at a lower density or with fewer lower-income units than identified in the Housing Element, it must quantify at the time of approval the remaining unmet housing need at each income level and determine whether there is sufficient capacity to meet that need. If not, the city must “identify and make available” additional adequate sites to accommodate the jurisdiction’s share of housing need by income level within 180 days of approving the reduced-density project.

Supportive Housing

The Supportive Housing Streamlining Act (AB 2162), effective January 1, 2019, requires supportive housing to be considered a use by right in zones where multi-family and mixed-uses are permitted, including nonresidential zones permitting multi-family uses, if the proposed housing development meets specified criteria. Supportive housing is defined in the City’s Development Code as follows (together with transitional housing):

Transitional housing is defined in Section 50675.2 of the Health and Safety Code as rental housing for stays of at least six months but where the units are recirculated to another program recipient after a set period. Transitional housing may be designed for homeless individuals or family transitioning to permanent housing. Supportive housing is defined in Section 50675.14 of the Health and Safety Code and has no limit on the length of stay, is linked to onsite or offsite services, and is occupied by a target population as defined in the Health and Safety Code.

The law prohibits a local government from imposing any minimum parking requirement for units occupied by supportive housing residents if the development is located within one-half mile of a public transit stop. "Public transit stop" includes local bus stops, rail stops, and bus rapid transit stops.

AB 2162 also requires local entities to streamline the approval of housing projects containing a minimum amount of supportive housing by providing a ministerial approval process, removing the requirement for CEQA analysis, and removing the requirement for a use permit or other similar discretionary entitlements. Grover Beach allows transitional and supportive housing as a permitted use in all zones that allow residential uses, consistent with State law. The Development Code will be reviewed for compliance with State law related to supportive and transitional housing parking and the ministerial approval process.

Density Bonuses

Government Code Section 65915 requires the City to adopt an ordinance that specifies how it will comply with the State-mandated density bonus requirements. The City's density bonus ordinance (Chapter 3, Section 3.20 of the Development Code) defers to State law with exceptions for projects less than five units, where incentives are limited to those identified in the Code. Various new State laws have amended the density bonus requirements in recent years; this section will be updated to ensure compliance with State law and to consider how density bonuses can be used as a tool to encourage more housing development beyond State law allowances, including affordable by design.

AB 2345

Over the years, the State Density Bonus law has become increasingly more generous, allowing additional incentives at lower thresholds for the development of affordable housing. The most recent law, AB 2345 (effective January 2021), decreases the percentage of units that must be affordable in a development while simultaneously increasing the allowed bonuses and concessions. Specific changes associated with AB 2345 include:

- Requires 17 percent of the total units be for lower-income households rather than 20 percent to qualify for two incentives/concessions.
- Requires 24 percent of the total units be for lower-income households rather than 30 percent to qualify for three incentives/concessions.
- Increases cap of bonus percentage from 35 percent to 50 percent.

Because the City's regulations reference State law, these most recent provisions are effective in Grover Beach.

AB 1763

For housing projects in which all units are affordable to low-, very low- and moderate-income residents, AB 1763 (effective January 1, 2020) more than doubles the State-required density bonus to 80 percent.² If the project is located within one-half mile of a major transit stop, AB 1763 eliminates all local government limits on density and allows a height increase of up to three stories or 33 feet. "Major transit stop" is defined for this legislation as rail or bus rapid transit, which are not present in Grover Beach.

Prior to the passage of AB 1763, projects qualifying for a density bonus were entitled to one to three "incentives" and "concessions" to zoning standards, such as reduced setbacks and open space requirements. AB 1763 provides a fourth incentive and concession to 100 percent affordable projects. Qualifying developers are entitled to incentives and concessions even without a request for density bonus units. In addition, supportive housing/special needs housing projects that are 100 percent affordable may also be exempt from providing any parking if located within one-half mile of an accessible bus route or if paratransit services are provided.

² At least 80 percent of the units must be reserved for lower income households and 20 percent of the total units reserved for moderate-income households.

Parking

Density bonus law provides a variety of specific parking standards that cities must accept for eligible projects. If requested by a developer, a city cannot require parking in excess of the following:

- Studios and one-bedroom units: one onsite parking space
- Two- and three-bedroom units: two onsite parking spaces
- Four and more bedroom units: 2.5 onsite parking spaces

If a project is located within one-half miles of a major transit stop and there is unobstructed access to that stop from the development, maximum parking required cannot exceed 0.5 spaces per bedroom, inclusive of handicapped and guest parking requirements. If the development is a for-rent housing development for individuals who are 62 years of age or older, the maximum required parking shall not exceed 0.5 spaces per unit. The development shall have either paratransit service or unobstructed access, within one-half mile, to fixed bus route service that operates at least eight times per day.

Development Code amendments will consider how these provisions of density bonus law may be implemented for affordability by design and changes associated with small lot subdivisions.

Accessory Dwelling Units

State legislation that took effect January 1, 2017 provided significantly more flexibility and latitude for the building of accessory dwelling units (ADUs). Three separate bills took effect January 1, 2017: SB 1069, AB 2299, and AB-2406 and made significant changes to how local authorities can regulate accessory dwelling units. These changes, plus additional refinements over the past five years initiated by the State legislature, have significantly incentivized accessory dwelling units. Single family lots are allowed one detached accessory dwelling unit and one attached junior accessory dwelling unit. Existing structures, such as garages, may be converted to ADUs. On lots with multi-family uses, at least one ADU is permitted, or up to 25 percent of the existing units within a structure, and no more than two detached ADUs.

Grover Beach updated development standards pertaining to ADUs in 2020 to mirror State law (Development Code Section 4.10.015). The California Department of Housing and Community Development (HCD) reviewed the City's ADU Ordinance and found it to be in compliance with State law. The Grover Beach ADU Ordinance will be reviewed for any new State laws applicable starting January 1, 2021. Of particular note for the City will be to consider implications for ADUs on small lot subdivisions and for Planned Unit Developments.

Setting the Context: Current Trends

Regional Tourist Destination

Located between the cities of San Luis Obispo and Santa Maria on California's Central Coast, the area around Grover Beach, known as the Five Cities area, is a well-known summer tourist destination, with sites like Pismo State Beach, Oceano Dunes State Vehicular Recreation Area, and the Guadalupe-Nipomo Dunes National Wildlife Refuge, all of which draw tens of thousands of visitors into the area each year. However, with only 4,000 to 5,000 feet of ocean frontage and one point of access to Pismo State Beach and Oceano Dunes State Vehicular Recreation Area, Grover Beach has not been able to fully capitalize on the tourist spending that occurs within the county, losing out to communities like Avila Beach and Pismo Beach, which offer better beach access.

Oceanfront Location

West Grand Avenue represents the City's commercial core and is a major thoroughfare linking visitors and residents of the Five Cities area to the beach. Several recent and proposed investments along the West Grand Avenue corridor have created positive momentum and developer and business interest in Grover Beach including the beachfront Grover Beach Lodge private development located on State property. However, the distance and barriers between West Grand Avenue and the waterfront and a single beach access point make it more difficult to leverage the City's oceanfront location for economic development compared to neighboring cities.

Oceano Dunes State Vehicular Recreation Area Changes

With the announcement of the Oceano Dunes closure to off-highway vehicles (OHV) as of March 2024, the historic tourism drivers for Grover Beach are shifting. The Oceano Dunes is the only area accessible to OHVs along the Central Coast and the only beachfront OHV area in California, which has contributed to a historical tourism focus in Grover Beach on all-terrain vehicle (ATV) rentals and attraction of tourists that enjoy this type of outdoor activity. An Oceano Dunes District Economic Impact Analysis Report produced by California State Parks in 2016-2017 found that survey respondents' top local activity is ATV riding (62 percent).

While this particular activity may eventually cease to exist, this change could open other possibilities for the beachfront area in Grover Beach and surrounding areas while maintaining the unique vehicle access to the beach between West Grand Avenue and Pier Avenue in Oceano. The closure is designed to provide an opportunity to restore the natural environment and enhance the biodiversity of the site, which could lead to opportunities for ecotourism and environmental education, potentially in partnership with Cal Poly San Luis Obispo. Notably, the economic impact analysis report found that the next most popular activities after ATV riding include beach bonfires, sunsets, and walking/running, indicating that traditional recreational uses are an ongoing and continued attraction for existing and an expanded cohort of visitors. Lastly, given the slated closure of the Pier Avenue vehicle access point in July 2022, West Grand Avenue will see additional vehicular activity as the only vehicle access to the beach and potentially more development interest as a result.

These changes will be a significant adjustment for the local economy in the transition of recreational use in the Oceano Dunes. To prepare for this adjustment and offset potential economic losses in the short-

term, the City is seeking economic support from the State for the local community to adapt to this new reality in uses along the beachfront area.

