CITY OF EMERYVILLE

MEMORANDUM

DATE: May 2, 2015

TO: City Council and
Planning Commission

FROM: Sabrina Landreth, City Manager
Charles S. Bryant, Community Development Director

SUBJECT: **Special Joint Study Session on Proposed Regulations, Incentives, and Guidelines for Multi-Unit Residential Development**

RECOMMENDATION

Staff recommends that the City Council and Planning Commission provide feedback and direction on the proposed regulations, incentives, and guidelines for multi-unit residential development as discussed in this report and presented by staff at the joint study session.

BACKGROUND

For a number of years, concern about family-friendly housing (including unit mix and design), affordable housing, and ownership housing have been issues in Emeryville. With the improving economy and the impending development of several thousand new units in the next few years, the City Council has expressed a desire to review the City's development regulations in order to ensure that future development is in line with the community's desire for more family-friendly, affordable, and ownership housing. The purpose of this study session is to explore these issues and provide staff with direction for the development of new regulations, incentives, and guidelines for multi-unit residential development, to be considered by the Planning Commission and City Council for adoption.

Development Patterns

Emeryville has two lower-density, smaller scale residential neighborhoods on the east side of the city, the Triangle and Doyle Street neighborhoods, which were developed in the early twentieth century and resemble the adjacent neighborhoods of North Oakland and Berkeley. However, most of the city's housing stock is larger in scale and was developed over the last several decades. Staff has analyzed the residential development that has occurred in Emeryville in the last twenty years, as summarized in Table 1.

TABLE 1: RESIDENTIAL DEVELOPMENT IN EMERYVILLE 1994-2015

		Studio	1-Bedroom	2-Bedroom	3-Bedroom	4-Bedroom	Live/ Work	TOTAL
TOTAL	Number	307	1,360	1,217	151	12	137	3,184
	Percent	9.6%	42.7%	38.2%	4.7%	0.4%	4.3%	100%
	Average Size	426	818	1,186	1,231	1,570	1,038	953
Ownership	Number	23	449	482	10	0	54	1,018
	Percent	2.3%	44.1%	47.3%	1.0%	0.0%	5.3%	100%
	Average Size	533	983	1,359	1,733	0	1,283	1,174
Rental	Number	284	911	735	141	12	83	2,166
	Percent	13.1%	42.1%	33.9%	6.5%	0.6%	3.8%	100%
	Average Size	417	737	1,073	1,195	1,570	879	849

Almost 3,200 units were developed during this period, of which about one-third were ownership and two-thirds were rental. As the figures above indicate, about 52% of these units were studios and one-bedroom, about 38% were two-bedroom, about 5% were three-bedroom or larger, and about 4% were live/work units. The overall average unit size was about 950 square feet, and the average unit had 1.39 bedrooms (not indicated in Table 1). Note that this data does not include earlier development such as the 1,249-unit Watergate condominiums and the 583-unit Pacific Park Plaza condominiums, which were built in the 1970s and 1980s, respectively. However, it does include projects currently under construction (Emme, Parc on Powell, and 3900 Adeline) or approved (3706 San Pablo).

Issues

The City Council has identified several issues to be addressed. These include the need for more large dwelling units in multi-unit residential development (specifically, more units with three or more bedrooms), the need for more family-friendly design of both dwelling units and residential buildings, the need for more affordable rents and sales prices of residential units, the need for more home ownership opportunities, and the need to overhaul the bonus point system that is part of the Planning Regulations.

Available Tools

There are several tools available to address these issues. These tools are summarized in Table 2 and discussed further below. Those that are checked and highlighted are the focus of this report and study session.

TABLE 2: TOOLS TO ADDRESS MULTI-UNIT RESIDENTIAL ISSUES

Tools / Attributes	Design Guidelines	Incentives (Bonus System)	Develop-ment Impact Fees	City Subsidies	Inclusion-ary Zoning without Incentives/ Concessions	State Density Bonus Law	Regulations/ Requirements
Unit Mix		👍/✓					✓
Family-Friendly Units	👍	👍/✓					✓
General Residential Amenities	👍						✓
Affordable Units (rental)		✓	👍	👍/✓	X	👍	
Affordable Units (condo)		✓		👍/✓	👍	👍	
Ownership Units		✓					X

👍 = already in place or in process ✓ = possibility to study

👍/✓ = in place but could be enhanced X = prohibited

Unit Mix and Family-Friendly Units: Emeryville's development bonus system provides points for family-friendly housing in residential projects, and specifies that such units must be three-bedroom or larger and must comply with the City's design guidelines for family-friendly units. To date, no projects have taken advantage of this provision, although several developers have expressed interest in it. The City Attorney advises that requiring a certain unit mix (e.g. that a minimum percentage of units must be three-bedroom or larger), and that units be designed to be family-friendly, is a legitimate exercise of the City's police power. This would require passage of an ordinance to amend the Planning Regulations, which are part of the Emeryville Municipal code. (Revisions to the City's Family Friendly Design Guidelines are currently under consideration by the Planning Commission, and are expected to be presented to the City Council for approval in May or June.)

General Residential Amenities: Certain amenities, such as a community multipurpose room and various design features like placing mailboxes on the path to units from the main pedestrian entrance, are desirable in all residential projects, not just family-friendly

ones. These are included in the General Residential section of the Emeryville Design Guidelines. The Planning Regulations could be amended to make it explicit that such guidelines apply to all residential projects.

Affordable Rental Housing: Due to recent court decisions, "inclusionary zoning" (requiring a certain affordability level in housing projects) has been significantly curtailed for rental housing, as it has been deemed a form of rent control, which is prohibited in California for new development. Nevertheless, the City can require affordable rental units if agreed to by a developer in a written agreement in exchange for the City granting regulatory incentives or concessions that result in identifiable, financially sufficient, and actual cost reductions. However, in response to the changed legal landscape and not wanting to solely depend on the willingness of the development community to provide affordable rental units in exchange for incentives or concessions, the City has enacted an affordable housing fee, whereby developers pay a certain amount towards the City's affordable housing fund (currently $20,000 per unit), or may provide on-site affordable units in lieu of paying the fee (6.9% of units at low income levels, or equivalent). The State Density Bonus Law, which has been incorporated into Emeryville's Planning Regulations, provides a density bonus in exchange for affordable units. While this program has promise for increasing the affordable housing stock, it is quite complicated and is rarely used. There is also a concept known as "voluntary inclusionary zoning", in which development over the base density is only allowed if the project includes affordable units. This approach has real potential to increase Emeryville's affordable housing stock and is discussed later in this report. The City as Housing Successor to the former Redevelopment Agency can also use its limited affordable housing funds to subsidize deeper levels of affordability in private projects, and to fund its own affordable housing projects. This is available to both rental and ownership projects.

Affordable Ownership Housing: Inclusionary zoning is still permitted for ownership housing, and Emeryville's Planning Regulations require that 20% of ownership units be affordable to moderate income households, or equivalent. The State Density Bonus law also applies to ownership housing. In addition, the City may wish to consider including ownership housing in any "voluntary inclusionary zoning" program as a means of providing more affordable units in ownership housing.

Ownership Units: The City Attorney has advised that the City may not legally require that projects be ownership versus rental. However, similar to the "voluntary inclusionary zoning" concept for affordable units, the City may enact incentives for ownership housing by providing that a certain percentage of units must be owner-occupied in order to qualify for a density bonus.

DISCUSSION/ANALYSIS

Family-friendly housing, affordable housing, and ownership housing are closely interrelated, but, to better understand each issue, and because different tools are needed to address each one, they are discussed separately below.

Family Friendly Housing

Two main reasons are commonly cited for wanting to attract more families with children to Emeryville. One is to promote a more "interesting" demographic mix by countering the trend towards smaller childless households, and the other is to support the Emery Unified School District and the heavy investment that the City and School District have made in the Emeryville Center of Community Life. Stories abound of young couples who are forced to move out of Emeryville when they have children because they cannot find housing suitable for their growing families or those who do so voluntarily over concerns about the quality of education their child will receive.

To explore these issues, staff has compiled demographic data from the U.S. Census and enrollment data from the Emery Unified School District, which is discussed below.

Demographic Mix

The demographics of Emeryville are quite different from most other cities. The households are smaller, there are more people living alone, and there are fewer families with children than in virtually any other city in the Bay Area, or even the state or nation. Table 3 compares key household characteristics in Emeryville to other local cities, Alameda County, the Bay Area, California, and the nation. Emeryville's average household size is less than 2.0, more than half of households are single people living alone, and only one-eighth of households are families with children, compared with about 30% in the Bay Area, state, and nation. Barely six percent of Emeryville's residents are school children, compared with 16% in the Bay Area, and about 18% in California and nationally.

TABLE 3: HOUSEHOLD CHARACTERISTICS

	Average household size	Percent single person households	Families with children as percent of all households	Residents enrolled in grades K-12
Emeryville	1.73	53.5%	12.5%	6.1%
Alameda	2.48	31.0%	28.2%	14.7%
Albany	2.59	22.4%	43.7%	18.3%
Berkeley	2.27	36.8%	16.8%	9.4%
Oakland	2.52	35.8%	25.2%	15.5%
Piedmont	3.00	11.0%	44.6%	24.3%
Alameda County	2.76	26.9%	31.3%	16.4%
San Francisco	2.31	38.7%	16.7%	9.1%
Bay Area	2.72	26.6%	30.4%	16.3%
California	2.94	24.2%	32.7%	18.6%
United States	2.63	27.5%	29.6%	17.8%

Source: U.S. Census Bureau, 2009-2013 American Community Survey 5-Year Average

Emeryville's housing stock is likewise different from other cities. There are far more units in multi-unit structures, more studio and 1-bedroom units, and fewer 2-bedroom, 3-bedroom, and larger units, as illustrated below in Table 4.

This is mainly due to Emeryville's history as a former industrial city with large parcels that were previously occupied by massive factories, warehouses, and other industrial uses. As they redeveloped, these parcels lent themselves to large commercial uses such as Pixar, Novartis, and the EmeryStation complex, or large residential developments. While subdivisions with new single family homes suitable for families with children are common in the suburbs, virtually no new single family homes have been built in Emeryville since the early twentieth century. Indeed, this is the case in virtually all inner urban core areas, not just Emeryville. Combined with the close proximity of Emeryville to employment centers in San Francisco, Oakland, and Berkeley, this has led to a population that is predominantly childless.

TABLE 4: DWELLING UNIT CHARACTERISTICS

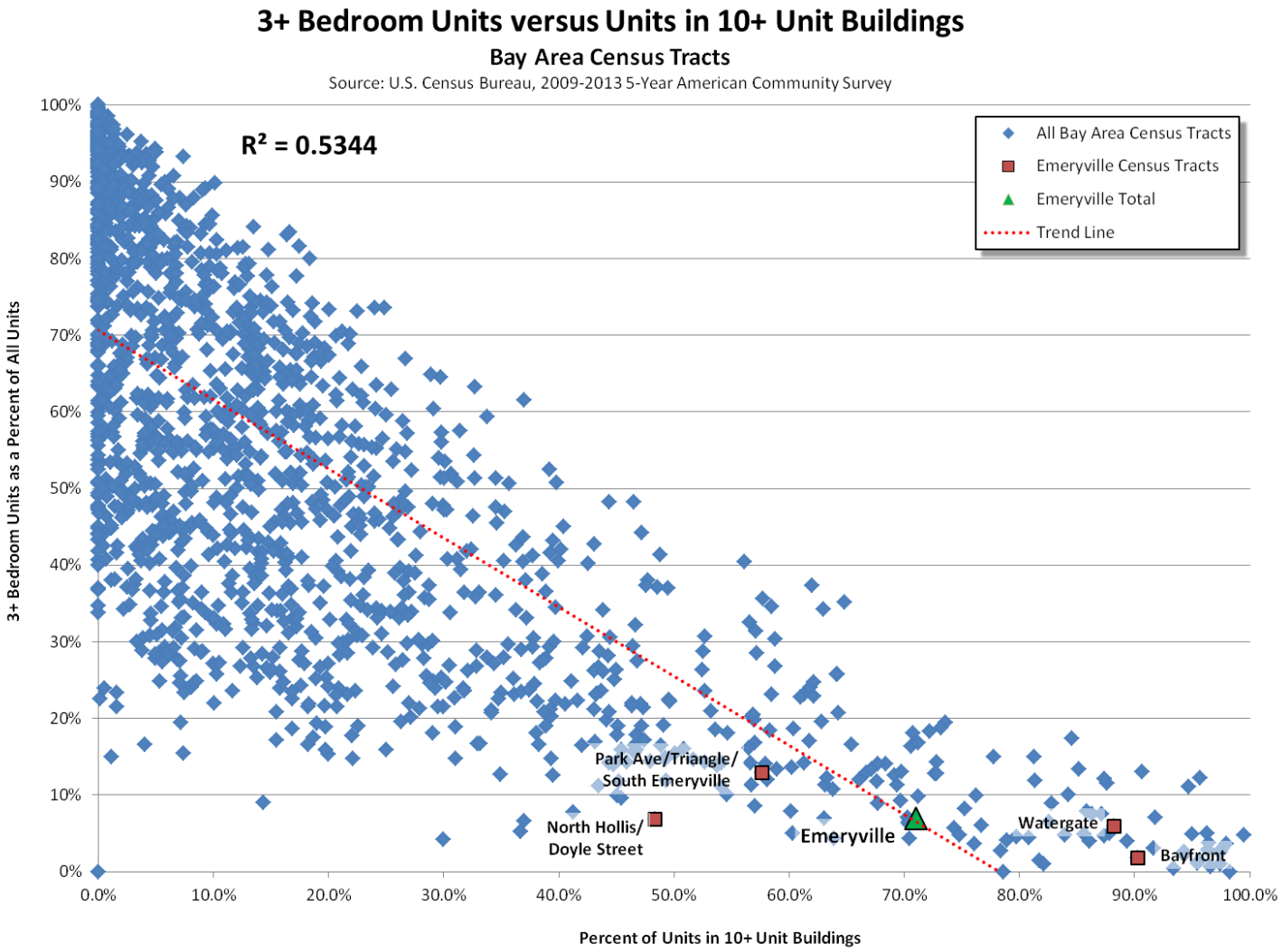
	Average Bedrooms Per Unit	Studio and 1-bedroom units as percent of all units	2+ bedroom units as percent of all units	3+ bedroom units as percent of all units	Units in 10+ unit buildings as percent of all units
Emeryville	1.34	61.6%	38.4%	7.0%	71.0%
Alameda	2.34	23.3%	76.7%	42.2%	21.9%
Albany	2.28	17.2%	82.8%	33.0%	27.8%
Berkeley	2.11	35.0%	65.0%	34.5%	24.6%
Oakland	2.10	31.8%	68.2%	35.1%	25.9%
Piedmont	3.44	4.3%	95.7%	82.8%	0.9%
Alameda County	2.48	21.5%	78.5%	49.6%	21.2%
San Francisco	1.86	40.5%	59.5%	28.1%	35.8%
Bay Area	2.55	19.9%	80.1%	52.9%	19.4%
California	2.58	17.7%	82.3%	54.3%	16.8%
United States	2.69	13.3%	86.7%	60.0%	13.0%

