



Date: February 3, 2020

To: Thomas B. Modica, Acting City Manager *T.M.*

From: Linda F. Tatum, Director of Development Services *LT*

For: Mayor and Members of the City Council

Subject: **Micro-Units for Affordable Housing**

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At its May 2, 2017 meeting, the City Council adopted 29 policy recommendations<sup>(1)</sup> (“Final Recommendations”) prepared by an Affordable and Workforce Housing Study Group (“Study Group”), appointed by the Mayor, to address the affordable housing crisis in the City of Long Beach (“City”). Development Services Department staff continues to implement the recommendations of the Study Group. Among the new initiatives for the development of innovative housing and to foster housing production, recommendation 3.11<sup>(2)</sup> directs staff to “develop a plan to include micro-units as a method for encouraging housing production.”

Micro-units are typically small studio apartments, usually less than 350 square feet, with a fully functioning and accessibility-compliant kitchen and bathroom.<sup>(3)</sup> Micro-unit housing is a newer housing type that is affordable to moderate-income households.<sup>(4)</sup> In Los Angeles, micro-unit rents range from \$1,200 to \$1,600 a month. While micro-units are not subsidized affordable units that are income restricted, they can be an affordable rental housing solution for single people, since based on their size, they can offer cost savings to a renter relative to standard-sized rental units. When compared to a conventional studio in the same market, the gross rents for micro-units tend to be 20 to 30 percent lower than the rent for a conventional studio unit.<sup>(5)</sup> Because micro-units are generally developed without public subsidies, they offer a market-based solution for tackling issues of housing affordability.<sup>(6)</sup>

Micro-unit projects tend to be located in highly-desirable locations, close to public transit, with a variety of quality amenities to attract prospective occupants. As such, micro-units offer the added benefit of a reduction of vehicle-miles traveled (VMT) by bringing housing closer to jobs and other daily destinations.<sup>(7)</sup> Micro-units also address a niche in the housing market that is currently underserved. By offering a previously unavailable housing choice to single-person households, which helps reduce the demand pressure on multi-

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<sup>1</sup> These recommendations were part of the May 2017 “Revenue Tools and Incentives for the Production of Affordable and Workforce Housing” report.

<sup>2</sup> Section 3 of the Final Recommendations

<sup>3</sup> May 2017 “Revenue Tools and Incentives for the Production of Affordable and Workforce Housing” report, Page 51

<sup>4</sup> CCA White Paper *Micro-Units in DTLA*

[https://www.ccala.org/clientuploads/directory/whitepapers/CCA\\_Micro\\_Unit\\_White\\_Paper\\_-\\_March\\_2018.pdf](https://www.ccala.org/clientuploads/directory/whitepapers/CCA_Micro_Unit_White_Paper_-_March_2018.pdf) (p. 5)

<sup>5</sup> <https://www.weho.org/home/showdocument?id=36458> (p.23)

<sup>6</sup> <https://www.weho.org/home/showdocument?id=36458> (p. 25)

<sup>7</sup> CCA White Paper *Micro-Units in DTLA*

[https://www.ccala.org/clientuploads/directory/whitepapers/CCA\\_Micro\\_Unit\\_White\\_Paper\\_-\\_March\\_2018.pdf](https://www.ccala.org/clientuploads/directory/whitepapers/CCA_Micro_Unit_White_Paper_-_March_2018.pdf) (p. 5)

family and single-family housing, micro-units can help stabilize rents.<sup>(8)</sup> The demographic that micro-units tends to attract is mainly young professional singles, mostly under the age of 27.<sup>(9)</sup> As such, establishing a pilot program to allow a limited number of micro-units in Long Beach, in accordance with Recommendation 3.11 of the 2017 Affordable and Workforce Housing report, could diversify the City's housing stock and provide more affordable housing options for students and young professionals.

While micro-units offer a number of benefits, there are concerns relating to their size and livability. Research conducted by staff demonstrated the importance of both neighborhood and building amenities to offset the size and livability concerns of a micro-unit. An ordinance to allow this housing type can be crafted to ensure that ample amenities are provided. More specifically, a pilot program to introduce this type of housing into the City's existing housing market would enable staff to test the regulations in a controlled setting where micro-units are appropriate and adjust accordingly.

To implement the recommendations that the City Council adopted, staff is working on an ordinance that would establish a 500-unit (5 to 10 projects) pilot program with a focus on geographic areas that, based on existing development standards, can better facilitate micro-unit projects and enable the City to test potential regulations. If the pilot is successful, adjustments will be made to the regulations based on the experience, and staff will present the City Council with an ordinance to make the program permanent.