West Grand Avenue

While the focus of the Development Code update effort is to encourage additional housing production citywide and a more robust mix of uses along West Grand Avenue, disruptions to the retail sector and within the context of the pedestrian experience on West Grand Avenue are also important factors to consider. With traditional brick and mortar retail struggling to compete with online shopping, many cities are looking for strategies to help maintain viability of storefront retail in urban environments. Despite the rise of policies that require the development of ground-floor retail space in vertically mixed-use buildings³ throughout the country, too often these spaces remain vacant and create a drag on project economics due to their size and high construction cost, perpetuating a lack of new investment or continuation of empty ground-floor spaces adjoining a public realm in need of activation. A strategy that builds for hybrid, blended uses—multiple businesses occupying a single space and allowing people to linger in these areas for a longer time—help drive more activity and economic viability. Unfortunately, flexible retail space like this is often precluded or difficult to achieve due to outdated codes and outdated permitting processes that do not account for or accommodate shared uses.

Simplifying and clarifying use definitions in the Development Code is a starting point for allowing these spaces to evolve. For example, expanding the retail definition to include “selling, renting, or exchanging goods, wares, or merchandize” allows for this flexibility. The term blended uses would also need to be defined. The City of Danville recently adopted this concept and defined it as “a mix of uses where 75 percent of the uses in tenant floor space are conforming uses under the subject Downtown Business District Area” and the remaining 25 percent are limited to other conditional or allowed uses. Institutionalizing this concept allows these businesses to operate without needing additional permits or having parking demand and in-lieu fees assessed separately.

In addition, cities are rethinking the idea of mixed-use development to encompass the variety of uses located within an individual block or district, rather than requiring “vertical” mixed-use, with ground floor commercial and residential upstairs, for individual properties.

Retail and Commercial Activity

The lack of retail diversity and missing mid-scale commercial development along West Grand Avenue will likely not be met with demand from the local population within the city. With below-average incomes compared to the rest of San Luis Obispo County, it may be difficult to support additional expansion of the retail sector without outside investors. However, as tourism shifts with the closure of Oceano Dunes, the potential exists to introduce more experiential commercial uses that will benefit from and increase the attraction of Grover Beach to a new cohort.

Street Network and Connectivity

The City’s existing street pattern is well suited for pedestrian and bicycle activity. The numbered street grid offers benefits including ease of navigation and multiple paths to reach any destination. Locals living within a three-block radius of West Grand Avenue can reach the corridor within five minutes on foot.

³ Grover Beach requires residential projects to include a commercial component in some areas; however, the CBO zone allows for stand-alone residential uses.

The surrounding six-block radius, which encompasses over 3,000 individual parcels, are within a 10-minute walk of activities on West Grand Avenue.

Streetscape Design

Despite the mild climate and high-quality natural environment, the West Grand Avenue corridor offers very few public spaces for outdoor dining, walking, cycling, and gathering. A lack of landscaping, and rapid automobile movement along West Grand Avenue on a four-lane roadway create an uncomfortable environment for pedestrians and cyclists. Additionally, while the corridor has an eclectic mix of storefronts, most are separated by large parking lots in non-distinctive strip malls. The lack of clustered, well-designed businesses has resulted in an overall feel and character lacking memorable qualities.

Ongoing investments in street improvements along West Grand Avenue are helping to mitigate some of the less than favorable perceptions of Grover Beach as a lower quality/cost alternative to Pismo Beach. Additionally, the West Grand Avenue right-of-way is 100 feet wide for most of the length between Highway 1 and Oak Park Boulevard. This width currently is dedicated primarily to facilitating car through traffic. The exceptional width of West Grand Avenue, while once seen as a problem, is now a major asset for introducing a “complete street” cross section that improves the pedestrian experience and affords a high-quality recreational bicycle route while calming cars and offering more available parking. All of these opportunities, properly harnessed, can further increase the livability and attractiveness of the community for residents and visitors.

Housing Trends

Affordability by Design

In general, units that are “affordable-by-design” should cost less to produce because they are small and efficiently designed, and thereby remain at a lower cost to the end user without deed restrictions and covenants. In nearby Atascadero, a new affordable-by-design project is under construction (Grand Oaks). One of the benefits of this model is its simplicity; these units can be produced by interested developers. However, to drive the market to focus on affordable-by-design units, incentives (or requirements) may be required, as the overall profit margin may be smaller per unit.

The model can be more difficult to execute on smaller lots (where achieving required parking becomes difficult), and on sloped lots where topography interferes with simple building design. And while less overall square footage is involved in smaller units, the cost per square foot to construct is higher than larger units because fixed costs—approvals, bathrooms, and kitchens—are often the same as in larger units. Cost savings are most often achieved when the geometry and massing of buildings can be very basic: a repetitive typology that is simple to draw, bid, build, and market. The critical regulatory issue here is to simplify framing and massing and focus on materiality, proportion, and detailing.

While units that are affordable-by-design contribute directly to a lower housing cost burden for the families who reside within them, without a deed restriction or requirement, rents and sales prices may eventually rise to levels that are considered unaffordable—especially if they are well designed and located. Furthermore, affordable-by-design will not produce any sustainably low- or very low-income units (which are of the highest need), without subsidy and deed restrictions.

The Development Code should also be reviewed to ensure that manufactured housing is allowed to support affordability by design development, including both single-family and multi-family residential development.

Limited Vacant and Developable Spaces

Grover Beach has very few large parcels that are vacant or consist of contiguous lots to accommodate new residential development. To create more efficient development with more units, land assembly of several lots would be required. This drives up project costs, risks, and timeframes. However, examples of more incremental approaches to intensifying existing parcels with new infill development exist, and this path does present a unique opportunity to accrue more fine-grained increases in housing stock.

Comparably Low Maximum Density

Compared to surrounding cities in San Luis Obispo County, Grover Beach’s maximum allowed housing densities are fairly low. Higher densities are directly related to favorable outcomes associated with increases in production of housing. Table 1 outlines allowed densities and building heights in Grover Beach and nearby cities. It should be noted that while most jurisdictions calculate density using net acreage (measuring area based on the property boundaries), Grover Beach calculates density based on gross acreage (including up to the street centerline). As such, effective densities in Grover Beach are closer to 24 to 25 dwelling units per acre.

TABLE 1: DENSITY, INTENSITY AND HEIGHT ALLOWANCES – COMPARISON TO NEARBY CITIES		
	Maximum Density and Intensity	Maximum Height (ft)
Grover Beach ⁴		
Low Density Residential	1 to 5 du/ac	16 ft/25 ft ⁵
Medium Density Residential	6 to 9 du/ac	25 ft
High Density Residential	10 to 20 du/ac	32 ft
Central Business District – Mixed-Use	20 du/ac ; 3.0 FAR	40 ft/50 ft ⁶
Visitor Serving – Mixed-Use	20 du/ac ; 3.0 FAR	40 ft/50 ft ⁷
Neighborhood Serving – Mixed-Use	9 du/ac; 0.75 FAR	30 ft
Pismo Beach ⁸		
Low-Density Residential	1 to 8 du/ac	25 ft
Medium-Density Residential	9 to 15 du/ac	25 ft
High-Density Residential	16 to 30 du/ac	35 ft
Very High-Density Residential Overlay	20 to 50 du/ac	45 ft
Mixed-Use	1.25 FAR	Determined by Overlay Zone
Arroyo Grande ⁹		
Single Family Residential	1 du/2.5 ac to 1 du/ac	30 ft

⁴ City of Grover Beach Land Use Element, Land Use Diagram and Standards, 2020.

⁵ North of Grand Avenue heights are limited to 16 feet or up to 25 feet with a Development Permit. South of Grand Avenue the height limit is 25 feet.

⁶ Buildings up to 50 feet are allowed on West Grand Avenue in the Central Business Zone.

⁷ Buildings up to 50 feet are allowed for properties at the corner of West Grand Avenue and 4th Street.

⁸ City of Pismo Beach Land Use and Community Design Element, Table LU-3, Land Use Density/Intensity Limits, 2012.

⁹ City of Arroyo Grande Fringe and Urban Area Land Use Element.