Source: U.S. Census Bureau, 2009-2013 American Community Survey 5-Year Average

Starting with the 1,249 unit Watergate complex on the peninsula in the early 1970s, residential development in Emeryville over the last several decades has been almost exclusively comprised of large buildings with 10 or more units. To better understand the implications of this development pattern for Emeryville's demographic mix, staff has conducted a regression analysis[1] of a number of different variables, using all Census Tracts in the Bay Area (of which there are approximately 1,580) with data from 2009-2013, the most recent U.S. Census American Community Survey five-year averages.

[1] Regression analysis is a statistical method for comparing two variables to determine whether they appear to be related. A series of data points are plotted on an x-y graph, where one variable is represented by x and the other is represented by y. This is sometimes called a "scatter chart" because the dots appear scattered on the page. A "trend line" through these dots indicates the "closest fit" of the points to a linear equation. The degree to which the variables appear to be related (that is, the degree to which they fit the trend line) is expressed by a "correlation coefficient", often represented as R^2. If there is no correlation, and the dots appear totally random, R^2 equals 0. If there is perfect correlation, and the dots appear to all lie on the trend line, R^2 equals 1. If the correlation is negative, that is, one variable increases as the other decreases, R^2 is expressed as a negative number between 0 and 1. Usually R^2 is taken to three or four decimal places to differentiate between various degrees of correlation. For example, an R^2 value of 0.3594 would represent a moderate degree of positive correlation, while an R^2 value of -0.8372 would represent a strong negative correlation. There is no hard and fast rule about how large an R^2 value needs to be before a relationship is established; it depends on the type of data being analyzed. But certainly larger R^2 values indicate a higher degree of correlation than lower values. And the more data points in the universe of data being analyzed, the more reliable the results. This is why all Census Tracts in the Bay Area (1,580) were used for this analysis.

FIGURE 1



An example of such a regression analysis is shown in Figure 1. This illustrates the percent of units with three or more bedrooms versus percent of all units in buildings with 10 or more units. As this diagram illustrates, the more units that are in bigger apartment and condominium buildings, the fewer units tend to have three or more bedrooms. The correlation is moderately strong, -0.5344, meaning that size of building is a fairly reliable indicator of dwelling unit size. Note that Emeryville falls right on the “trend line”, meaning that the percent of 3+ bedroom units in Emeryville, about 7%, is what would be expected for a city with about 70% of its units in 10+ unit buildings.

Staff has performed similar analyses on all of the characteristics listed above in Tables 3 and 4 to determine the extent to which they are predicted as a result of the high percentage of units in large apartment and condominium buildings. The results are summarized below in Table 5.

TABLE 5: VARIABLES CORRELATED WITH 10+ UNIT BUILDINGS

Variable	Correlation coefficient	Predicted value	Actual value
Average Household Size	-0.2387	2.02	1.73
Percent single person households	+0.4288	47.5%	53.5%
Families with children as percent of all households	-0.1844	17.9%	12.5%
Residents enrolled in grades K-12	-0.2484	8.5%	6.1%
Average bedrooms per unit	-0.5918	1.30	1.34
Studio and 1-bedroom units as percent of all units	+0.7303	58.0%	61.6%
2+ bedroom units as percent of all units	-0.7303	42.0%	38.4%
3+ bedroom units as percent of all units	-0.5311	6.5%	7.0%

Source: U.S. Census Bureau, 2009-2013 American Community Survey 5-Year Average

As this table illustrates, most of the household and dwelling unit characteristics in Tables 3 and 4 are close to what the regression analysis would predict, although some are closer than others. Of particular note are the numbers for families with children. The data would suggest that Emeryville should have about 17.9% families with children, but in fact there are only 12.5%. However, the correlation for this variable is somewhat weak (-0.1844) meaning that the high percentage of large apartment and condominium buildings in Emeryville should not be a deterrent to attracting more families with children. In fact, the data shows that there are some Census Tracts in the Bay Area that have even more units in large buildings than Emeryville, while having over 35% families with children, almost triple Emeryville's rate. So there is definitely room for more families with children, even with Emeryville's larger residential buildings. Similarly, the data predicts that about 8.5% of Emeryville residents should be school children, while the actual number is only 6.1%. But again, the correlation is fairly weak (-0.2484), implying that there is room for more school age children. Again, the data shows that there are Census tracts in the Bay Area that have even more units in large buildings than Emeryville, and with 10% to 15% school children. So it is certainly possible to have more school children, despite the preponderance of large residential buildings.

Later in this report, the correlation between families with children and dwelling unit size will be explored, in order to determine an appropriate unit mix to strive for in future development projects. First, however the issue of the school district will be discussed.

Emery Unified School District Enrollment Levels

Phase I of the Emeryville Center of Community Life Project (ECCL), currently under construction and due to open in early 2016, is designed for a maximum of 900 K-12 students, and it would be desirable if a high percentage of those were Emeryville residents. This implies that the number of school children living in Emeryville will need to increase. This section explores that issue.

The Emery Unified School District (EUSD) has about 700 students in grades kindergarten through 12, of which about half are interdistrict transfer students who do not live in Emeryville. According to data from the School District, there were 725 students enrolled in grades K-12 in the 2013-14 school year, of which 362 were Emeryville residents and 363 were interdistrict transfers. However, in the current 2014-15 school year, enrollment has dropped to 678; although there was an increase of 36 in students who were Emeryville residents, this was more than offset by a decrease of 83 in interdistrict transfer students. This may be partly due to the high school's temporary relocation to Santa Fe Elementary School in Oakland during construction of ECCL.

In 2008, the school district hired consultants Lapkoff & Gobalet Demographic Research, Inc. to prepare a *Demographic Analysis and Enrollment Forecast for the Emery Unified School District*. Data and findings from this report are included in the discussion below. The full report is attached for reference. (See Attachment 1.)

Figure 2 shows EUSD enrollment levels from 1981 to the present. Students who are residents of Emeryville and interdistrict transfers are shown from 1999 on; no data is readily available before that. Of note is a sharp increase in total enrollment between the fall of 1996 and fall of 1997. The consultants are hard pressed to explain this, attributing it possibly to a sudden increase in interdistrict transfers, or reporting errors. Another possibility is that the pre-1997 numbers do not include interdistrict transfers, in which case the total enrollment numbers between 1981 and 1996 would be higher, making the recent declines more significant. Assuming that interdistrict transfers are included in the earlier numbers, total enrollment grew slightly from 600 to 678 between 1981-82 and 2014-15, a 13% increase in 33 years. From the high of 991 students in the 2001-02 school year to the present, total enrollment has dropped by about 32% in the past 13 years. During the same period, resident enrollment has dropped about 25%, from 530 to 398, and interdistrict transfers have dropped about 39%, from 461 to 280. For the past ten years, resident enrollment levels have held fairly steady at about 400 students, while interdistrict transfers have fluctuated more. The consultants noted that many students move into and out of the district. For example, they note that 20% of out-of-district students between 1999 and 2007 started out as Emeryville residents, and 5% of out-of-district students subsequently moved into the district.

FIGURE 2

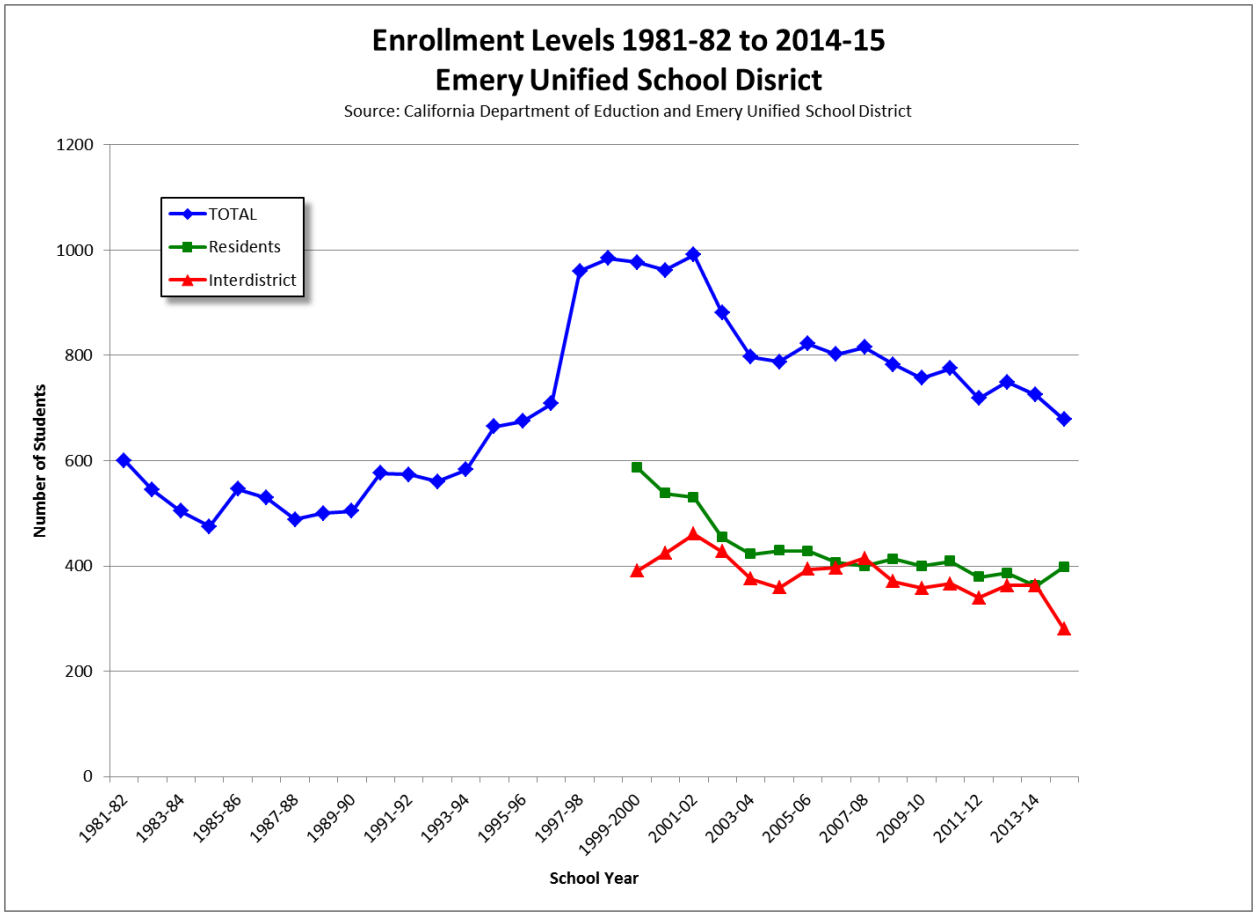
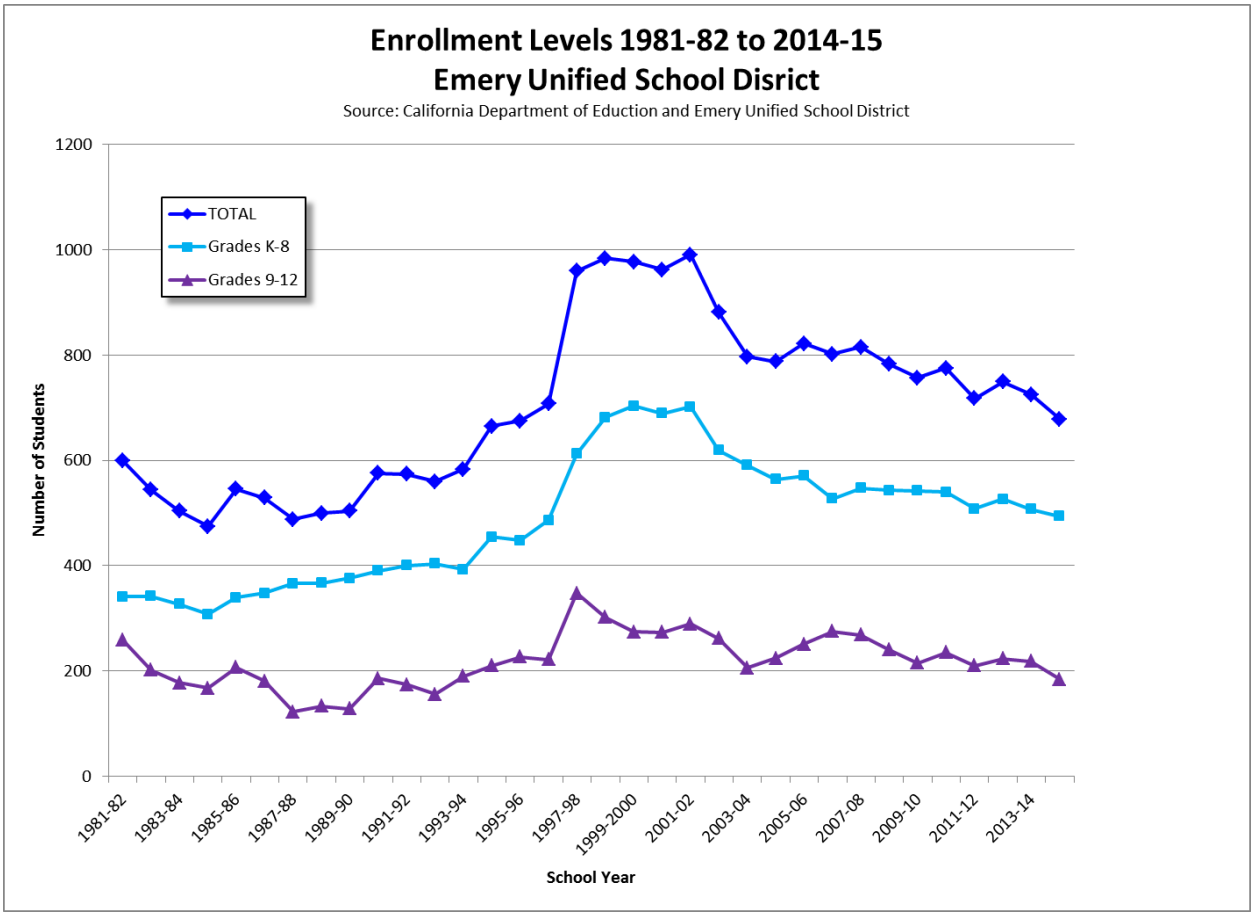


