

Date: August 31, 2020

To: Mayor and Members of the City Council 

From: Thomas B. Modica, City Manager

Subject: **State Senate Housing Production Legislation**

This memorandum provides information about key housing production legislation being considered during the 2020 State legislative session and the potential impact to the City of Long Beach.

Background

At the beginning of 2020, the State Senate was focused on Senate Bill 50, a much-debated housing production proposal by Senator Scott Wiener. The proposal, which sought to address the State's housing shortage by streamlining and incentivizing housing production, went through multiple revisions over more than two years. SB 50 was a controversial proposal that would have substantially increased density requirements and the construction of multifamily housing projects near public transit and jobs in urban centers. Earlier versions of the bill would have allowed 4-5 story apartment buildings in certain areas, with little or no residential input.

SB 50 faced tremendous opposition from communities and local governments throughout California, arguing the legislation would impede local control over land-use policy and would not produce enough affordable housing, which is in short supply statewide. The Long Beach City Council took an oppose position to SB 50 on May 7, 2019. On January 30, 2020, the State Senate voted 18-15 on SB 50, four votes shy of passing the Senate. If approved, the bill would have conflicted with the City's adopted Land Use Element, and not in keeping with the City's State Legislative Agenda or the direction provided by the City Council to oppose SB 50 unless amended.

Following the demise of SB 50, Senate President pro Tempore Toni Atkins committed to passing housing production legislation this year, and convened a housing working group composed of eight Senators, including Senator Lena Gonzalez from our State legislative delegation. Despite the impacts of COVID-19 on the State Legislature's schedule and priorities, the working group announced a Housing Production Legislative Package on May 20, 2020. The package aims to bolster housing production while addressing concerns raised about SB 50's lack of local control.

Senate Housing Production Package

The Senate Housing Production Package includes five bills and a proposal to create a renter/landlord stabilization program during COVID-19.

SB 902 (Wiener)—Planning and Zoning: Housing Development: Density

Shortly after SB 50 was voted down, Senator Wiener introduced SB 902, a proposal closely aligned with SB 50's efforts to promote housing development through increased density. Yet, unlike SB 50's mandated density requirements, SB 902 proposed to authorize local governments to pass an ordinance that would re-zone any parcel located in a transit-rich area, a jobs-rich area, or an urban infill site for up to 10 units. These projects would be exempt from the California Environmental Quality Act (CEQA), with a height determined by the local government.

- *Status:* The bill was held in the Assembly Appropriations Committee on August 20, 2020 and will not be considered this year.
- *Local Government Positions (as of August 7, 2020 committee analysis):*
 - Support: Cities of Fullerton and Oakland
 - Opposed: Cities of El Segundo, Hidden Hills, Rancho Palos Verdes, Redondo Beach, Saratoga, Thousand Oaks, and Torrance
- *Long Beach Impacts:* The City did not take a position on SB 902. While the bill proposed to allow for more density, SB 902 would have authorized local governments to make this decision by passing an ordinance, thus offering cities more local control under State law.

SB 1120 (Atkins)—Subdivisions: Tentative Maps

While SB 50 and SB 902 attempted to advance urban density, SB 1120 introduced by Senate President pro Tempore Atkins is an effort to build on the Accessory Dwelling Unit (ADU) reforms over the past five years. SB 1120 proposes to allow by-right two units on certain parcels currently zoned for single-family residences. The bill further allows for ministerial approval of an urban lot split. The proposed subdivision legislation requires the creation of two parcels of equal size, no smaller than 1,200 square feet each.

To qualify under this legislation, parcels must not be located on farmland, wetlands, fire hazard zones, or in historic districts. Projects cannot require demolition or alteration of housing that is rent-controlled, affordable, or occupied by tenants within the last three years. Nor can projects require the demolition or alteration of more than 25 percent of the exterior walls of an existing structure. Local governments may impose objective design, subdivision, and zoning standards that do not preclude the development of two units. SB 1120 prohibits the development of ADUs on parcels that utilize the urban lot split and duplex provisions of the bill.

- *Status:* The bill passed the Senate 39-0 on June 24, 2020, with bipartisan support. The bill is currently on the Assembly Floor and must be considered prior to the August 31, 2020, legislative deadline.

- *Local Government Positions (as of August 11, 2020 committee analysis):*
 - Support if Amended: California State Association of Counties, League of California Cities, and League of California Cities Los Angeles County Division
 - Opposed: Cities of Agoura Hills, Beverly Hills, Campbell, Cerritos, Cupertino, El Segundo, Hidden Hills, Rancho Palos Verdes, Redondo Beach, Santa Clarita, and Saratoga

- *Long Beach Impacts*: Like other large cities, Long Beach has not taken a position on SB 1120. The bill proposes to allow duplexes and subdivision under very limited circumstances. The number of units allowed under this legislation is equal to or less than allowed under the State ADU Bill, which is current law. Duplexes created under the bill could not take up more space than a single-family home and would have to comply with locally-approved design standards, thereby retaining the existing character of single-family neighborhoods. Furthermore, most properties in Long Beach would not qualify for SB 1120's subdivision provision, and property owners that develop two units under SB 1120 already have the ability to build the same or less density through ADUs.