TABLE 1: DENSITY, INTENSITY AND HEIGHT ALLOWANCES – COMPARISON TO NEARBY CITIES		
	Maximum Density and Intensity	Maximum Height (ft)
Low Medium Density	2.5 du/ac	35 ft
Medium Density	4.5 du/ac	35 ft
Multi-Family, Medium High Density, Townhouse/Condo	9 du/ac	35 ft
East Grand Ave Master Plan	25 du/ac; 1.5 FAR	35 ft
High Density Apartments	14 du/ac	35 ft
Very High Density	25 du/ac	35 ft
Mixed Use, Village Core, Office, PD, SP, and CF	25 du/ac	Varies

Maximum height limits can also be a constraint to housing development. Different uses require variation in story height, as measured between floor and ceiling. Best practices require the following minimums for each use:

- Office: 12 feet
- Retail: 15-18 feet
- Residential: 10 feet

California Building Code has evolved significantly in recent years to allow for taller buildings to be built with wood frame construction methods (less expensive than previously required steel construction methods). As a result, demand for taller buildings is increasing throughout the State. The demand for taller buildings is also correlated with greater financial feasibility for projects to “pencil” with an increased number of units allowed.

Housing Market Context

Although one of the more affordable beach towns, compared to land prices in other cities in San Luis Obispo and neighboring counties, development costs in Grover Beach remain high due to a lack of vacant land, small lots needing assembly, high labor and construction costs, reluctant-to-sell legacy landowners, a small increase in new construction resulting in few rental comps, and local vacation/second home demand. With small profit margins smaller projects (there are very few large developable areas remaining), developers might look to neighboring cities with greater opportunities.

In May 2021, Grover Beach home prices were up 34 percent compared to 2020, selling for a median price of \$670,000. There were 22 homes sold in May 2021, up from 17 in 2020. The average rent for a 2-bedroom apartment in Grover Beach was \$1,825 in August 2021. This is a 7 percent increase compared to the previous year.

TABLE 2: POPULATION AND HOUSING ESTIMATES ¹⁰						
	Population		Housing Units		Vacancy Rate	
	2010	2021	2010	2021	2010	2021
Grover Beach	13,156	13,128	5,748	5,873	11.1	9.2
Pismo Beach	7,655	8,108	5,585	5,838	31.4	27.2
Arroyo Grande	17,252	17,555	7,628	7,939	7.1	5.1
San Luis Obispo County	269,637	271,172	117,315	124,468	13.0	12.0

TABLE 3: HOUSING MARKET TRENDS ¹¹					
	Units Sold		Median Price		Percent Change
	2020 ¹²	2021	2020	2021	2020-21
Grover Beach	17	22	\$500,000	\$670,000	34
Pismo Beach	10	18	\$695,000	\$1,251,500	80.1
Arroyo Grande	35	43	\$819,250	\$715,000	-12.7
Oceano	5	10	\$417,500	\$527,500	26.3
San Luis Obispo County	269	442	\$585,000	\$700,000	19.7
Santa Barbara County	268	439	\$500,000	\$727,000	45.4
Monterey County	201	349	\$585,000	\$750,000	28.2

TABLE 4: MEDIAN RENT (AUG 2021) ¹³						
	Units Available		Average Rent		Year-Over-Year Change	
	Grover Beach	Pismo Beach	Grover Beach	Pismo Beach	Grover Beach	Pismo Beach
Studio	2	10	\$1,200	N/A	0%	N/A
1-bedroom	1	1	\$1,400	\$1,850	0%	0%
2-bedroom	5	27	\$1,825	\$2,400	7%	2%
3-bedroom	5	15	\$2,750	\$3,500	22%	15%
4-bedroom	1	2	N/A	\$3,900	N/A	0%

Vacation Rental Demand¹⁴

Grover Beach has a Short-Term Rental (STR)/Vacation Rental permitting process. As of August 2021, 110 non-owner- and owner-occupied short-term rental permits have been issued. Owner-occupied permits are not limited while non-owner-occupied units are limited in number based on the location of the rental home. A total of 60 permits can be issued for homes located in the non-coastal areas, while a total of 40 permits can be issued for homes within the coastal zone.¹⁵ Platforms such as Airbnb, VRBO, etc. do not remit transit-occupancy and other taxes to the City; it is the permittee's responsibility to

¹⁰ Dept of Finance E-5 Population and Housing Estimates, 2021.

¹¹ CoreLogic, California Home Sale Activity by City, May 2021.

¹² CoreLogic, California Home Sale Activity by City, April 2020.

¹³ www.zumper.com/rent-research, 2021.

¹⁴ www.groverbeach.org/366/Transient-Occupancy-Tax-Tourism-Marketin, 2021.

¹⁵ www.grover.org/345/Short-Term-Rentals-Vacation-Rentals, 2021.

ensure payments are made. As of July 1, 2020, taxes collected for short-term rentals in Grover Beach include:

- Transient Occupancy Tax (TOT): 12 percent
TOT fees collected by the City are deposited into the City's General Fund and are used to fund projects throughout the City, including but not limited to, police, parks and recreation, road maintenance, and other City services.
- San Luis Obispo Tourism Marketing District (TMD): 1.5 percent
TMD fees are collected by the City, transferred to San Luis Obispo County, and used for marketing, advertising, tourist, and economic development purposes.

Short-term rentals may impact the housing stock by removing units from permanent housing and reserving for short-term use. Cities with high demand for short-term rentals must balance the demand for vacation rentals with the need for housing. The City's maximum allowance of 100 non-owner-occupied units of short-term rentals strikes a balance between these two demands. Options for consideration include periodic re-evaluation of short-term rental demand vs. housing demand, as well as revenues associated with taxes collected by short-term rentals. An additional tax or a designation of a portion of the TOT could be explored, if warranted, to support affordable housing production.

Issues and Recommendations

Review of Grover Beach Development Code

This section evaluates the Grover Beach Development Code as it related to residential development. To help identify impediments to residential development and standards and processes that currently work well, stakeholder interviews were conducted with local developers, design professionals and large land owners who shared their experiences with advancing housing in the community, and suggested recommendations for how the Development Code can better support their projects. This information, along with findings from the trends section above, best practices, and the constraints section of Grover Beach’s 2020 – 2028 Housing Element, were used to inform the options/recommendations set forth in the following subsections. These options are wide reaching and not all are intended to be implemented; rather the universe of options is presented to begin discussions with City Council about preferences for change.

Process

In some cities, the process associated with obtaining approval for new construction is so time-consuming or costly that it stifles the amount of new development. Among other causes are delays in issuance of necessary approvals and entitlements, requirements to obtain variances or special use permits, and unclear or conflicting guidance across or within agencies. While streamlining the development approval process is unlikely to result in an immediate increase in the housing supply, improvements in the regulatory environment can make cities more attractive to for-profit developers and non-profit developers of affordable housing, helping to increase the housing supply over the long term and moderate price increases.¹⁶

The Housing Element acknowledges that the service-oriented attitude of the Community Development Department has resulted in some of the shortest permit processing times in the region. Other ways the City is expediting processes is by conducting environmental review concurrently with project processing, having the Community Development Department coordinate directly with other City departments, and encouraging pre-application meetings where staff provides initial project comments, which expedites project processing. It is also noted that most projects in Grover Beach are categorically exempt under CEQA, and Administrative Development Permits (the review process for small projects) are approved by the Director and do not require a public hearing, allowing for a faster approval process.

Grover Beach allows residential uses in many zones – both residential and nonresidential. All commercial zones allow mixed-use with a Use Permit, which requires Planning Commission review. Stand-alone residential uses are permitted in the CB-O zone with Use Permit approval. Live/work is allowed in all commercial zones with a Use Permit except CB, RC, and VS/CVS. The OP zone currently does not allow stand-alone multi-family, residential care facilities for the elderly, or senior housing.

Table 5 outlines the permit(s) needed, review authority, and whether public notice and public hearing are required.

¹⁶ Local Housing Solutions, <https://localhousingsolutions.org/housing-policy-library/streamlined-permitting-processes/>, 2021.

TABLE 5: DEVELOPMENT CODE ANALYSIS – EXISTING PROCESS

Permit Type and Requirements				
	Public Notice Required (Y/N)	Public Hearing Required (Y/N)	Review Authority	Code Section ¹⁷
Administrative Development Permit <ul style="list-style-type: none"> • Modifications to existing development <ul style="list-style-type: none"> ○ Multi-family ○ Conversion of commercial to residential • Minor additions (less than 1,000 sq ft) 	No	No	Director	6.20.020
Development Permit: <ul style="list-style-type: none"> • New Development • Major Additions (greater than 1,000 sq ft) 	Yes	Yes	Planning Commission	6.20.060
Administrative Use Permit	Yes	Yes	Director	6.20.030
Use Permit	Yes	Yes	Planning Commission	6.20.090
Variance	Yes	Yes	Planning Commission	6.20.100
Coastal Development Permit (for all other than very minor modifications)	Yes	Yes	Director/ Planning Commission	6.20.040

During stakeholder interviews, participants agreed that Grover Beach works expeditiously to get permits approved but noted opportunities to improve the process and make the City more competitive for attracting developers. The following options are intended to spur conversations about potential amendments and are not to be perceived as recommendation. Options to consider to streamline the development review process are:

- Develop regularly scheduled information sessions for applicants to learn about City standards and processes, and/or implement a recurring one-day seminar for teams wanting to be on an on-call list for new development opportunities
- Continue to engage the Development Review Committee (DRC) as a one-stop process for developers interested in new projects where they can meet with all departments at one time as part of the pre-application process.
- Continue to develop and agree upon approval timelines at project start
- Hire additional staff
- Consider removal of Use Permit requirement (consider Administrative Use Permit or permit by right) for:
 - stand-alone residential uses in the CB-O zone
 - senior housing in the CB and CB-O zones
 - mixed-use and live/work uses (or those of a certain size)
- Clarify and/or revise Development Code to note that Permitted (P) uses do require a Development Permit, if new construction and are not ministerially approved

¹⁷ Additional restrictions apply. See Code Section for additional details.