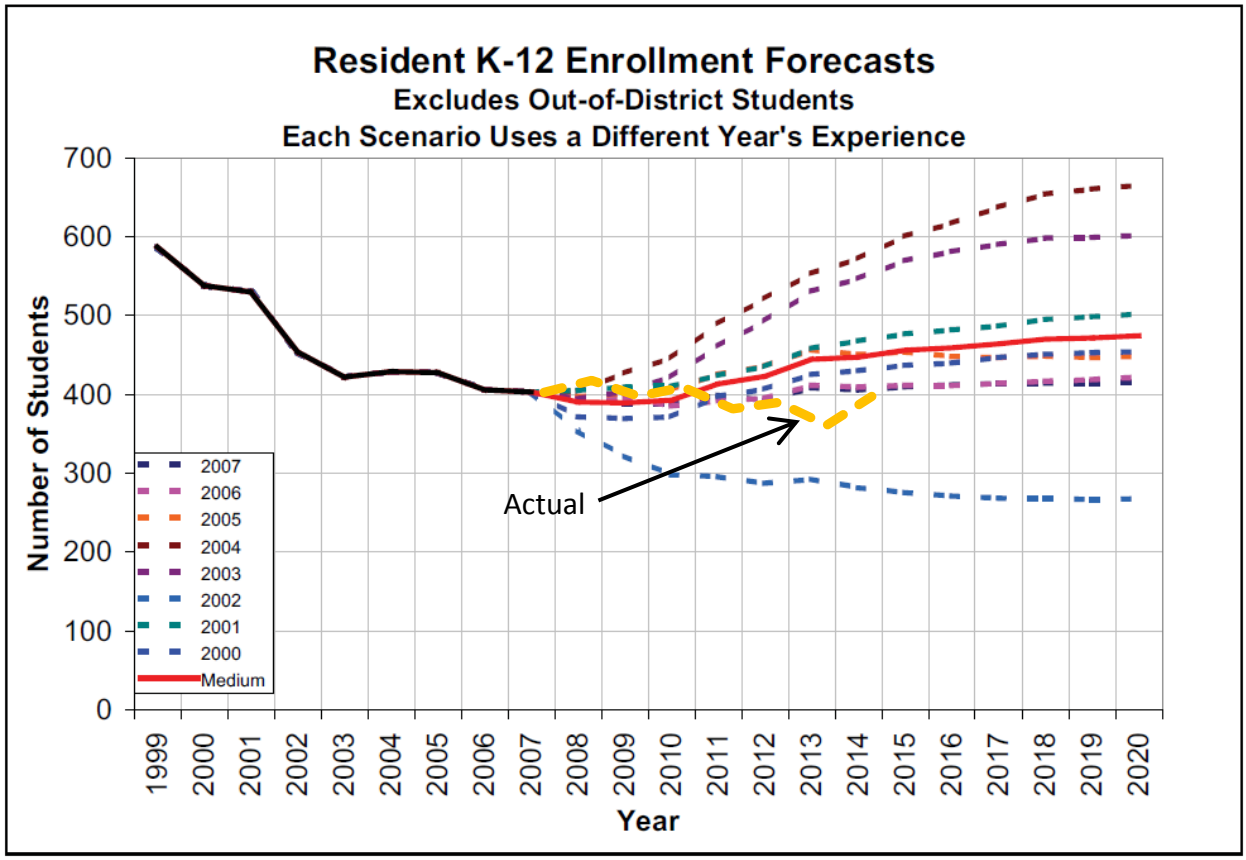
Figure 3 shows enrollment levels broken down by elementary and secondary grade levels. As noted above, total enrollments increased about 13%, from 600 to 678 students in the 33 years from 1981-82 to the present. During the same period, elementary enrollment (grades K-8) grew by about 45%, from 341 to 494, while high school enrollment (grades 9-12) dropped by 29%, from 259 to 184. In 1981-82, high school students accounted for about 43% of total EUSD enrollment; today they account for about 27%.

FIGURE 3



The consultants developed eight alternative forecasts of future resident enrollment levels, each based on a different historical year's patterns for its assumptions. For example, one forecast was based on the assumption that the 2000-01 grade progressions and fall 2001 "kindergarten-to-birth ratio" would exist for the forecast period, while another used the 2001-02 grade progressions and "kindergarten-to-birth ratio", and so on. A "Medium Forecast" used the average grade progressions and average "kindergarten-to-birth ratio". These forecasts are shown in Figure 4. Staff has superimposed on this chart the actual enrollment levels between 2007, the base year for the forecasts, and the present. As this shows, the actual enrollments have been below the Medium Forecast and all but one of the eight other scenarios.

FIGURE 4



Lapkoff & Gobalet note that test scores are an important factor in attracting students to a school district. Table 6 shows the Academic Performance Index (API) test scores for Alameda County schools for the 12 school years from 2002 to 2013. Emery, Oakland, and Hayward have consistently placed in the lowest three every year, except 2005 when San Lorenzo replaced Hayward as third lowest. In four of these years Emery was the lowest, in five years it was second lowest, and in three years, including 2012 and 2013, it was third lowest, beating Oakland and Hayward. However, scores have been improving, and Emery shows the third greatest improvement in scores in the county from 2002 to 2013, behind Oakland and Sunol.

The consultants' report also includes a detailed analysis of existing and anticipated future housing in Emeryville, and the "student yield" that may be expected from this housing. Their analysis includes two scenarios: a "Full Housing Forecast" that includes all of the approved and proposed residential developments, and a "Conservative Housing Forecast", which assumed that only a subset of projects would actually be built. Under the Full Housing Forecast, 83 additional EUSD resident students were projected by 2014, while under the Conservative Housing Forecast, 38 new resident students were projected. Most of the projects in the Conservative Housing Forecast were, in fact,

built and occupied by 2014, but actual enrollment of EUSD resident students did not increase, but rather decreased slightly, from 400 in 2007-08 to 398 in 2014-15.

TABLE 6: ACADEMIC PERFORMANCE INDEX (API) TEST SCORES, ORDERED BY 2013 SCORES

School District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Change 2002-2013
Hayward Unified	623	633	652	679	681	674	688	689	707	716	718	721	+98
Oakland Unified	568	592	601	634	651	658	676	693	719	726	728	721	+153
Emery Unified	589	588	627	665	665	656	670	706	709	700	730	722	**+133**
Anna Yates Elementary	--	*650*	*684*	*720*	*732*	*700*	*732*	*772*	*774*	*780*	*814*	*774*	--
Emery Secondary	--	*587*	*572*	*618*	*618*	*626*	*622*	*653*	*645*	*636*	*641*	*625*	--
San Lorenzo Unified	652	669	661	674	694	700	702	722	739	738	748	739	+87
San Leandro Unified	665	682	678	697	696	710	715	714	730	737	742	740	+75
New Haven Unified	712	734	730	742	756	754	768	772	777	775	774	775	+63
Newark Unified	700	708	710	716	727	739	753	747	762	771	784	795	+95
Berkeley Unified	719	731	722	736	752	746	759	767	785	791	811	822	+103
Livermore Valley Joint Unified	769	774	760	785	792	790	793	815	822	832	847	840	+71
Alameda City Unified	733	755	758	784	807	805	810	822	833	841	847	853	+120
Castro Valley Unified	796	811	809	810	826	830	843	845	854	865	870	867	+71
Fremont Unified	797	817	817	833	839	836	849	859	868	876	885	891	+94
Albany City Unified	845	862	854	858	862	860	850	864	878	882	892	894	+49
Dublin Unified	781	802	804	816	827	833	839	854	878	884	901	904	+123
Pleasanton Unified	841	858	861	877	881	893	895	901	906	906	915	910	+69
Piedmont City Unified	900	905	902	920	917	915	916	921	925	930	940	934	+34
Sunol Glen Unified	798	818	821	857	874	879	878	886	909	939	936	937	+139

Rank in Alameda County: **RED** = lowest **BLUE** = second lowest **GREEN** = third lowest

Source: California Department of Education

The report notes: "We were asked to consider what would happen to Emery's enrollments if Emeryville became substantially more attractive to families with children. On the school district's part, this would mean a substantial increase in test scores, and perhaps other programs that, if publicized, would increase the school district's attractiveness. On the city's part, this might mean an increase in parks, programs for youth, and housing that is more attractive to families with children."