SB 995 (Atkins)—Environmental Quality: Jobs and Economic Improvement Through Environmental Leadership Act of 2011: Housing Projects

This bill proposes to extend the existing Jobs and Economic Improvement Through Environmental Leadership Act of 2011 until January 1, 2025, which currently authorizes the Governor to offer streamlining benefits for development projects certified as LEED Gold or better. Qualifying projects must result in a minimum investment of \$15 million, providing at least 15 percent affordable housing. The bill also includes construction labor requirements for prevailing wage and project labor agreement requirements to use a skilled and trained workforce.

- *Status*: SB 995 passed the Senate 32-4 on June 25, 2020. It is now on the Assembly Floor and must be considered prior to the August 31, 2020 legislative deadline.

- *Local Government Positions (as of August 6, 2020 committee analysis):*
 - Support: City of San Diego
 - Opposed: Cities of Hidden Hills and Redondo Beach

- *Long Beach Impacts*: The City has not taken a position on this bill. SB 995 would not have a clear impact, since the City does not have any large development plans where the Act would be specifically beneficial.

SB 1085 (Skinner)—Density Bonus Law: Qualifications for Incentives or Concessions: Student Housing for Lower Income Students: Moderate-Income Persons and Families: Local Government Constraints

This bill proposes to expand eligibility for developments to benefit from Density Bonus Law to housing development projects with moderate-income rental housing units and student housing. SB 1085 would authorize a local agency to grant a 35 percent density bonus for moderate-income housing developments near transit infrastructure with 20 percent or more moderate-income units, and an incentive for student housing with 20 percent or more low-income student units.

- *Status:* The bill passed the Senate 31-1 on June 26, 2020. It is now on the Assembly Floor and must be considered prior to the August 31, 2020, legislative deadline.
- *Local Government Positions (as of August 11 committee analysis):*
 - Support if Amended: City of Morgan Hill
 - Opposed: Cities of Redondo Beach, San Dimas, Thousand Oaks, and Torrance
- *Long Beach Impacts:* The City has not taken a position on SB 1085, since the bill allows local ordinances that exceed the State density bonus levels. On July 14, 2020, the City Council adopted an Inclusionary Housing Policy and staff is working on updates to the local density bonus program. Based on the City's [Inclusionary Housing: Financial Evaluation](#) dated August 14, 2019, fewer than one percent of the City's mixed-income projects applied for density bonuses under existing State law. Expanded density bonuses are considered a necessary incentive to achieve the levels of very low-income, low-income, and moderate-income housing required in the Inclusionary Housing Policy.

SB 1385 (Caballero)—Local Planning: Housing: Commercial Zones

This bill, the Neighborhoods Home Act, would authorize housing development projects that meet specified requirements for the inclusion of affordable housing on neighborhood lots currently zoned for office or retail commercial. The bill also proposed to revise the Mello-Roos Community Facilities Act, which provides public financing options for residential development, to establish a financing district for housing in commercial zones.

- *Status:* The bill failed in the Assembly Committee on Local Government on August 11, 2020.
- *Local Government Positions (as of August 7, 2020 committee analysis):*
 - Support: County of Monterey
 - Support if Amended: City of Fullerton
 - Opposed: Cities of Buena Park, Cerritos, Cupertino, Newport Beach, Santa Ana, Santa Clarita, and Thousand Oaks
 - Oppose Unless Amended: City of San Jose

- *Long Beach Impacts:* The City initially expressed concerns about SB 1385 to the author's office. Specifically, the proposal was originally unclear whether it would have removed the City's local control to maintain purely commercial zones, which are imperative to providing employment opportunities and retail districts in Long Beach. However, the intent of the bill was clarified so that it would allow cities to still retain commercial-only zones and the unique character of neighborhoods. Therefore, the City did not take a position on this bill.

Renter/Landlord Stabilization Proposal

As discussed in a [memorandum](#) dated June 1, 2020, the Senate leadership housing package included an economic recovery program to address the impacts of COVID-19 on tenants and property owners. The proposal would have provided relief to both renters and landlords, through a State tax credit and repayment structure. The State would offer tax credits to participating landlords equal to the amount of unpaid rent, estimated at a cost of \$300-500 million per year from 2024-2033. Renters, in turn, would receive protection from evictions and immediate relief for unpaid rent from the State, and would repay the State over a 10-year period beginning in 2024. The plan was introduced as SB 1410 on June 16, 2020. The bill passed the Senate on June 26, 2020, but was held in the Assembly Appropriations Committee on August 20, 2020. The City registered support for SB 1410, based on alignment with City Council direction to provide relief for both tenants and property owners during the COVID-19 pandemic.

Next Steps

The Legislative deadline to vote on bills is midnight on August 31, 2020. Senate Bills 1120, 995, and 1085 are currently still being considered. Staff will continue to monitor these bills and register positions on legislative proposals pertaining to housing, in accordance with the adopted 2020 State Legislative Agenda and City Council direction. If you have any questions, please contact Tyler Bonanno-Curley, Manager of Government Affairs, at (562) 570-5715.

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