- Consider removal of Development Permit requirement (consider Administrative Development Permit or permit by right) for:
 - Multifamily residential projects in the R2 and R3 zones (or those of a certain size)
 - Multifamily residential projects in the West Grand Avenue Corridor (or those of a certain size)
 - Mixed-use projects in the West Grand Avenue Corridor (or those of a certain size)
 - Consider retaining Development Permit for PUDs to allow for continued discretion as the ADU regulations continue to evolve at the State level
- Apply discretionary review through Development Permit for projects that do not comply with objective standards
- Expand areas where stand-alone residential may be allowed to other commercial zones
- Remove OP zone and rezone the few parcels where OP applies as CBO
- Streamline ministerial processes for uses required by State law (i.e., transitional and supportive housing)

Building Height

Developers interviewed noted that additional height, particularly along West Grand Avenue, could increase development interest and result in more viable projects. The majority of West Grand Avenue is limited to 40 feet in height; a small portion is allowed 50 feet. (Development Code Section 2.30.040, Table 2.5, Endnote 1 allows for a maximum building height of 50 feet for properties at the corner of West Grand Avenue and 4th Street, and on West Grand Avenue in the Central Business zone). Current building heights allowed by the Development Code are outlined in Table 6. The only exception is in the R1 zone north of West Grand Avenue where heights are limited to 16 feet unless a finding is made that views will not substantially obstruct views from adjacent properties. This subjective finding creates uncertainty for a property owner not knowing whether the residence is appropriately designed and may be inconsistent with the Housing Accountability Act. City staff indicated that no project has been denied based on view obstruction since 2006.

TABLE 6: DEVELOPMENT CODE ANALYSIS – EXISTING ALLOWED HEIGHT						
2.20.040 Residential Zones Development Standards						
	R2	CR2	R3	CR3		
Building Height (max.)	25'	25'	32'	32'		
2.20.040 Commercial Zones Development Standards						
	CB/CB-O	NC	OP	RC	VS/CVS	CC
Building Height (max.)	40'*	30'	40'	40'	40'	25'
* 50' for properties at the corner of West Grand Avenue and 4 th Street, and on West Grand Avenue in the Central Business zone.						

The following options are intended to spur conversations about potential amendments and are not to be perceived as recommendations. Development Code amendment options to consider include:

- Review rules of measurement for height; consider additional exemptions/projections that can exceed maximum building height, such as elevator shafts and architectural features (without requiring a Use Permit)
- Clarify Development Code Section 2.30.040, Table 2.5, Endnote 1. Options:

- Apply the height increase just at the corner properties; or
- Apply the height increase to the full block at W. Grand and 4th; or
- Apply the height increase just to those properties facing W. Grand/4th
- Expand height increase along W. Grand Avenue. Options:
 - Allow additional height throughout the Central Business zone
 - Allow additional height in the Central Business Open zone (either just W. Grand Ave. frontage or entire block)
- Allow additional height in the CVS and VS zones (either just W. Grand Ave. frontage or entire block) Increase maximum from 50' to 55' to allow for ground floor retail where 50' is currently allowed
- Consider additional unique locations to allow 55' on catalytic sites
- Consider requiring community benefits associated with additional height allowance
- As part of the objective design standards for single family residences, consider allowing residences over 16 feet by right but require projects to comply with objective design standards for portions over 16 feet such as limiting the second story to a percentage of the first floor and/or increasing setback for second stories. Allow for a discretionary review process for projects that choose to deviate from objective standards.

Density

Although density is not explicitly mentioned as a constraint in the Housing Element, developers all agreed that the City could explore new ways of allowing more density for residential development. Even if other standards are put in place to allow more housing to be built, a low-density cap will preclude these efforts. Current densities allowed by the Development Code are outlined in Table 7.

TABLE 7: DEVELOPMENT CODE ANALYSIS – EXISTING DENSITY						
2.20.040 Residential Zones Development Standards						
	R2	CR2	R3	CR3		
Density (units/acre)	9	9	20	20		
2.30.030 Commercial Zones Development Standards						
	CB/CB-O	NC	OP	RC	VS/ CVS	CC
Density (units/acre)	20	9	20	9	20	9
FAR (max.)	3.0	0.75	1.0	0.5	3.0	1.5

The following options are intended to spur conversations about potential amendments and are not to be perceived as recommendations. Recommendations that came out of the interviews included:

- Raise the density cap
- Implement fractional/alternative unit density measurement (i.e., a unit less than 600 square feet is considered 0.5 units) to incentivize smaller units within the existing density structure
- Reduce minimum unit size and encourage more microunits
- Examine the role of density bonuses
- Continue to use gross density rather than net (calculate lot area from the center line), but recognize that increases allowed density for certain parcels, including those on wider streets and those located at a corner

Parking

While the Housing Element states that “parking standards are reasonable and are not considered constraints to residential development,” current parking standards can be perceived as an impediment, and reductions in parking minimums are a critical factor in allowing for increased housing production. Table 8 summarizes the existing Development Code parking standards.

TABLE 8: DEVELOPMENT CODE ANALYSIS – EXISTING PARKING
3.50.040 Required Parking Spaces
A. Minimum Number of Spaces Required
Single Family: 2 spaces per unit
Multi Family: 1 guest space per every 4 units plus parking per unit as follows: <ul style="list-style-type: none"> • Studios: 1 space per unit • One-bedroom units: 1 space per unit • Two or more-bedroom units: <ul style="list-style-type: none"> • Extremely-low-, very-low-, and low-income affordable housing units in all zones: 1.5 spaces per unit • CVS, VS, CB, CBO, and CC zones: 1.5 spaces per unit All zones other than CVS, VS, CB, CBO and CC zones: 2 spaces per unit
Accessory Dwelling Units or Tiny Homes: None
Senior Housing: 1 space per unit plus 1 guest space per every 4 units
Live/Work Units: Based on the area of commercial/industrial use or a minimum of 2 spaces, whichever is greater
Condominiums or Planned Unit Developments: 2-car garage plus 1 guest parking space per every 2 units
High Occupancy Residential: 1 space per adult occupant, minus 2 spaces of the aggregate

The following options are intended to spur conversations about potential amendments and are not to be perceived as recommendations. Options for consideration include:

- Reduce parking requirements to one parking space per unit in commercial zones and multi-family unit types
- Remove parking requirement for live/work units if the work area is small, or base parking requirement on number of units and provide a conservative standard such as 0.5 spaces per unit
- Base reduced parking standards on size and/or unit type, regardless of use
- Change guest parking requirements and/or eliminate for mixed use projects
- Revisit garage parking requirements for PUDs and condominiums
- Allow for site designs that facilitate tuck-under parking (due to its relative affordability)
- Allow on-street parking to count toward guest or other on-site requirements for residential uses (such credits are already available for commercial uses in some commercial zones)
- Where alternative mobility options are available, consider parking maximums
- Consider removing parking maximums and allowing the market to tailor building design
- Allow more flexibility for parking to be in setback areas, particularly in the back of the building or for garages to be grouped or built on the lot line
- Expand eligibility for off-site parking facilities, such as expanding the maximum distance parking can be located from the primary use
- Develop a Parking District for West Grand Avenue

Parcel Size, Setbacks, and Open Space

Minimums/maximums on parcel size, setbacks, and open space can constrain the buildable area of a site and prevent the greatest number of units to be constructed. The Housing Element states that “minimum parcel size and setback requirements in Grover Beach are not unusually strict and are not considered a constraint to the development of affordable housing.” Additionally, most developers did not mention these requirements as a major impediment, although some recommended reducing or removing the requirements. A recent Development Code amendment (2019) eliminated minimum lot sizes, increased lot coverage, and reduced open space requirements for planned unit developments (PUDs), which eliminated barriers in the R3/CR3 zones. These changes are similar to other innovative ordinances throughout California, such as Sonoma’s cottage ordinance or the City of Los Angeles’ small lot ordinance (lots allowed as small as 700 ft). Table 9 summarizes existing Development Code Standards related to setbacks, parcels sizes, and open Space.