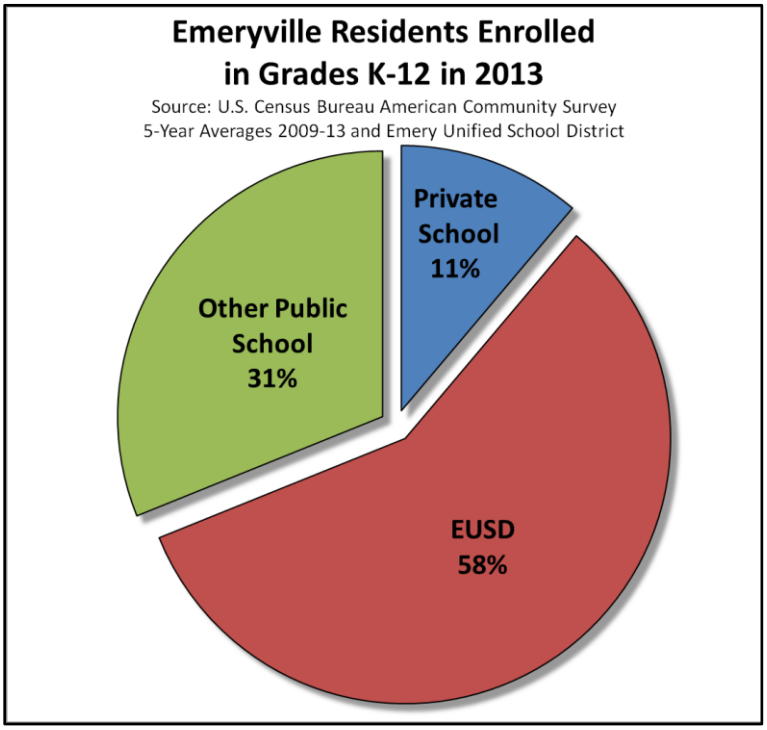
Concerning the importance of large apartments and condominium buildings in producing student yields, the report notes: "We wondered whether the housing mix in

Emeryville made it so unattractive to families with children that even high test scores would not draw families to the District's schools. The city has a large number of condominiums and lofts that are not particularly appealing to large households. We agree with this sentiment for the most part, especially with respect to lofts. In most other districts, we have found low yields in condominiums (less than .10 students per unit). We believe the low yield is because families need substantial resources to purchase condos: families with the financial wherewithal to *buy* a condominium (but not a house) might well choose to *rent* a house instead. We have found that as condominium developments age, units are increasingly likely to be rentals. When this happens, the possibility of more families living in the condominiums increase, for the developments are now like apartment complexes. Finally, Albany Unified has student yields around .20 in the high-rise condominiums on Pierce Street. It is possible for such units to contain many students, but the draw to the district must be strong." As noted above in the section on Demographic Mix, Census data suggests that the high percentage of large apartment and condominium buildings in Emeryville should not be a deterrent to attracting more families with children.

Other factors affecting EUSD enrollment include Emeryville residents of school age that either attend private schools or transfer to public schools in other districts. The Lapkoff & Gobalet report briefly discusses private school enrollment, noting that the rate of private school attendance among Emeryville residents was lower than the County average, based on Census data from 1970 through 2000. The most recent Census data from the 2009-2013 American Community Survey shows that Emeryville's private school attendance rate of 11.2% is slightly higher than Alameda County (10.5%), the same as Oakland, and lower than Berkeley (21.3%) and San Francisco (25.5%).

The Lapkoff & Gobalet report does not address the issue of Emeryville residents transferring out to other public school districts. Their report notes: "children living in Emeryville but attending private schools, charter schools, or a different public school district, are not included in our data, since the District does not have addresses (and other information) about these students." However, this information can be inferred by comparing EUSD enrollment data with U.S. Census data. For example, the 2009-2013 American Community Survey reports that there were 627 Emeryville residents enrolled in grades K-12, of which 70 (11.2%) attended private school and the remaining 557 (88.8%) attended public school. However, data for the 2013-14 school year indicates that only 362 Emeryville residents were enrolled in EUSD. This leaves 195 Emeryville residents enrolled in public K-12 schools, but not enrolled in EUSD. Presumably, these residents are transferring out of Emeryville to other public school districts such as Oakland and Berkeley, possibly including charter schools. This breakdown is illustrated in Figure 5. Of course the Census data and EUSD data are not completely comparable, since they cover slightly different time periods and the EUSD data represents a complete count while the Census is sample data. Nonetheless, this data does suggest that a significant percentage of Emeryville school children may be transferring out to other public school districts.

FIGURE 5



The conventional wisdom is that, to help boost EUSD enrollment levels, more families with children must be attracted to Emeryville, which in turn means that more dwelling units with three or more bedrooms must be developed. However, as the data in Table 7 indicates, there is not always a direct correlation between these factors. Since 1990, the number of 3+ bedroom units, families with children, and residents enrolled in grades K-12 have been steadily increasing. During the same timeframe, EUSD enrollment levels have fluctuated. In the 10-year period between 1990 and 2000, overall enrollment increased by about 67%; however, in the following 13 years between 2000 and 2013, enrollment dropped by almost 25%.

TABLE 7: FAMILY AND SCHOOL-RELATED TRENDS 1990-2013

				Change	
	1990	2000	2013	1990-2000	2000-2013
3+ Bedroom Units	251	303	403	+20.7%	+33.0%
Families with Children	125	500	800	+300.0%	+60.0%
Residents Enrolled in K-12 School	511	525	657	+2.7%	+25.1%
EUSD K-12 Enrollment*	576	962	725	+67.0%	-24.6%

* Includes both residents and interdistrict transfers.

Source: U.S. Census and Emery Unified School District

As noted in the Lapkoff & Gobalet report, developing housing that is more attractive to families with children is only one factor in increasing EUSD enrollment levels. Other factors include an increase in parks and programs for youth, which are being actively pursued by the City, a substantial increase in test scores, and other programs to increase the school district's attractiveness. If all of these factors come to pass, EUSD will hopefully be able to attract not only new households with children to Emeryville, but also students who already live here but are currently pursuing other options.

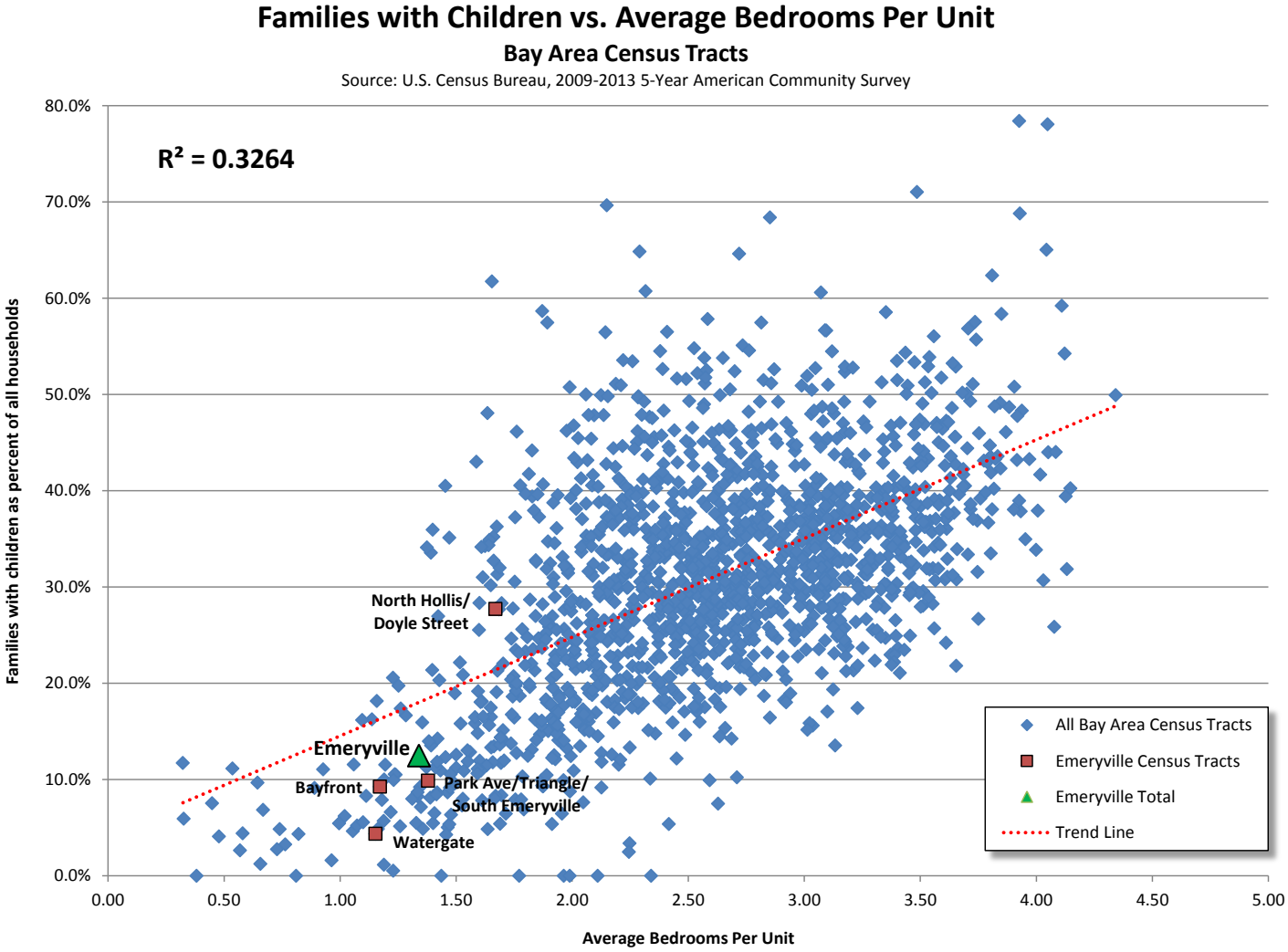
Unit Mix

The Lapkoff & Gobalet report does not discuss unit size (i.e. number of bedrooms) as a factor in attracting families with children. Rather, they use "student yields" per dwelling unit to project future enrollment levels. For each forecast scenario, they describe three alternatives: Alterative 0, Alternative 1, and Alternative 2. Alternative 0 is described as "enrollments based on the District's average student yield during the last nine years, which are greater than current yields [2008]." This results in a yield of about 0.07 to 0.08 students per dwelling unit. Alternative 1 "uses *slightly* higher student yields in condominiums and large apartments, but keeps all other yields the same as in Alternative 0. These alternative yields are what we would expect if Emery's test scores exceeded those in Oakland, Hayward, and San Leandro." This results in a yield of about 0.11 students per dwelling unit. Alternative 2 "uses *substantially* higher student yields. These are like yields we have measured in very popular districts, such as Los Altos, Palo Alto, and Albany. These districts have very high test scores, particularly compared with those in neighboring districts. Perhaps the community also would need to be more family-friendly, with amenities for families such as parks, programs for families, and family shopping areas and neighborhoods." Alternative 2 yields are about 0.18 to 0.19 students per dwelling unit.

Thus, compared to the current situation (in 2008), Alternative 1 yields are about 60% higher while Alternative 2 yields are more than double. Recognizing that this is based on test scores and city attributes as well as housing characteristics, the trick is to try to translate this into dwelling unit mix. Currently, families with children represent about 12.5% of all Emeryville households. Increasing the number of families with children expected in new apartment and condominium buildings by 60% (the difference between Alternative 1 and Alternative 0) seems like a reasonable place to start. This would result in 20% families with children in new developments. Alternatively, the number of families with children could be increased by 100% (i.e. doubled), to 25%, or even by 140% (that is, times 2.4), to 30%, to reach the student yields of Alternative 2. Staff has analyzed the most recent Census data using the regression analysis technique described above to determine the unit mix that would be required for each of these scenarios.

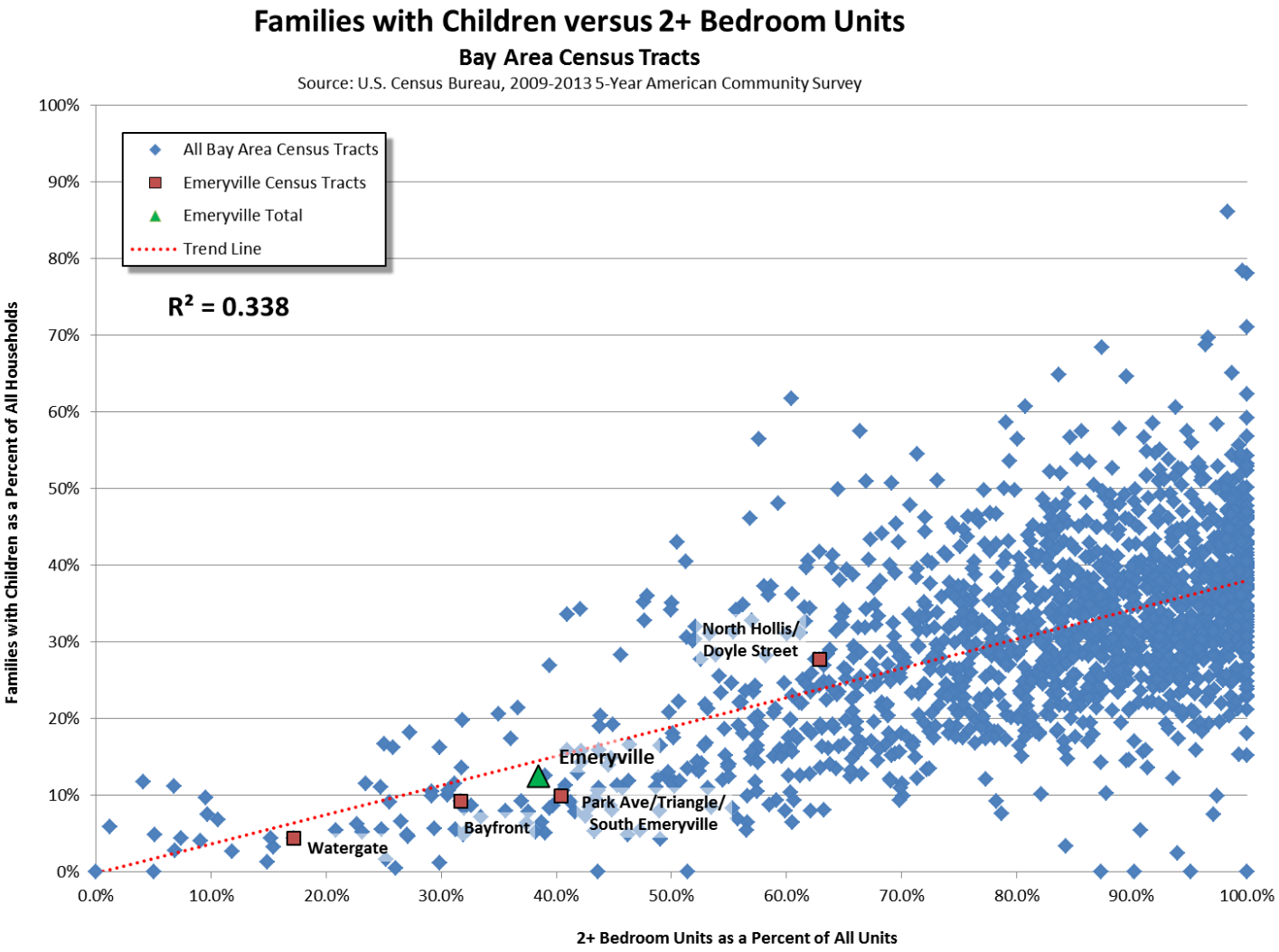
To start, staff plotted average number of bedrooms per unit versus percent of households that are families with children for all Bay Area Census Tracts to determine if these factors are related. The results are shown in Figure 6.