TABLE 9: DEVELOPMENT CODE ANALYSIS – EXISTING PARCEL SIZE, SETBACKS, AND OPEN SPACE				
2.20.040 Residential Zones Development Standards				
	R2	CR2	R3	CR3
Setbacks (min.)				
Front	15'	15'	15'	15'
Side	5'	5'	5'	5'
Street Side	10'	10'	10'	10'
Street Side (garage door facing street)	20'	20'	20'	20'
Rear	10'	10'	10'	10'
Lot Coverage (max.)	50%	50%	60%	60%
Lot Size (min. sq. ft.)				
Residential	6,000	6,000	6,000	6,000
Non-Residential	20,000	20,000	20,000	20,000
Lot Width (min.)				
Residential	60'	60'	60'	60'
Non-Residential	100'	100'	100'	100'
Lot Depth (min.)	90'	90'	100'	100'
Landscaping	35%	35%	20%	20%

The following options are intended to spur conversations about potential amendments and are not to be perceived as recommendations. Potential options for discussion/consideration to further encourage more housing development include:

- Setbacks: consider reducing standards for setbacks for smaller unit sizes, or allowing additional encroachments into existing setbacks (such as porches).
- Lot Size: Consider reducing minimum lot size to allow for small lot divisions without a PUD (i.e., 3,750 square foot lots)
- Lot Width and Depth: Consider reducing minimums to allow for small lot subdivisions without a PUD
- Lot Coverage: Consider redefining what contributes to lot coverage/definitions

- Private Open Space: Consider reducing or eliminating required private open space areas, especially for mixed-use projects in commercial zones.
- Review historic development patterns to identify nonconforming lots that could be incentivized to redevelop with changes to minimum lot widths and depths.

Fees

Fees for developing residential housing in Grover Beach include planning, building, and development impact fees. The Housing Element proposes a program to monitor development impact fees and revise them if they are a constraint for developers, but overall, they are not considered a significant factor contributing to high housing costs in Grover Beach. Total fees represent about five percent of the total costs to construct a single-family unit and six percent of the total costs to construct a multifamily unit.

Developers said that fees are comparable to neighboring cities but would encourage a comparison with surrounding cities to ensure Grover Beach is not at a disadvantage. They also claimed that the same impact fees across the board can negatively impact smaller development and would propose making fees commensurate to development and unit size. Currently, the City of Grover Beach Master Fee Schedule applies impact fees per unit. This could be revised to a per square foot basis, with a goal of incentivizing smaller units, consistent with Housing Element Program 6.1.

Infrastructure

Infrastructure upgrades require investments that are not always proportional to the project size, in some cases making projects infeasible. Constraints such as lack of adequate water, sanitary sewer lines, electricity, and other essential public utilities and services can preclude development and/or greatly increase cost. In particular, the undergrounding of utilities can add substantial cost to projects, especially small projects. Cities throughout California established requirements for the undergrounding of utilities decades ago. Since then, the costs of undergrounding have increased. Undergrounding a small portion of a block may result in the required installation of *more* utility poles than existed before, limiting the beneficial impact.

In the interviews, developers focused on off-site improvements that drive up project costs. Coupled with small parcels and small yields, infrastructure upgrades create a high-cost burden per unit. Interviewees suggested a need for public dollars to better fund infrastructure that benefits more than just the project under approvals.

Revisions Required by Housing Element

The 2020 – 2028 Housing Element identifies potential revisions needed for the Development Code to help advance housing goals for Grover Beach. These revisions and next steps to carry them out are listed in Table 10 below.

TABLE 10: REQUIRED HOUSING ELEMENT REVISIONS			
PROGRAM NUMBER	NAME	REQUIREMENT	NEXT STEPS
1.3	Emergency Shelter Overlay Zone	Evaluate need to expand Emergency Shelter Overlay Zone to appropriate areas subject to development standards in the Development Code.	Review and confirm adequate area available to support homeless facilities. Housing Element Program 4.2 may support this analysis.

TABLE 10: REQUIRED HOUSING ELEMENT REVISIONS			
PROGRAM NUMBER	NAME	REQUIREMENT	NEXT STEPS
1.7	State Employee Housing Act	Amend development code to treat employee housing that serves six or fewer persons as a single-family structure	The City completed this Development Code amendment. However, in addition, California Health and Safety Code Section 17021.6 generally requires that employee housing consisting of no more than 36 beds in group quarters (or 12 units or less designed for use by a single household) be treated as an agricultural use. This will be clarified in the Code update.
1.8	SB 2 Implementation	Amend development code to allow more residential development without discretionary review (objective design standards)	Identify projects that will be allowed by right. Identify critical components of good design to incorporate into objective design standards. Consider structure of objective design standards, including allowing for compliance based on achieving a certain number of standards from a menu of options to allow for flexibility.
3.2	Density Bonus	Review development code and update density bonus ordinance to be compliant with current state law	Review and update to comply with State law.
3.4	Child Care & Intergenerational Facilities	<p>Amend development code to address childcare needs and needs of seniors. Consider options.</p> <p>The Housing Element states that the City shall consider requirements such as the following:</p> <ul style="list-style-type: none"> • Affordable housing developments include on-site childcare. • New developments with more than 50 housing units or 50,000 square feet of commercial or industrial space to prepare a Child Care Facilities Needs Assessment. The purpose of this assessment is to evaluate new childcare demands created by new residents and employees in relation to available community resources. • Promote intergenerational facilities such as senior centers located in the same place with or nearby childcare centers. 	<p>It is not recommended to impose additional requirements/burdens on housing to address childcare and intergenerational needs. Instead, the City could explore incentives for provision of these types of facilities. Incentives may include:</p> <ul style="list-style-type: none"> • Reduced parking • Additional density bonus • Additional height • Allow on-site daycare facilities to meet commercial component of mixed-use projects

TABLE 10: REQUIRED HOUSING ELEMENT REVISIONS			
PROGRAM NUMBER	NAME	REQUIREMENT	NEXT STEPS
		<ul style="list-style-type: none"> • After studying the options above, determine whether a program will be established, and establish and publicize program if initiated. 	
4.2	Low Barrier Navigation Center	Make necessary revisions to allow low barrier navigation centers	Low Barrier Navigation Centers must be allowed by right in all commercial and mixed-use zones. Zone text amendments will include new definitions and changes to allowed land uses.
4.4	Public Facilities (PF) Zone	Amend development code to prohibit all residential uses in the PF zone	Zone text amendments will include changes to allowed land uses.
6.4	Accessory Dwelling Units	Amend development code to permit ADUs in the CB-O zone	Zone text amendments will include changes to allowed land uses.

West Grand Avenue Master Plan

Adopted in 2011, the West Grand Avenue Master Plan focuses on flexible, high-quality guidelines for architecture and public streetscape enhancements in three distinct districts along the corridor to create vibrant activity centers that serve both tourists and residents. While compliance with the West Grand Avenue Master Plan guidelines is not mandatory, they are currently used as criteria for Community Development Department Staff recommendations and Planning Commission project approval.

This section evaluates the design guidelines outlined in Chapter 3 of the West Grand Avenue Master Plan. Topics covered in Chapter 3 of the West Grand Avenue Master Plan include:

- Site Planning
- Commercial Development
- Residential Development
- Frontages
- Massing
- Architectural Character

Design guidelines are sets of recommendations geared towards good practice in design. A design guideline is thus intended to help designers, developers, and architects understand how to implement a principle, without restricting their creativity in design, as the commanding inflexibility of a rule or standard might. Design guidelines are considered low in authority and are more general in application. By contrast, design standards provide a set of threshold requirements and are higher in authority but should be limited in application to avoid inflexibility in the design process. The Master Plan’s existing design guidelines include the following common design categories:

- Parking
- Street Network and Connectivity
- Circulation
- Mass and Articulation

- Orientation
- Roof Forms
- Frontage
- Colors and Materials
- Ground Surfaces and Paving
- Streetscape Design
- Signage
- Outdoor Lighting
- Equipment and Service Areas
- Open Space and Landscaping
- Ancillary Structures

More specificity, reclassification, and reorganization will be required to address the repetitive nature and feasibly convert design guidelines into objective design standards. Since the objective design standards for development on West Grand Avenue will be incorporated into the Development Code, the design guidelines in the West Grand Avenue Master Plan will likely be deleted.

Implementation Options

The City of Grover Beach has the potential to increase housing production and revitalize West Grand Avenue. Incentivizing housing development to meet the community's diverse needs and leverage the City's potential will require a multi-pronged approach beyond simply updating City codes, standards, and streamlining approval processes. Several local developers who are familiar with the City's Development Code have capitalized on small-scale opportunities. A more focused developer-facing program and outreach strategy is needed to attract high quality and creative developers who understand the City's potential and partner with City staff to provide catalytic projects. In line with the Grover Beach City Council FY 2021-23 Goals, increased housing production and infill development, addressing housing affordability, COVID-related economic recovery strategies, business retention and attraction, effective and timely permit processing, and tourism promotion can be addressed simultaneously through collective planning, marketing, and finance efforts, some of which are outlined below.

Partnerships and Marketing Strategy

Grover Beach has a reputation as a business-friendly community with a local government that is relatively easy to work with, compared to other Central Coast communities. As mentioned during the stakeholder interviews, the City already "moves at the speed of business." Although interviewees spoke highly of partnering with the City once a proposed development was underway, the City must be more proactive in stimulating the local market. Strategies to consider include:

- Seek out more Public Private Partnerships
- Initiate an Urban Land Institute (ULI) Technical Assistance Panel to evaluate West Grand Avenue and the changing economic climate, drawing experts from around the country to analyze Grover Beach and expand awareness within the developer community of local opportunities
- Develop a marketing strategy to attract new developers from outside the region and brand the City
 - Partner with Chamber of Commerce who has already initiated branding and marketing local attractions through the development of www.visitgroverbeach.com
 - Buy advertisements in business publications and attend conferences to market opportunities
- Identify a devoted champion to help facilitate partnerships, conversations, and innovative solutions to market constraints on the City's behalf, whether that be a staff person, consultant, economist, etc.
- Develop a series of information sessions for developers and property owners, such as "talk to an economist," "talk to an architect," etc.
- Consider additional funding sources to specifically support City-led marketing efforts

Fees

Development code standards and fees that appear to be barriers to housing construction are addressed in the Issues and Recommendations section of this report, including options for consideration.

Additional strategies include:

Revise Impact Fees

Housing Element Program 1.6 states that the City will modify development impact fees to index fees based on size of unit, providing lower fees for small units where there is a demonstrated nexus, encouraging affordability by design. If constraints are identified, the City shall revise the fee schedule accordingly while balancing infrastructure needs to support housing development.

Fee Deferrals

While impact and permitting fees serve an important purpose, the cumulative cost can affect the financial viability of affordable housing projects. Cities have access to a variety of ways to encourage the development of new affordable housing through fee modifications for developers of qualifying projects. Cities, towns, and counties considering permitting or impact fee modifications for qualifying affordable developments should aim to structure the program in a way that makes affordable housing more cost-effective to develop while avoiding adverse impacts on funding levels for key expenses that serve other community goals.

One example that has found success is to allow for deferred fee payment. The short-term construction loans available at the start of the development process carry relatively high interest rates compared with longer-term permanent financing. Deferred fee payments allow developers to make payments after securing long-term, lower-cost financing, while the community still collects the expected revenue and avoids budget shortfalls in other areas. Regulations would need to specify when payment of deferred fees is required including an interest component of the deferral (e.g., when permanent financing is secured, when a certificate of occupancy is issued, etc.), as well as any penalties associated with failure to deliver the affordable units within the promised timeframe.

As an example, the City of Folsom, California allows developers of qualified residential projects to apply to pay impact fees on a deferred basis (up to 15 months from the date of issuance of a building permit). Eligible projects are those in which at least 10 percent of units are affordable to very low-income households or at least 30 percent of units are affordable to low-income households.

Objective Design Standards

As Grover Beach continues to grow and change, identifying design solutions that work for a variety of natural and urban environments can help create new opportunities for housing, economic development, and activity. Objective design standards intend to provide guidance for achieving high-quality building design and site plans that will result in more attractive, livable, and safe streets and districts. They aim to be prescriptive enough to create a framework for design and to carry out the community's vision but flexible enough to allow for creativity and innovation in design and planning. Objective design standards offer developers and the community a clear understanding of the City's expectations for development. Standards typically apply to specific development types, i.e. Multi-Family Residential, Mixed-Use, etc. Today, very few cities have codified design standards without also relying on design guidelines. However, State laws limiting discretionary approvals and requiring ministerial reviews for more types of projects are now in effect. As such, many municipalities are currently in the process of preparing objective design standards in order to comply with State law and ensure high-quality design projects moving forward. Some early examples and best practices include:

- Santa Rosa Objective Design Standards for Multi-Family Residential Development (2019)
- Santa Barbara Objective Design Standards for Streamlined Housing Projects (2021)

- Petaluma Objective Design Review Standards for Multi-family Residential Development (2019)
- Town of Windsor Multifamily Residential Design and Development Standards (2021)
- Gilroy Multi-family Residential Objective Design Standards (2021)

Objective design standards are written as requirements, rather than guidelines; therefore, all projects must comply with each standard. Typically, objective design standards regulate site and structure design. Projects must also comply with all applicable building permit requirements and development standards such as height, setbacks, floor area ratio, etc., regulated in Grover Beach by the Development Code. Developing objective design standards provides a unique opportunity to revisit a city’s development review processes. Projects that conform to the objective design standards are typically approved ministerially at the Planning counter, without discretionary review by the Planning Commission, etc.

Funding Sources

Limited funding sources for market rate and affordable housing development is a major constraint to housing production, particularly in small cities. The burden often falls on local jurisdictions to implement creative ways to ensure funding while remaining competitive.

COVID-19 Impact and Existing City Revenue Sources¹⁸

TABLE 11: GROVER BEACH EXPENDITURES AND REVENUES, 2020-23			
OPERATING BUDGET			
Fiscal Year	2020-21	2021-22	2022-23
Total Expenditures	\$30,837,074	\$37,713,376	\$33,055,341
General Fund	\$12,663,389	\$19,184,872	\$18,635,549
Enterprise Funds	\$5,269,830	\$5,171,851	\$4,954,227
Special Revenue Funds	\$4,394,655	\$2,694,310	\$1,550,565
Capital Improvements	\$8,509,200	\$9,662,343	\$7,915,000
Total Revenues	\$30,837,074	\$36,713,376	\$33,055,341

The adopted budget for fiscal years 2021-22 and 2022-23 reflects the strength of the local economy emerging from the COVID-19 pandemic with a positive economic outlook given the extent of fiscal stimulus funding and level of pent-up consumer demand. The budgets for the two fiscal years are balanced with significant community investments made possible by projected General Fund revenues as highlighted below:

- **Sales Tax** (the largest revenue source over the next two years at 29%) projections include an additional \$2.2 million in FY 2021-22 and \$2.3 million in FY 2022-23 from Measure F-20 approved by voters in November 2020. The FY 2021-23 budget assumes a 4% increase in FY 2021-22 followed by a 4.5% increase in FY 2022- 23. These estimates were determined with the assistance of the City’s sales tax consultant using historical data and trend analysis.
- **Property Tax** (the second largest revenue source over the next two years at 28%) projections are in line with the estimates provided by San Luis Obispo County Tax Assessor’s Office in

¹⁸ City of Grover Beach Adopted Budget FY 2020-21, www.grover.org/411/FY-2020-to-2021-Budget, 2020. City of Grover Beach Adopted Budget FY 2021-22 & 2022-23, <https://www.grover.org/DocumentCenter/View/11615/FY-2021-23-Adopted-Budget>.

January 2021. The FY 2021-23 budget assumes that the City's property tax revenues will increase by 4% next fiscal year 2021-22 from the current FY 2020-21 and increase 3% in FY 2022-23 from FY 2021-22.

- **Cannabis Tax** (the third largest revenue source over the next two years at 13%) projections assume a \$2.4 million budget in FY 2021-22 (compared with \$2.3 million in FY 2020-21) including a 2% annual inflationary increase in FY 2022-23. These estimates are an acknowledgement that the City continues to receive significant revenue but also a recognition of continued uncertainty in the cannabis industry as cannabis businesses begin operating in nearby cities and the industry in general continues to face significant pressure from an illegal market that is not taxed or regulated.
- **Franchise Fees** (the fourth largest revenue source over the next two years at 4%) projections include the new fiber optic cable which will add an additional \$100,000 to each fiscal year.
- **Transient Occupancy Tax** (the fifth largest revenue source over the next two years at 3%) projections assume that travel activity will start to pick up in the last quarter of 2021. However, revenues could still be impacted through the end of calendar year 2021 for both hotels and short-term rentals due to reluctance to travel for some due to COVID-19 as well as a change in business travel norms where some have shifted to online meetings and trainings. The projections assume \$480,000 for FY 2021-22 and \$500,000 for FY 2022-23.