FIGURE 6



As expected, this shows a moderate positive correlation (R^2 =0.3264). Given Emeryville's average unit size of 1.34 bedrooms, about 18% families with children would be expected, while the actual figure is only 12.5% (i.e. below the trend line). In fact, the only Emeryville Census tract in which the actual percentage of families with children is higher than expected (i.e. above the trend line) is in the North Hollis/Doyle Street area, which has 27.7% families with children while only 21.4% would be expected. In general, it can be seen that as average number of bedrooms increases, the percent of families with children likewise increases.

FIGURE 7



Next, staff looked at units with two or more bedrooms and three or more bedrooms to see how those factors correlate with families with children. These results are shown in Figures 7 and 8.

Figure 7 indicates that there is a moderate positive correlation (R^2 =0.3380) between units with two or more bedrooms and families with children. Emeryville has about 38.4% units with two or more bedrooms, which would predict about 14.5% families with children. As can be seen, Emeryville is slightly below the trend line, at 12.5% families with children. This chart illustrates that, in general, the percentage of families with children is likely to increase as the percentage of units with two or more bedrooms increases, up to about 36% families with children when all units have two or more bedrooms.

FIGURE 8

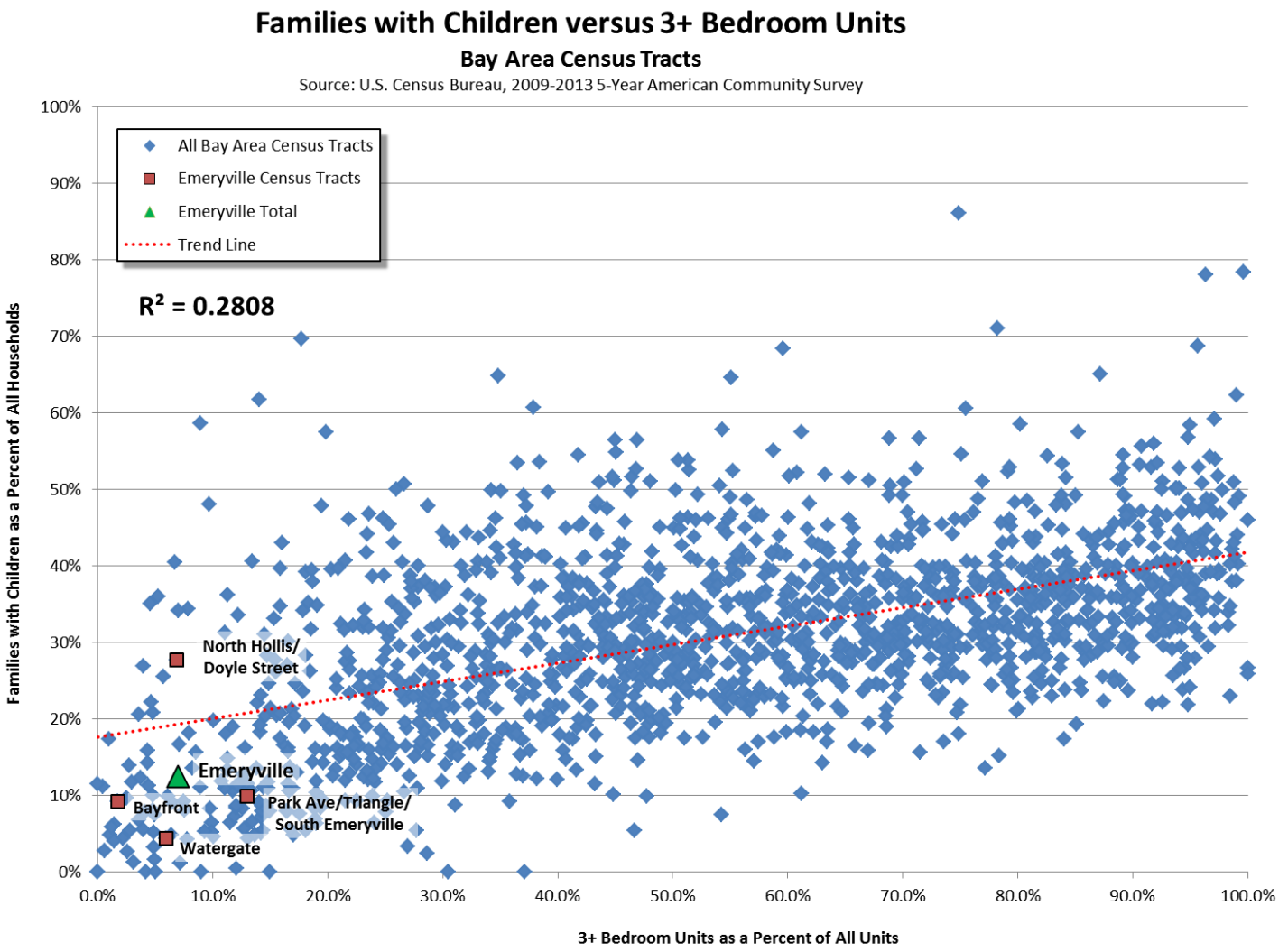


Figure 8 shows the relationship between families with children and units with three or more bedrooms. In this case, Emeryville is well below the trend line; its 7.0% units with three or more bedrooms would predict about 19.3% families with children instead of the actual 12.5%. Note also that the correlation coefficient of 0.2808 indicates a weaker relationship between families with children and units with three or more bedrooms as compared to two or more bedrooms. The data in Figure 8 is not as tightly clustered as the data in Figure 7. In fact, there are some Census tracts with more than 50% units with three or more bedrooms, but with fewer families with children than Emeryville, while at the same time there are Census tracts with less than 10% units with three or more bedrooms, but almost 30% families with children, such as the North Hollis/Doyle Street area of Emeryville.

These results suggest that it is important to consider both units with two or more bedrooms, and units with three or more bedrooms when attempting to attract families

with children. Many families only have one child, and for these families a three bedroom unit may be too large and unaffordable. At the same time, units with three or more bedrooms would be appropriate for those families with two or more children, and who are able to afford larger units for their larger families.

As discussed above, an appropriate target for families with children in new development in Emeryville might be 20% (a bit higher than Berkeley and San Francisco), but targets of 25% (similar to Oakland) or 30% (similar to Alameda County, the Bay Area, and the U.S. average) could also be considered. These would be 60%, 100% and 140% higher than the current ratio of 12.5%, respectively. The percentage of units with two or more bedrooms and units with three or more bedrooms that would be necessary to meet these targets, as suggested by the trend lines in Figures 7 and 8, are shown in Table 8.

TABLE 8: UNIT MIX NEEDED TO MEET VARIOUS FAMILY WITH CHILDREN TARGETS

Families with Children as Percent of All Households	2+ Bedroom Units*	3+ Bedroom Units
12.5% (existing)	38.4%	7.0%
20% (60% increase)	50%	10%
25% (100% increase)	65%	30%
30% (140% increase)	80%	50%

* Inclusive of 3+ bedroom units.

These figures are rounded to the nearest five percent. Note that the 2+ bedroom figures are inclusive of the 3+ bedroom figures. In other words, to attain 20% families with children, it would be necessary to have 50% of units at two bedrooms or larger, including 10% of units at three bedrooms or larger. This could be accomplished by having 40% two-bedroom units and 10% three bedroom or larger units. Similarly, to attain 30% families with children, it would be necessary to have 80% of units at two bedrooms or larger, including 50% of units at three bedrooms or larger. This could be accomplished with 30% two-bedroom units and 50% three bedroom or larger units.

Unit Size

The U.S. Census does not contain information on dwelling unit size in square feet, so data to compare Emeryville's unit sizes with other cities is not readily available. As noted above in Table 1, average unit sizes over the last 20 years have been 426 square feet for studios, 818 square feet for 1-bedroom units, 1,186 square feet for 2-bedroom units, and 1,231 square feet for three bedroom units. In the most recent draft of the Family-Friendly Design Guidelines, presented to the Planning Commission on February 26, 2015, it was suggested that two-bedroom units should be a minimum of 900 square feet and three-bedroom units should be a minimum of 1,100 square feet. A speaker from the public noted that these recommended minimum unit sizes are larger than

typically allowed by funders for affordable housing. Santa Cruz's Affordable Housing Guidelines specify minimum unit sizes of 400 square feet for studios, 550 square feet for one-bedroom units, 850 square feet for two-bedroom units, and 1,050 square feet for 3-bedroom units.

Even without specifying a minimum unit size, the Family Friendly Design Guidelines will result in de facto minimum sizes, taking into account the guidelines for ample living and dining areas, hallways for children to play, indoor storage space, and so forth. The sample unit plans illustrated in the February draft ranged from 1,100 to 1,280 square feet for two-bedroom units and from 1,182 to 1,360 square feet for three-bedroom units.

Given that the average size of units developed in Emeryville over the last 20 years are within the range of those illustrated in the Family Friendly Design Guidelines and well above the suggested minimums mentioned above, specifying minimum unit sizes should not pose an issue for the development community.

Family Friendly Design Guidelines

The Emeryville Design Guidelines were adopted by the City Council on December 7, 2010. The Residential section includes a general policy about family-friendly housing, but nothing specific. In 2012, Economic Development and Housing (EDH) staff developed a separate, more detailed set of design guidelines for family housing. The EDH guidelines included policies specifically addressing family-friendly residential projects, including site design for the entire project, as well as unit design for individual living spaces. These guidelines were used in the Request for Proposals for development of an affordable housing project at 3706 San Pablo Avenue, which was approved by the Planning Commission on January 22, 2015. In 2013, staff proposed amending the Emeryville Design Guidelines to reflect the more detailed concepts regarding family-friendly residential projects from the EDH guidelines. The Planning Commission held a public hearing on staff's proposed guidelines on June 27, 2013, and directed staff to develop them further. Staff then hired a consulting architect to assist with the analysis and develop sample unit plans. On May 17, 2014, the Planning Commission held a special meeting/retreat for a bus tour of four affordable family-friendly housing projects in Berkeley and Oakland. On November 18, 2014, the City Council adopted the 2015-2023 Housing Element of the General Plan, which includes a program to adopt and implement an amendment to the City's Design Guidelines that provides standards for the development of family-friendly housing, addressing site design, unit design, unit layouts, relationship of units to outdoor areas, and other unit and community features.

The most recent iteration of the proposed Family Friendly Design Guidelines was reviewed by the Planning Commission on February 26, 2015. The Commission had a number of concerns about the specifics of the proposal, but was generally supportive. Since then, staff has been working to address the Commission's concerns, and expects to present revised guidelines to the Commission for approval on April 23, 2015.

Assuming the Commission approves the guidelines at that time, they will then be forwarded to the City Council for adoption in May or June. Thus, the Family Friendly Design Guidelines are on a parallel track with the proposed regulations and incentives discussed in this report, and so are not discussed in detail here.

Discussion Questions

Given the information provided above, staff seeks the Council and Commission's direction on the following questions related to family friendly housing:

- Should a minimum percentage of 2+ bedroom and/or 3+ bedroom units be required in new Multi-Unit Residential development? If so, what percentage?

- Should 2+ bedroom units (including 3+ bedroom units) be required to comply with the Family Friendly Design Guidelines? If so, should the guidelines only apply to required 2+ bedroom units, or should they also apply to additional 2+ bedroom units that are not required?

- Should minimum unit sizes be established? If so, what sizes?