HCD Prohousing Designation Program¹⁹

Authorized by the 2019-2020 California Budget Act, the HCD Prohousing Designation Program provides incentives to cities and counties when they demonstrate policies and strategies to accelerate housing production. In turn, designated Prohousing jurisdictions will be awarded additional points or preference in grant programs, such as:

1. **Affordable Housing and Sustainable Communities (AHSC)²⁰**: The AHSC Program assists project areas by providing grants and/or loans, or any combination thereof, to achieve GHG emissions reductions and benefit Disadvantaged Communities through increasing accessibility of affordable housing, employment centers, and key destinations via low-carbon transportation resulting in fewer vehicle miles traveled (VMT) through shortened or reduced trip length or mode shift from Single Occupancy Vehicle (SOV) use to transit, bicycling, or walking. Eligible activities include:
 - Affordable Housing Developments (including new construction, acquisition, and substantial rehabilitation, preservation of affordable housing at risk, or conversion of one or more nonresidential structures to residential dwelling units)
 - Housing-Related Infrastructure
 - Sustainable Transportation Infrastructure
 - Transportation-Related Amenities
 - Program Costs (including active transportation, transit ridership, and workforce development partnerships)

¹⁹ www.hcd.ca.gov/community-development/prohousing/index.shtml, 2021.

²⁰ www.hcd.ca.gov/grants-funding/active-funding/ahsc.shtml, 2021.

2. **Transformative Climate Communities (TCC)**²¹: Funded by California’s Cap-and-Trade Program, the TCC program funds community-led development and infrastructure projects that achieve major environmental, health, and economic benefits in California’s most disadvantaged communities. In its first and second round, and through a competitive process, the California Strategic Growth Council (SGC) awarded TCC grants to the following recipients:

- \$66.5 million to the City of Fresno
- \$33 million to the Watts neighborhood of Los Angeles
- \$33 million to the City of Ontario
- \$23 million each to the City of Sacramento and the Pacoima neighborhood of Los Angeles

Project examples include, but are not limited to:

- Affordable and sustainable housing developments
- Transit stations and facilities
- Bicycle and car share programs
- Residential weatherization and solar projects
- Water-energy efficiency installations
- Urban greening projects
- Bicycle and pedestrian facilities
- Low-carbon transit vehicles and clean vehicle rebates
- Health and well-being projects

3. **Infill Incentive Grant programs (IIG)**²²: The purpose of the IIG Program is to promote infill housing development by providing financial assistance for Capital Improvement Projects that are an integral part of, or necessary to facilitate the development of, a Qualifying Infill Project or a Qualifying Infill Area. Eligible costs include the construction, rehabilitation, demolition, relocation, preservation, acquisition, or other physical improvements of the following:

- The creation, development, or rehabilitation of Parks or Open Space
- Water, sewer, or other utility service improvements (including internet infrastructure), including relocation of such improvements
- Street, road, and bridge construction and improvements
- Structured parking
- Transit linkages and facilities, including, but not limited to, related access plazas or pathways, or bus and transit shelters
- Facilities that support pedestrian or bicycle transit
- Traffic mitigation measures
- Site clearance, grading, preparation, and demolition necessary for the development of a Capital Improvement Project
- Sidewalk or streetscape improvements
- Storm drains, stormwater detention basins, culverts, and similar drainage features
- Required environmental remediation necessary for the development of the Capital Improvement Project or Qualifying Infill Project
- Site acquisition

²¹ www.sgc.ca.gov/programs/tcc/resources/, 2021.

²² www.hcd.ca.gov/grants-funding/active-funding/iigp.shtml, 2021.

- Soft construction or other pre-development costs, including planning, engineering, construction management, architectural, and design work
 - Impact fees required by local ordinance
 - Other Capital Asset costs approved by the Department and required as a condition of local approval for the Capital Improvement Project
4. Other programs may be added to the list after HCD engages with stakeholders and partner agencies on adding Prohousing points to other housing and non-housing programs.

Consistency with Regulatory Plans

General Plan Land Use Element

As the Development Code is updated, consistency with the General Plan Land Use Element will need to be maintained. Currently, the Land Use Element references the Code for specific standards and mainly provides high level direction for development. The General Plan Land Use Element will be reviewed to remove/revise subjective development standards and focus on objective standards.

Local Coastal Program

As the Development Code is updated, consistency with the Local Coastal Program will need to be maintained. The Development Code provides separate zoning for areas that fall within the coastal zone, so any changes made in the code will need to be reflected in the Local Coastal Program.

Affirmatively Furthering Fair Housing

Program 8.2 in the Housing Element states that the City will develop a Plan to Affirmatively Further Fair Housing (AFFH). Specific actions to consider in the AFFH Plan include:

- Provide dedicated staff that investigates fair housing complaints and enforces fair housing laws.
- Facilitate public education and outreach by creating informational flyers on fair housing in Spanish and English that will be made available at public counters, libraries, and on the City's website. City Council meetings will include a fair housing presentation at least once per year.
- Ensure environmental hazards are not disproportionately concentrated in low-income communities. Develop a proactive code enforcement program that holds property owners accountable and requires that they proactively plan for resident relocation, when necessary.

As part of this project, the requisite analysis will be completed and an AFFH Plan will be developed.

Inclusionary Housing

Inclusionary housing ordinances are designed to increase the supply of affordable housing deed-restricted for lower-income households. Inclusionary housing is also intended to reverse the harmful effects of exclusionary zoning practices which in past decades had the effect of blocking low-cost housing from many municipalities. Inclusionary housing ordinances achieve this purpose by requiring private housing developers to include a certain percentage of affordable housing units in their projects, thereby helping to logically integrate affordable units throughout each neighborhood. Inclusionary housing ordinances can take many forms, and alternative/complementary methods exist, including affordable housing impact fees and commercial linkage fees to support affordable housing. A summary of options will be presented to the City at the October 5th workshop for consideration.

Appendix A: Affordability by Design Case Studies

Moylan Terrace – San Luis Obispo, CA

San Luis Obispo is the largest employment center in the county and has a high cost of living, which has resulted in many workers seeking nearby towns for affordable housing. To combat this issue, the City constructed Moylan Terrace, a complex of smaller, affordable housing units that can be purchased by low- and moderate-income households. This development was feasible with a combination of innovative design methods, zoning regulations, and financial incentives. The Specific Plan for the area uses a form-based code to encourage density and mixed-use residential, and the site was rezoned from Services and Manufacturing (M) to Medium-High Density Residential with a Special Considerations Overlay (R-3-S). Additionally, exceptions from zoning standards were approved such as reduced setbacks, exceeding the 35-foot height limit, and reducing required parking. The below-market rate units were achieved with the investment of in lieu fees invested directly into the project and the cross subsidy from the market rate units where their profits subsidized the construction of affordable units. The site was configured with eight sets of paired building blocks organized around “auto courts”, which provided space for additional parking. Construction costs were minimized through simple building forms and the use of two basic building types with varied rooflines.

Lessons Learned:

- Convert existing industrial/manufacturing area
- Develop Special Considerations Overlay to bypass constraining codes
- Allow tandem parking and parking space reduction
- Reduce setbacks to increase density
- Use simple design to reduce costs
- Utilize in lieu fees to subsidize affordable housing

Wineman Hotel – San Luis Obispo, CA

Another affordable by design example from San Luis Obispo is the Wineman Hotel, an adaptive reuse project where a historic hotel was converted to single occupancy, affordable, micro studio units at the 51-80 percent area median income (AMI) rent range that also maintained commercial uses on the ground floor. The project originated from the need for the hotel to be retrofitted during the Great Recession in 2009. The only source available at the time were City-held affordable housing funds for deed restricted affordable housing, allowing the site to be converted from a hotel to studio apartments for long-term rental—23 with deed restrictions for 34 years. These funds were generated from pooling developer contributed in-lieu affordable housing fees to meet the inclusionary housing requirement of the City. Another key component to the success of this project was the long-term commitment from the developer who placed his own sweat equity in the form of professional engineering services into the investment. The project also benefitted from the City’s interpretation of a hotel to affordable housing conversion as simply an interior renovation and seismic retrofit of an existing historic building and streamlining of the permitting process. No additional parking was required because of a pre-existing

parking agreement with the city for the commercial spaces on the ground floor, which helped keep the project profitable.