- Should there be any exceptions to requirements for unit mix, family friendly design, and minimum unit size? Is so, what should be the basis for such exceptions?

Affordable Housing and Ownership Housing

Affordable Housing

Housing prices have been increasing rapidly in the Bay Area in general, and in Emeryville in particular over the last several years. Table 9, from the Housing Element of the General Plan, shows price increases between 2010 and 2013, averaging over 10% per year for a 2-bedroom unit. In the same time period, median home sales prices in Emeryville increased from $278,250 to $350,000, an average annual increase of 8.6%.

TABLE 9: AVERAGE MONTHLY RENTAL PRICE BY UNIT SIZE, 2010-2013

Number of Bedrooms	2010	2011	2012	2013	Percent Increase 2010-2013	Average Annual Increase
Studio	$1,417	$1,655	$1,664	$1,804	26%	8.7%
1 bedroom	$1,774	$1,894	$1,953	$2,231	26%	8.7%
2 bedroom	$2,183	$2,489	$2,455	$2,869	31%	10.3%
3 bedroom	$3,057	$3,190	$3,153	$3,427	12%	4.0%

Source: City of Emeryville Housing Element 2015-2023

A survey of 847 market rate units in six rental complexes in 2014 showed annual rent increases ranging from 11% for 1- and 2-bedroom units to 19-20% for 3-bedroom units and studios. Rents for designated below market rate (BMR) units are protected from these market trends, as BMR rents may only rise according to annual growth in area median incomes at the county level. The BMR designation is secured by an Affordability Agreement, which is recorded on the property and typically runs for 55 years from initial occupancy of the development.

Like all cities in the Bay Area, Emeryville has been assigned a "Regional Housing Needs Allocation" (RHNA), which is a target for housing development at various affordability levels over the next eight years (2014-2022). Emeryville's RHNA is 1,498 units, broken down by affordability levels as follows:

TABLE 10: 2014–2022 RHNA by Income Category

Income Category	Percent of AMI*	Number of Units	Percentage of Total
Extremely low	Less than 30%	138	9.2%
Very low	30% to 50%	138	9.2%
Low	50% to 80%	211	14.1%
Moderate	80% to 120%	259	17.3%
Above moderate	More than 120%	752	50.2%
Total		**1,498**	**--**

* AMI = Area Median Income

Source: City of Emeryville Housing Element 2015-2023

Compared to cities like Oakland, San Francisco, and San Jose, with RNHAs of 14,765, 28,869, and 35,080, respectively, Emeryville's allocation does not appear large. However, when geographical area is taken into account, it can be seen that Emeryville's RHNA of 1,248 units per square mile (1,498 units/1.2 square miles) is by far the highest in the Bay Area, more than double the next closest city, San Francisco, whose RHNA is 615 per square mile. This high expectation of Emeryville's housing production potential is based largely on our past performance, as indicated in Table 11.

TABLE 11: PROGRESS IN MEETING 2006-2014 RHNA TARGETS

Income Category	Percent of AMI*	RHNA	Permits Issued	Percent of RHNA Met	Bay Area Average
Very low	Less than 50%	186	115	61.8%	27.7%
Low	50% to 80%	174	9	5.2%	24.0%
Moderate	80% to 120%	219	46	21.0%	26.4%
Above moderate	More than 120%	558	683	122.4%	83.6%
Total		**1,137**	**853**	**75.0%**	**50.1%**

* AMI = Area Median Income

Source: City of Emeryville Housing Element 2015-2023 and Association of Bay Area Governments

During the last RHNA cycle, Emeryville did not meet all of its RHNA targets, but was much more successful than the overall Bay Area, meeting 75% of its total RHNA as compared to 50% for the Bay Area as a whole. Emeryville exceeded Bay Area averages for very low income and market rate (i.e. "above moderate") units, was slightly below average for moderate income units, and was well below average for low income units. Implementation of the City's Affordable Housing Set-Aside (ASHA) Program (now known as the Affordable Housing Program) and the former Redevelopment Agency's use of its Low and Moderate Income Housing Funds helped facilitate the production of 170 below market rate (BMR) housing units from 2006 to 2014. Very low-, low-, and moderate-income units were provided in the Glashaus Lofts, Adeline Place, Oak Walk, Magnolia Terrace, Parc on Powell (formerly "Parkside"), Ambassador, and Emme (formerly "64th and Christie") development projects.

Given the current very active housing market, it is expected that Emeryville will be even more successful at meeting its total 2014-2022 RHNA target of 1,498 units. In fact, there is currently more than this number of units under construction, approved, or proposed. Thus, Emeryville should have no trouble meeting the total and market rate ("above moderate") targets. The trick will be to provide BMR units at the moderate, low, very low, and extremely low income levels, since the tools of inclusionary zoning for rental projects have been constrained and Low and Moderate Income Housing Funds generated by property tax increment are no longer available.

Emeryville's previous Affordable Housing Set-Aside Program required rental housing projects to provide 9% of units at moderate income level and 6% of units at very low income, which resulted in many BMR rental units being developed over the years. However, recent court decisions have found that this amounts to a form of rent control, which is illegal for new developments in California. Thus, except for projects that receive assistance from the City, such "inclusionary zoning" is no longer allowed for rental developments. This decision did not affect ownership projects, for which Emeryville's inclusionary requirement is to provide 20% of units at the moderate level. However, no new condominium projects have been proposed recently, and even if they were, this does not address the need for units below the moderate income level.

The State's elimination of Redevelopment as of February 1, 2012 means that less money is available to the City to assist in the development of affordable housing. Previously, 20% of the Redevelopment Agency's property tax increment went to affordable housing. Since almost the entire city was in a redevelopment area, this generated millions of dollars for affordable housing. The Agency used these funds both to subsidize deeper levels of affordability in private projects, and to fund its own affordable housing projects; the most recent example of this is the Ambassador Housing project, a 69-unit, 100% affordable project completed in March 2014. The City as Housing Successor to the former Redevelopment Agency retained certain housing assets as a result of redevelopment dissolution. These assets were comprised of real property (3706 San Pablo Avenue; 36th/Adeline Parcels; 6150 Christie Avenue),

account receivables on first time homebuyer loans, and other miscellaneous funds (Supplemental Educational Revenue Augmentation Fund or SERAF; East BayBridge Housing Trust Fund). However, these funds are finite, and no on-going funding for affordable housing will be generated in the future.

In response to the elimination of these affordable housing tools, the City enacted an Affordable Housing Development Impact Fee that took effect in September 2014. This requires developers of new rental housing to pay an impact fee to the City, currently $20,000 per unit, or to provide 6.9 percent of units at the low income level. The fee for non-residential development (except certain excluded uses) is currently $4 per square foot. The fees increase every year on July 1 based on the Engineering News-Record Construction Cost Index for San Francisco. As of March 31, 2015, approximately $76,000 had been collected in affordable housing impact fees. Since no new residential projects have had building permits issued since the fee took effect six months ago, this represents non-residential projects. When new residential project begin pulling building permits, substantially more affordable housing impact fees will be generated unless the developer agrees to provide the required units on-site. However, these fees will never begin to equal the money that was previously available under redevelopment, nor will they equal the number of BMR units that were previously generated by the City's inclusionary zoning requirements for rental housing.

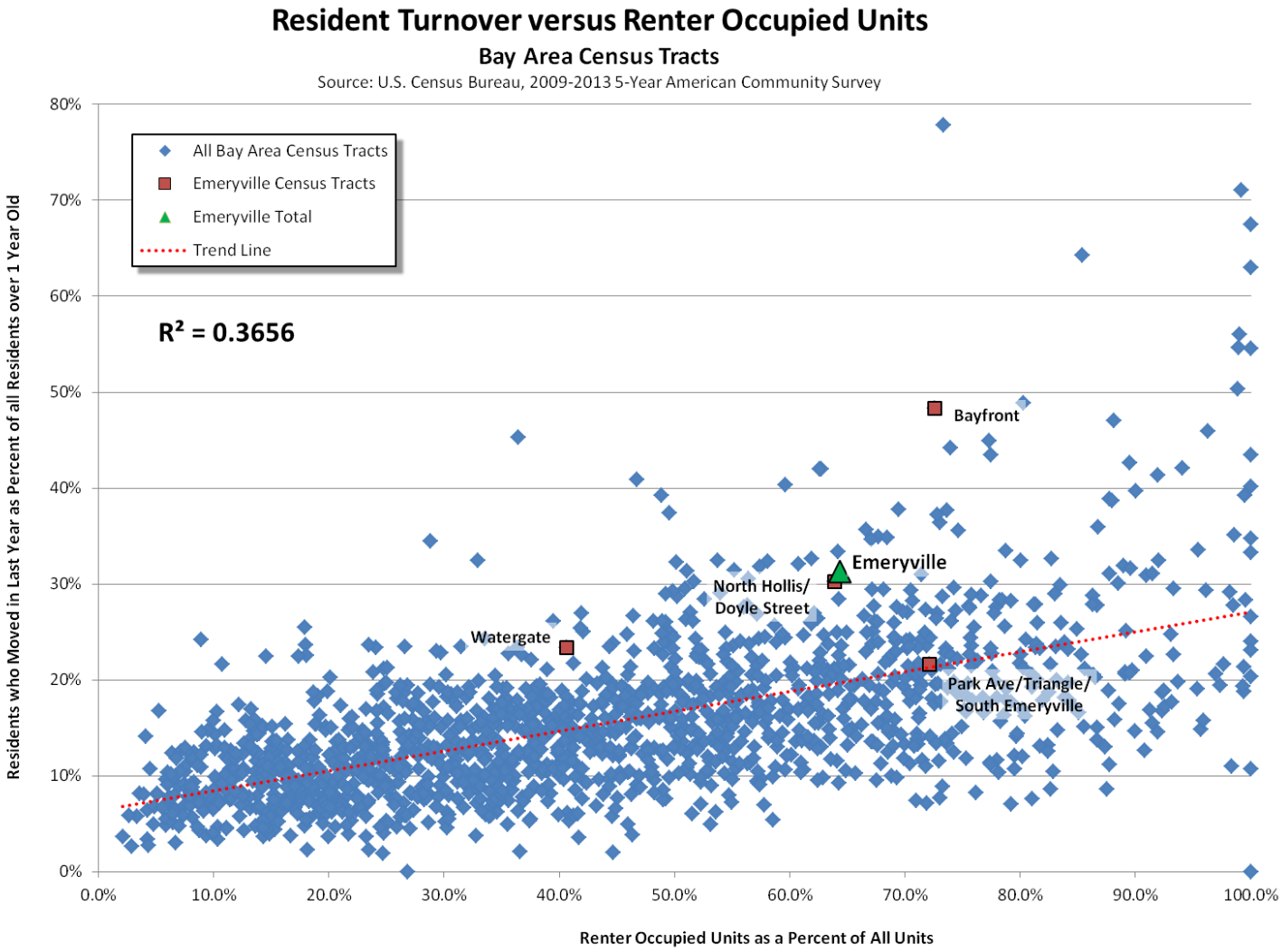
To address the burgeoning affordable housing crisis, staff proposes to incentivize the production of affordable units using the concept of "voluntary inclusionary zoning". Under this concept, development bonuses are contingent upon developers voluntarily providing a certain level of affordability in their projects. This is discussed further below under "Proposed Incentives and Development Bonus System".

Ownership Housing

Ownership housing built in Emeryville during the early 2000s reflected Bay Area-wide market conditions that favored condominium development. Availability of financing and high demand fueled condominium growth. However, the 2008 downturn in the real estate market and the economy significantly changed the outlook for residential development in favor of rental units. Currently, all residential projects in the development "pipeline" are rental projects. Given that almost two-thirds of households in Emeryville are renters, concern has been expressed that such an increase in rental housing will only exacerbate the situation and will further limit opportunities for home ownership.

The conventional wisdom is that homeowners tend to be more stable and more invested and engaged in their communities than renters. Certainly the majority of elected and appointed officials in Emeryville are homeowners. However, several are renters, and some started out as renters in Emeryville before purchasing their homes. Some households are not able to afford homeownership, and so are forced to rent. This leaves them vulnerable to rent increases that are beyond their control and may force them to relocate involuntarily.

FIGURE 9



Staff has analyzed annual turnover in households versus the percent of renter households for Bay Area Census tracts; the results are shown in Figure 9. As expected, this shows a moderate degree of correlation (R2 = 0.3656) between turnover and renter occupied units; as the percentage of renter occupied housing increases, so does the annual turnover rate. (Turnover is measured by the percent of residents who moved in the past year.) Census tracts with very low percentages of rental households have annual turnover rates below 10%, whereas Census tracts approaching 100% rental housing have annual turnover rates approaching 30%. Emeryville is considerably above the trend line with about 64% rental housing and an annual turnover rate of about 31%. This is probably due to the demographics associated with the very high percentage of units in large apartment and condominium buildings, as discussed above under "Demographic Mix."

Data from the Alameda County Assessor shows that there are approximately 3,546 condominium units in Emeryville. The most recent Census data indicates that there are approximately 469 detached single family homes, and approximately 6,591 total housing units in the City. Thus, approximately 4,015 units, or about 61% of the total, are potentially available for home ownership. However, Census data also indicates that only about 2,100 units are actually owner occupied (35.7% of occupied units), while 3,790 units are renter occupied (64.3% of occupied units). This implies that about 40% of condominium units are rented out and are not owner occupied. This can occur when a developer maps condominiums on a project but retains ownership of all units and rents them out, as has occurred at the Bridgewater project (formerly Emery Bay Club and Apartments), the Oak Walk project, and several others. It can also occur when individual condominium owners choose to rent out their units, such as the Watergate complex where Census data indicates that about 40% of units are renter occupied. In some cases, individuals may own several condominium units, living in one and renting out the others. Thus, the sheer creation of new condominium units is not a guarantee of owner occupancy, although at least it makes it possible. In order to ensure some percentage of owner occupancy, homeowners' associations (HOAs) would need to voluntarily revise their Covenant Conditions and Restrictions (CC&Rs) to limit the number of renter-occupied units. This can help with financing, as FHA mortgages might not be available to condominium projects that are more than 50% renter occupied. However, staff is not aware that any HOAs have chosen to do this. (There is funding allocated in the current operating budget for staff to hire a consultant to assist with such efforts.)

There are also issues with affordable ownership units. Staff's experience with the City's affordable housing programs has indicated that BMR ownership units at the low- and very low-income levels tend to be more prone to financial distress (including foreclosure), regardless of the stability of the housing market, as low income households generally do not have the financial resources to cover increases in fixed housing costs such as utilities and HOA dues. If a BMR unit goes into foreclosure, the City's resale restrictions are at risk.

In addition, as noted above, the consultants who prepared the enrollment forecast for the school district in 2008 believe that rental housing is more conducive to attracting families with children. They stated, in part, "…families need substantial resources to purchase condos … We have found that as condominium developments age, units are increasingly likely to be rentals. When this happens, the possibility of more families living in the condominiums increase, for the developments are now like apartment complexes." Thus, if the goal is to attract more families with children to Emeryville in order to bolster EUSD enrollment levels, the development of more ownership projects may, in fact, prove to be counterproductive.

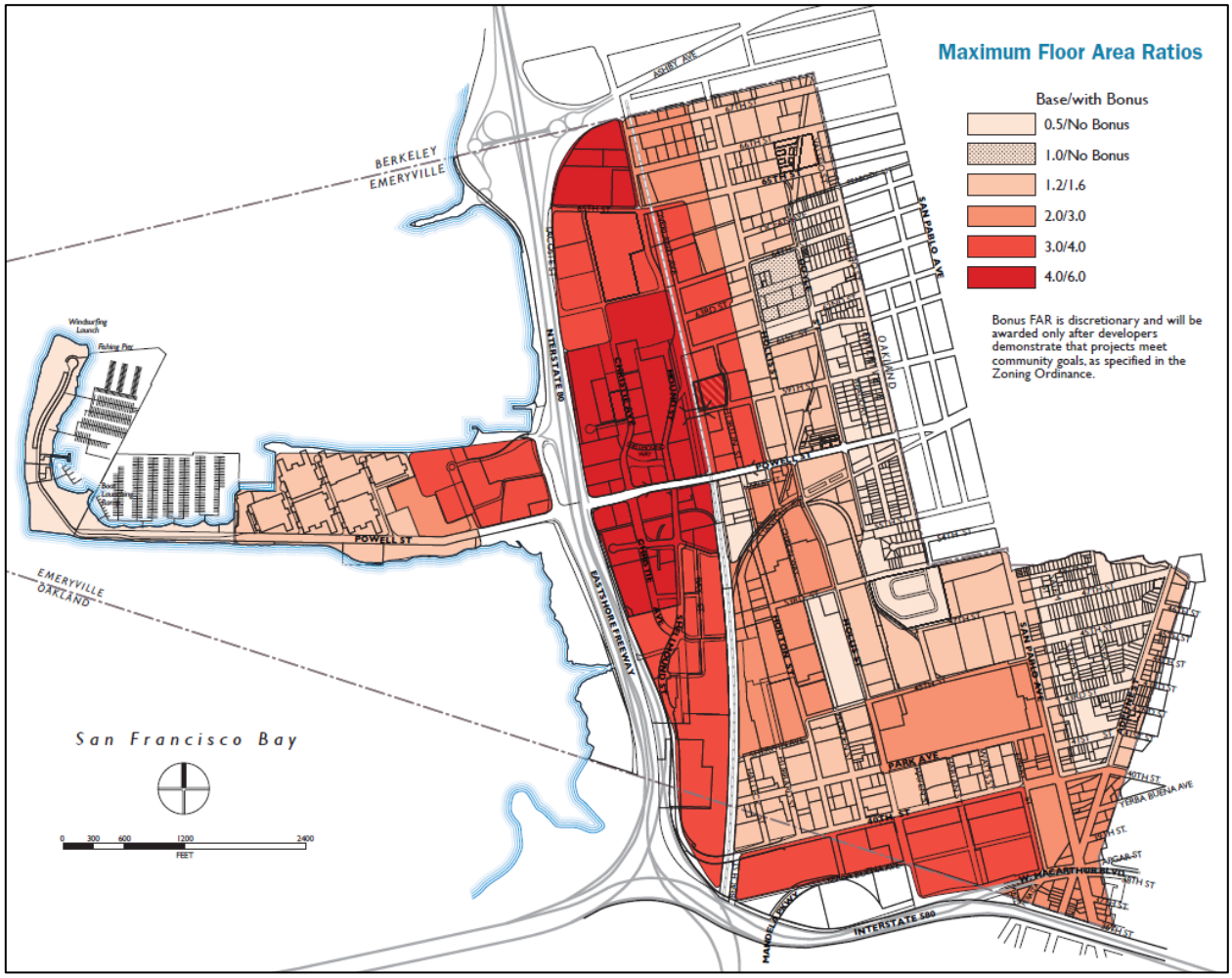
All of this begs the question, what is the appropriate balance between rental and ownership housing? Whatever that balance is, the City cannot legally mandate that

residential projects be developed as ownership housing as opposed to rental housing. Thus, any such goals for ownership housing must rely on voluntary incentives, as discussed below.

Proposed Incentives and Development Bonus System

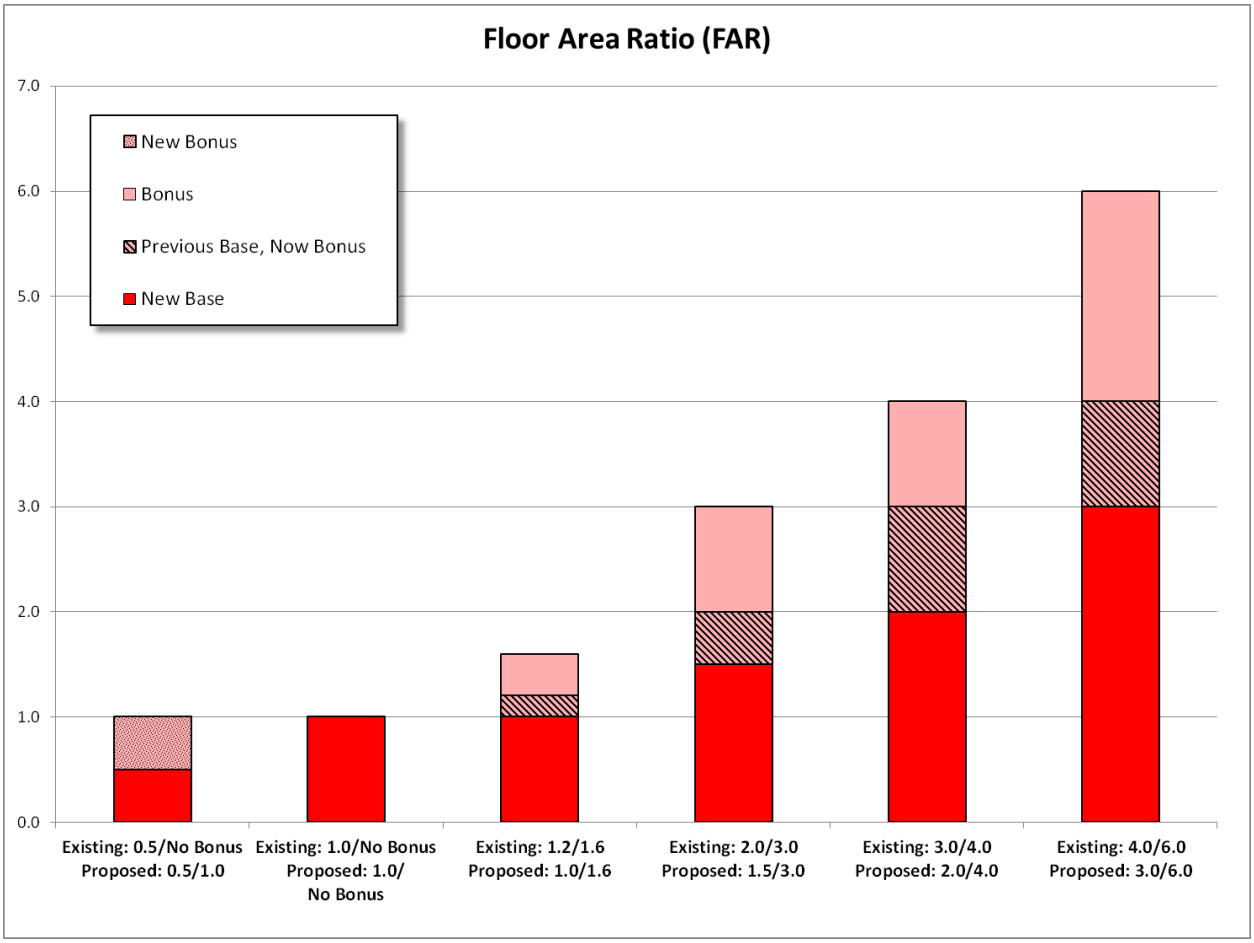
Emeryville's Planning Regulations contain a development bonus system that provides for additional development potential in exchange for providing public benefits. Staff proposes that this development bonus system be modified to make the provision of affordable housing units and/or ownership units a prerequisite to receiving a development bonus. Thus, affordable and ownership housing would not be required for all projects, but the possibility of a development bonus would give developers an incentive to provide such housing. This is sometimes referred to as "voluntary inclusionary zoning" (at least as regards affordable units).

FIGURE 10



Under the current development bonus system, each district on the City's floor area ratio (FAR) map, height limit map, and residential density map has two numbers: a "base" number and a "bonus" number. For example, in the 4.0/6.0 FAR district, the base FAR (the maximum permitted ratio of building floor area to site area) is 4.0, which can be increased to 6.0 with a development bonus. In order to get this bonus, a developer must provide public benefits, which are worth bonus points. To get the full bonus, 100 points must be earned. If fewer points are earned, the bonus is less. For example, in the 4.0/6.0 FAR district, a project that earned 50 points would be eligible for a maximum FAR of 5.0 (half the increment between 4.0 and 6.0). The FAR map is shown in Figure 10. The legend indicates the base and bonus number in each district (note that two of the districts do not provide for a bonus). The height limit and residential density maps are similar.

FIGURE 11



A concept that has been discussed is to reduce the base level in most districts while keeping the bonus level the same. This would not reduce the total development

potential of a site, but would lower the threshold above which a bonus would be required. This would provide greater incentive for developers to seek bonus points and thus trigger the provision of affordable and/or ownership housing as a prerequisite to earning such bonus points. This concept is illustrated in Figure 11. For each district in this diagram, the threshold between base and bonus would be lowered from the top of the cross-hatched area to the bottom of the cross-hatched area. Thus, the cross-hatched area represents development that previously was part of the base but would now require a bonus. The dark red area at the bottom of each bar represents the new base level, while the lighter red area at the top represents development that would continue to require a bonus. For example, in the 4.0/6.0 FAR district, the base would be lowered to 3.0, while the bonus level would still be 6.0. Currently, anything over an FAR of 4.0 requires a bonus in this district. Under the proposed changes, anything over an FAR of 3.0 would require a bonus. Development between 3.0 and 4.0 represents the range that was previously part of the base, but would now require a bonus. In both the existing and proposed situations, the maximum bonus FAR in this district is 6.0, so the development potential is not affected.

(Note the “new bonus” that is proposed in what is currently the 0.5/No Bonus district at the left side of Figure 11. This is to address an anomaly of the current development bonus system affecting the lower density residential neighborhoods. When the General Plan was adopted in October 2009, it included a residential density bonus from 20 units per acre to 35 units per acre in the older residential neighborhoods. However, there was no corresponding FAR bonus; FAR is limited to 0.5 with no bonus available. This results in smaller units for higher density projects. For example, on a one acre site (43,560 square feet), 25 units could be built without a bonus, with a maximum average unit size of 1,089 square feet (43,560 square feet times 0.5 FAR divided by 25 units). However, if the density is increased to 35 units with a bonus, the maximum average unit size decreases to only 622 square feet (43,560 square feet times 0.5 FAR divided by 35 units) because there is no available bonus for allowable floor area. This problem was underscored recently in the Doyle Street Lofts project approved by the City Council on January 20, 2015, which, due to these restrictions, had unit sizes of 525 and 975 square feet. By adding a bonus of 1.0 to this FAR district, the maximum average unit size at 35 units per acre is increased to 1,245 square feet (43,560 square feet times 1.0 FAR divided by 35 units), which would be more conducive to child friendly housing.)