Lessons Learned:

- Allow project objectives to change and examine potential for housing funds to be used
- Construct smaller units that are affordable
- Have City provide flexibility with regulatory interpretations and permitting process
- Carry over parking and density requirements from previous use

Vintage Walk – Buellton, CA

Another Central Coast town that has implemented an affordable by design project is the City of Buellton, a small town where the majority of renters are rent burdened, and the City has struggled with meeting its RHNA targets. The City was able to construct Vintage Walk, a mixed-use, live-work building that has allowed units to respond to market demand through design flexibility. The site has achieved a density of about 72 units per acre despite a long and narrow site that is typically perceived as a constraint for development. This was done by allowing a height increase up to 48 feet high, which permitted the construction of two floors of residential units on top of ground floor retail. Additionally, the street frontage setback was reduced to zero lot line allowing more commercial space to be constructed, which made the project more financially feasible. The commercial spaces were designed to be converted into live-work units by simply inserting a door between the two units at the staircase entrance. These uses allow taxes to be generated for the City.

To alleviate building area constraints, on-street parking in front of the building is counted towards requirements for the street-facing commercial spaces, and residential parking is at the back of the site. The developer acknowledges that the architectural detailing of the site made the project more expensive, but they ultimately delivered a high-quality product for residents. The ability to provide affordable units is also attributed to selling units to the Housing Authority of the County of Santa Barbara, which helped the project gain expeditious concessions, permits, and approvals from the city.

Lessons Learned:

- Allow flexibility in use of commercial spaces as residential
- Allow higher density, height, and parking concessions
- Ensure developer is committed for the long term
- Collaborate with local housing authority to expedite processes

Appendix B: Stakeholder Interviews

Stakeholder Interviews

- Paul Bischoff, Bischoff Homes
- Duke Sterling, GrandView Real Estate
- CJ Horstman, MW Architecture
- Craig Smith, CRSA Architecture
- Ted Lawton, Cal Coastal Properties
- Tom DaRosa, TDR Properties
- Jacob Grossman, CCB
- Bill Skinner, Catalyst Consulting
- Jocelyn Brennan, President/CEO, South County Chamber of Commerce

Property Owner Questionnaire Respondents

- Tom DaRosa Property Owner, Developer/Builder, Architect
- Brad Forde, Property Owner
- Stephen Scanlon, Property Owner, Developer/Builder

2020-2028 Housing Element Programs to be Implemented Within Two Years

Program 1.3 Emergency Shelter Overlay Zone. Review the Emergency Shelter Overlay Zone for continued compliance with state law; evaluate the need to expand the overlay zone to other appropriate areas subject to the development standards in the Development Code. (*Policy 1.2*)

Responsible Dept: Community Development
 Time Frame: Within two years of Housing Element adoption
 Funding Source: General Fund

Program 1.7 State Employee Housing Act. To comply with the State Employee Housing Act (Health and Safety Code Sections 17021.5, the City will review the Development Code and amend it as necessary. Section 17021.5 requires the Development Code to treat employee housing that serves six or fewer persons as a single-family structure and permitted in the same manner as other single-family structures of the same type in the same zone in all zones allowing single-family residential uses. (*Policies 1.1 and 1.2*)

Responsible Dept: Community Development
 Time Frame: Review Development Code by 2021. Make revisions by 2022
 Funding Source: General Fund

Program 1.8 SB 2 Implementation. As part of the City's Senate Bill (SB) 2 grant workplan the City plans to amend the Land Use Element and Development Code to allow more residential development without discretionary review (i.e., by right) which will include preparing objective design standards for residential uses allowed by right and mixed-use projects if allowed by right. This will also include the elimination of subjective development standards/policies which shall be replaced with objective design standards as required by Government Code Section 65589. The City will analyze how and where that should happen through a public process. In addition, the City will consider establishing an inclusionary housing ordinance and/or increased allowances for density bonuses above and beyond what is required by state law. The results of the input received during the public process will guide the approach to the changes to City regulations to achieve the goal of allowing and permitting more housing and a wider variety of housing.

The City plans to develop the following products and planning processes using this funding:

- Three prototype ADU building plans consistent with the 2019 Residential Code that would fit on a typical City lot.
- Development Code Updates
 - Review of current Development Code
 - Public Outreach Workshops and Hearings
 - Draft Ordinance
 - Objective Design Standards
 - CEQA Document (*Policy 1.2, 2.1*)

Responsible Dept: Community Development and City Council
 Time Frame: Conduct analysis and outreach by Spring of 2021 and update regulations by Spring 2022.
 Funding Source: SB 2 Grant

Program 3.2 Density Bonus. The City will continue to offer density bonuses to developers and promote the density bonus through informational brochures which will be available at City Hall and on its website. The City will review its Development Code and update its density bonus ordinance to be compliant with current state law. (*Policy 3.1*)

Responsible Dept: Community Development
Time Frame: Promote density bonuses and provide information as applications are submitted and ongoing. Review Development Code by 2021 and complete revisions by 2022.
Funding Source: General Fund

Program 3.4 Child Care & Intergenerational Facilities. The City shall consider amending the Development Code to address childcare needs in conjunction with new housing and address the needs of seniors together with the needs of children. The City shall consider requirements such as the following:

- Affordable housing developments include on-site childcare.
- New developments with more than 50 housing units or 50,000 square feet of commercial or industrial space to prepare a Child Care Facilities Needs Assessment. The purpose of this assessment is to evaluate new childcare demands created by new residents and employees in relation to available community resources.
- Promote intergenerational facilities such as senior centers located in the same place with or nearby childcare centers.
- After studying the options above, determine whether a program will be established, and establish and publicize program if initiated.

Responsible Dept: Community Development
Time Frame: Within three years of Housing Element adoption
Funding Source: General Fund

Program 4.2 Low Barrier Navigation Centers. Per Assembly Bill 101 (2019) the City will review its Development Code and make revisions if necessary, to allow low barrier navigation centers for the homeless per Government Code 65660-65668. (*Policies 4.1 and 1.2*)

Responsible Dept: Community Development, City Council
Time Frame: Review Development Code by 2021 and complete revisions by 2022.
Funding Source: General Fund

Program 4.4 Public Facilities (PF) Zone. Presently one Single Family Dwelling per lot is allowed in the PF zone; however, per the City's Development Code, Section 2.50.010, the PF zone applies to areas of the City appropriate for government owned facilities, schools and quasi-public uses. The City shall amend the Development Code to prohibit all residential uses in the PF zone (*Policy 1.2*)

Responsible Dept: Community Development
Time Frame: Revise Development Code by December 31, 2022
Funding Source: General Fund

Program 6.4 Accessory Dwelling Units. The City shall continue to encourage the development of Accessory Dwelling Units (ADUs) as affordable housing and report new ADUs as part of the Annual Housing Element Report. The City will monitor ADU production. Halfway through the planning cycle, if the production numbers are not on par with the midpoint of the number of ADUs estimated in **Table TR-35**, the City will adjust its approach to meeting the RHNA. The City will also amend the Development Code to permit ADUs in the CB-O zone. The City encourages and promotes ADUs by providing information on the City's website about ADU standards and options, and informing people at the public counter of ADUs as an option and informing property owners with an existing unpermitted ADU of the option to bring the unit up to code as a legal ADU. The City eliminated all development impact fees for ADUs up to 1,200 square feet, effective July 1, 2018. The City will implement Ordinance 20-06, adopted on July 6, 2020 which complies with current state ADU law. Ordinance 20-06 goes beyond state law to provide additional flexibility to owners by allowing smaller JADUs (150 square feet).

The City will also develop ADU prototype plans using SB 2/REAP funds. Once prototype plans are available, the City will supplement the plans with the list of funding resources that HCD anticipates releasing. The City will advertise the availability of these materials. (*Policy 6.3*)

Responsible Dept: Community Development

Time Frame: Report on ADUs annually; approve ADU prototype plans by Spring 2021; update Development Code within one year of any future changes to state ADU law
Funding Source: SB 2 grant and General Fund
Quantified Objective: 20 ADUs per year

Program 8.2 Affirmatively Further Fair Housing. Grover Beach will develop a plan to Affirmatively Further Fair Housing (AFFH). The AFFH Plan shall take actions to address disparities in housing needs and in access to opportunity for all persons regardless of race, religion, sex, marital status, ancestry, national origin, color, familial status, or disability, and other characteristics protected by the California Fair Employment and Housing Act (Part 2.8 [commencing with Section 12900] of Division 3 of Title 2), Section 65008, and any other state and federal fair housing and planning law. Specific actions to consider in the AFFH Plan include:

- Provide dedicated staff that investigates fair housing complaints and enforces fair housing laws.
- Facilitate public education and outreach by creating informational flyers on fair housing in Spanish and English that will be made available at public counters, libraries, and on the City's website. City Council meetings will include a fair housing presentation at least once per year.
- Ensure environmental hazards are not disproportionately concentrated in low-income communities. Develop a proactive code enforcement program that holds property owners accountable and requires that they proactively plan for resident relocation, when necessary. (*Policy 8.1*)

Responsible Dept: Community Development
Time Frame: Create plan by January 2022 and implement on an ongoing basis
Funding Source: General Fund