Table 12 summarizes the proposed reduction in base levels for FAR, height, and residential density, and indicates the new range that would become part of the bonus that is currently part of the base. Because the FAR, height, and residential density maps are part of the General Plan, this modification will require a General Plan amendment.

TABLE 12: PROPOSED REDUCTIONS IN DEVELOPMENT BASE LEVELS

	Base/Bonus		Existing Base Range that Would Become Bonus
	Existing	Proposed	
Floor Area Ratio (FAR)	0.5/No Bonus	0.5/1.0	n/a
	1.0/No Bonus	1.0/No Bonus	n/a
	1.2/1.6	1.0/1.6	1.0 - 1.2
	2.0/3.0	1.5/3.0	1.5 - 2.0
	3.0/4.0	2.0/4.0	2.0 - 3.0
	4.0/6.0	3.0/6.0	3.0 - 4.0

	Base/Bonus		Existing Base Range that Would Become Bonus
	Existing	Proposed	
Height	30'/No Bonus	30'/No Bonus	n/a
	30'/55’	30'/55’	n/a
	55'/75’	40'/75’	40' - 55'
	75'/100’	50'/100’	50' - 75'
	100'/100’+	75'/100’+	75' - 100'

	Base/Bonus		Existing Base Range that Would Become Bonus
	Existing	Proposed	
Residential Density (units per acre)	20/35	20/35	n/a
	50/60	35/60	35 - 50
	85/100	50/100	50 - 85
	100/135	65/135	65 - 100
	115/170	80/170	80 - 115

To assess how these changes would impact various projects, staff developed three hypothetical projects on a hypothetical site. The site is one acre (43,560 square feet) located in an area that currently has an FAR of 3.0/4.0, a height limit of 55’/75’, and a residential density of 100/135 units per acre. Under the above proposal, the site would change to an FAR of 2.0/4.0, a height limit of 40’/75’, and a residential density of 65/135 units per acre. Each of the three hypothetical projects would have average net unit sizes of 1,000 square feet, or a gross area of 1,250 square feet per unit. Project 1 would have 65 units (which translates to an FAR of 1.87) and a height of 40 feet. Project 2 would have 100 units (an FAR of 2.87) and a height of 55 feet. Project 3 would have 135 units (an FAR of 3.87) and a height of 75 feet. Table 13 shows the total number of bonus points that each of these projects would need under the existing and proposed base/bonus levels for FAR, height, and residential density.

TABLE 13: EFFECT OF LOWERING BASE ON THREE HYPOTHETICAL PROJECTS

			Existing		Proposed	
		Project	Base/Bonus	Points Needed	Base/Bonus	Points Needed
Project 1	FAR	1.87	3.0/4.0	0	2.0/4.0	0
	Height	40'	55'/75'	0	40'/75'	0
	Residential Density	65	100/135	0	65/135	0
	TOTAL POINTS NEEDED			**0**		**0**

			Existing		Proposed	
		Project	Base/Bonus	Points Needed	Base/Bonus	Points Needed
Project 2	FAR	2.87	3.0/4.0	0	2.0/4.0	44
	Height	55'	55'/75'	0	40'/75'	43
	Residential Density	100	100/135	0	65/135	50
	TOTAL POINTS NEEDED			**0**		**50**

			Existing		Proposed	
		Project	Base/Bonus	Points Needed	Base/Bonus	Points Needed
Project 3	FAR	3.87	3.0/4.0	87	2.0/4.0	94
	Height	75'	55'/75'	100	40'/75'	100
	Residential Density	135	100/135	100	65/135	100
	TOTAL POINTS NEEDED			**100**		**100**

As this shows, the smallest project (Project 1) and the largest project (Project 3) would be unaffected in terms of number of bonus points needed; under both the existing and proposed regulations, Project 1 would need no points and Project 3 would need 100 points. However, the medium sized project (Project 2) would need no points under the existing regulations, but would need 50 points under the proposed regulations. Another difference would be that, under the proposed regulations both Projects 2 and 3 would need to provide affordable and/or ownership units as a prerequisite to earn these bonus points; under the existing regulations there is no such requirement.

During the City Council study session on the Sherwin Williams project on January 20, 2015, the Council expressed interest in reviewing the development bonus system for possible overhaul. As noted above, the provision of “public benefits” is required for a development to earn bonus points. These public benefits must be “significant and clearly beyond what would otherwise be required for the project under applicable code provisions, conditions of approval, and/or environmental review mitigation measures”. For example, if a project intends to earn bonus points for public art, it must provide more public art than is already required under the City’s Art in Public Places program. This is

1% of construction valuation for non-residential projects, so a project that provides public art valued at 2% of construction valuation would be eligible for 10 bonus points. There are 18 categories of public benefits, each worth anywhere from 20 to 50 bonus points, plus a "flexible public benefit" that can be proposed by the applicant for whatever number of points are deemed appropriate by the Planning Commission or City Council, as the case may be. The 19 categories of public benefits, and the maximum number of points available in each category, are summarized in Table 14.

TABLE 14: PUBLIC BENEFITS AND BONUS POINTS

Public Benefit	Maximum Points	Public Benefit	Maximum Points
(1) Public Open Space	50	(10) Neighborhood Centers	35
(2) Sustainable Design*	35	(11) Small Businesses	35
(3) Alternative Energy*	50	(12) Public Art	20
(4) Water Efficiency*	35	(13) Public Parking	35
(5) Energy Efficiency*	35	(14) Bike Station	35
(6) Public Improvements	50	(15) Significant Structures	35
(7) Utility Undergrounding	50	(16) Electric Vehicle (EV) Charging Stations	35
(8) Transportation Demand Management (TDM)	35	(17) Mechanical Equipment Concealed in Penthouse or Inside Building	20
(9) Family Friendly Housing	50	(18) Universal Design	50
		(19) Flexible Public Benefit	N/A**

* Public benefits (2), (3), (4), and (5) are overlapping. Points may not be awarded more than once for what is essentially the same public benefit in more than one category, and a total of no more than 35 points may be awarded in these four categories combined.

** As deemed appropriate by the Planning Commission or City Council, as the case may be.

The development bonus section of the Planning Regulations (Section 9-4.204) is attached for reference, including Table 9-4.204(c), which spells out the method of calculating bonus points and specific requirements for each category. (See Attachment 2.)

The proposed "voluntary inclusionary zoning" system would make the provision of affordable units and/or ownership housing a prerequisite for earning any of the bonus points in Table 9-4.204(c). Alternatively, the public benefits listed above could be eliminated and bonus points could be awarded solely for providing affordable and/or ownership housing. Another possibility would be to reduce the number of points needed for public benefits in recognition of the expense to developers of providing affordable

and/or ownership units. The details of the affordable and/or ownership housing incentives have not yet been developed, but staff has several thoughts on the subject.

One option would be to call for affordable units at various income levels proportional to the City's RHNA, excluding the extremely low income category (less than 30% of Area Median Income), which is better served by stand-alone projects because of the supportive services that are generally required. For example, to earn bonus points a rental housing project might be required to provide 15% affordable units, comprised of 3.4% very low income units, 5.2% low income units, and 6.4% moderate income units, which would be proportional to the City's current RHNA numbers in those categories. (The overall percentage could be proportional to the percent density bonus being requested.) Staff feels that it is desirable to have a mix of units at all income levels within a single project. Otherwise, a household's income may increase to the point where they are no longer eligible for their BMR unit, but cannot afford a market rate unit, and so must move out of the development. A mix of BMRs at various income levels allows households to remain in the same development as their income increases.

Because projects are generally either entirely rental or entirely ownership, it is not practical to require a mix of rental and ownership units within a single project. For reasons discussed above, it is probably not desirable for all new units to be ownership, although that is certainly an option. If projects are required to be ownership as a prerequisite to earning bonus points, their affordable units should be limited to moderate income because of the issues with ownership BMR units mentioned above. However, the number of affordable units might be increased from the base requirement of 20% moderate income units to 25% or 30%. As discussed above, there is no guarantee that condominium units will actually be owner-occupied. To address this, there could be a requirement for CC&Rs that do not allow more than 50% of units to be rented. Alternatively, if ownership of all units is retained by the developer and the units are rented out, the affordability requirement could be the same as for a rental project until the units are actually sold. (There is a similar provision in the City's Affordable Housing Program.)

A hybrid of these two options would be to give the developer the choice of providing rental and/or ownership units, and to require the affordability levels mentioned above for each. (For example, 3.4% very low income units, 5.2% low income units, and 6.4% moderate income units for rental projects and 25% to 30% moderate income units for ownership projects.)

One other issue that must be mentioned is the State Density Bonus Law, which is incorporated into the Emeryville Planning Regulations in Article 5 of Chapter 5. This system is mandated by the State, but is rarely used. It provides for density bonuses for projects that provide at least 5% of units for very low income households, at least 10% of units for low income households, or at least 10% of units for moderate income units in a common interest development. The maximum density bonus is 35%, which is

provided for 11% very low income units, 20% low income units, or 40% moderate income units in a common interest development. (The law also provides density bonuses for senior citizen housing, mobile home parks, donation of land, provision of child care facilities, and conversion of rental projects to condominiums if affordable units are provided.) Under the law, the City must provide one, two, or three "incentives or concessions" to the developer, depending on the percent of affordable units provided at various levels. Such incentives or concessions are not specifically defined, but may include a reduction in site development standards, approval of mixed used zoning, a reduction in parking requirements, and "other regulatory incentives or concessions proposed by the developer or the City that result in identifiable, financially sufficient, and actual cost reductions." The City is required to grant such incentives or concessions unless it makes specific findings. Staff has consulted with other cities in Alameda County and has found that about half have never used this provision of State law and the others have used it only once or twice.

The current bonus point system in the Planning Regulations does not have any provision for affordable or ownership housing. This was intentional in order to avoid overlap and confusion with the State Density Bonus Law. If the development bonus system is modified to provide incentives for affordable and/or ownership housing, staff would suggest that it be made mutually exclusive of the State Density Bonus Law. That is, either system would be available to developers, but not both systems. This would require a modification to language in the Planning Regulations, which currently says that development bonuses pursuant to the City's bonus point system are in addition to any density bonuses for affordable housing pursuant to the State Density Bonus Law.

It should be noted that the maximum density bonus under the State Density Bonus Law is 35%. Under the City's current system, the maximum residential density bonus is about 48% (from 115 units per acre to 170 units per acres in the highest category). Under the proposal discussed above, with a lower bonus threshold, the maximum density bonus would be about 112% (from 80 units per acre to 170 units per acre in the highest category). Thus, it would not seem to be worthwhile for a developer to opt for the State Density Bonus Law when so much higher bonuses would be available under the City's system.

Discussion Questions

Staff seeks the Council and Commission's direction on the following questions related to affordable and ownership housing:

- Should the provision of affordable housing and/or ownership housing be made a prerequisite for earning a development bonus?

- Should the base levels of FAR, height, and residential density be lowered to require more projects to earn development bonuses?

- What is the appropriate mix of rental and ownership housing? Should all future projects be required to be ownership in order to earn development bonuses?

- What percent of units at various levels of affordability should be required for rental and ownership projects? Should this be proportional to the level of bonus being requested?

- What other changes to the development bonus point system are desired?

NEXT STEPS

Following this joint City Council/Planning Commission study session, the Housing Committee will consider the proposed regulations, incentives, and guidelines for multi-unit residential development on May 6, 2015. Proposed amendments to the Planning Regulations and General Plan will be then be prepared for future Planning Commission and City Council consideration. As part of the preparation of these amendments, staff will be assessing the environmental review requirements for the project (it is expected that the amendments will be able to rely on the Environmental Impact Report prepared for the General Plan, since the they will not result in an increase in overall development potential), as well as potential impacts on the recently certified Housing Element to ensure that the amendments to do not affect the ability to achieve the City's Regional Housing Needs Allocation. As noted above, the Family Friendly Design Guidelines are on a parallel track, and are expected to be approved by the Commission in April and by the Council in May or June.

RESPECTFULLY SUBMITTED:

CHARLES S. BRYANT
Community Development Director

APPROVED AND FORWARDED TO THE CITY COUNCIL:

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Sabrina Landreth
City Manager

Attachments:
1. *Demographic Analysis and Enrollment Forecast for the Emery Unified School District,* Lapkoff & Gobalet Demographic Research, Inc., July 21, 2008
2. Planning Regulations Section 9-4.204, *Development Bonuses*