### Case Studies from Other Cities

In response to housing shortages and concerns about housing affordability nationwide, many U.S. cities have developed micro-unit regulations to facilitate a greater number of smaller units as one strategy to foster housing production and increase housing supply. Common regulations include relaxation of the minimum unit size, relaxation of density limitations, requirements that micro-unit projects include a mix of unit sizes that include traditional multi-family units, waiving parking when a building is near transit, and requiring the provision of rich, shared amenities. In New York City, for example, minimum unit size and maximum density limits were waived to allow the first micro-unit project, Carmel Place, to be built as part of an initiative to aid the city's small household population.<sup>(10)</sup> Carmel Place was completed in Spring 2016, and consists of 55 rental apartments, 40 percent of which are affordable housing units. The project incorporates five different micro-unit configurations that range between 260 to 360 square feet in size.

Completed in 2013, the Panoramic building in the SoMa neighborhood of downtown San Francisco is a 160-unit building with micro-units for students and interns that average 354 square feet.<sup>(11)</sup> The building includes amenities such as a rooftop garden, a bike storage room, a ground floor café, and lounges on each floor. While onsite parking is not provided,

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<sup>8</sup> CCA White Paper *Micro-Units in DTLA* [https://www.ccala.org/clientuploads/directory/whitepapers/CCA\\_Micro\\_Unit\\_White\\_Paper\\_-\\_March\\_2018.pdf](https://www.ccala.org/clientuploads/directory/whitepapers/CCA_Micro_Unit_White_Paper_-_March_2018.pdf) (p. 5)

<sup>9</sup> Urban Land Institute (ULI) *The Macro View on Micro Units* [https://uli.org/wp-content/uploads/ULI-Documents/MicroUnit\\_full\\_rev\\_2015.pdf](https://uli.org/wp-content/uploads/ULI-Documents/MicroUnit_full_rev_2015.pdf) (p. 5)

<sup>10</sup> <http://narchitects.com/work/carmel-place/>

<sup>11</sup> <https://sf.curbed.com/2015/2/27/9986102/inside-the-partially-finished-micro-units-at-somas-panoramic>

the building provides City CarShare vehicles for residents, and the building is two blocks away from the Civic Center BART station.<sup>(12)</sup>

### Discussion

The micro-unit ordinance contemplated by staff would be an interim pilot program that allows a certain number of micro-units in the Downtown, Midtown, and Southeast areas of the City. Specifically, the following would be considered as part of interim regulations for a micro-unit pilot project:

- **Establish a Micro-unit Definition.** The Zoning Code currently does not have a definition of a “micro-unit.” The Building Code ultimately determines the minimum unit size, which is 220 square feet per unit.<sup>(13)</sup> Research on micro-units supports the conclusion that a minimum unit size of 300 square feet ensures a livable space that includes adequate kitchen and bathroom facilities and built-in storage areas. A definition would be established to address the size requirements and other features of micro-units and micro-unit projects.
- **Establish Geographic or Locational Criteria.** Staff’s research found that micro-unit projects tend to be the most feasible and successful in areas that permit a density of approximately 100 dwelling units per acre (or approximately one unit for every 435 square feet of lot area), allowing for appropriate densities while ensuring adequate unit sizes and project amenities. Areas of Long Beach that currently permit those densities include Downtown (PD-30), the Downtown Shoreline area (PD-6), Midtown, and the Southeast, and are likely the best candidates for a micro-unit pilot program. Proximity to transit, public parks, and other public facilities and institutional uses are also important criteria when considering the location of micro-unit projects to ensure the livability of these projects for their residents.
- **Establish a Unit Cap.** The micro-unit pilot program will establish a cap on the total number of micro-units that can be constructed under the interim regulations. Currently, 500 units is being contemplated for the unit cap. This number of units permits the City to gain experience with a number of projects (5 to 10 projects, depending on the size of the projects) as a means to test and finetune the regulations, prior to establishing more permanent regulations. The ordinance will also establish appropriate unit mix requirements, allowing 100 percent micro-unit projects to be tested in appropriate locations such as Downtown while a mix of micro, 1-, 2- and 3-bedroom units would be allowed in projects outside of Downtown.
- **Reconcile Existing Minimum Unit Size Requirements that Would Preclude Micro-units.** The areas that are the best candidates for a micro-unit pilot program are regulated by specific plans or planned development districts that require a minimum unit size of 600 square feet. A pilot program could exempt micro-units from the minimum unit size requirement and allow smaller unit sizes. The areas prime for micro-units do allow for a reduction of the minimum unit size to 450 square

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<sup>12</sup> *Study of Various Approaches for Promoting Housing Affordability* by BAE Urban Economics, p. 8  
(<https://www.weho.org/home/showdocument?id=36458>)

<sup>13</sup> However, the Building Code requires at least 320 square feet if there are more than two occupants in such a unit.

feet, provided the Site Plan Review Committee finds the units are high quality with sufficient amenities, private open space requirements not be waived or reduced, and that not more than 15 percent of the total units in the project be a minimum of 450 square feet. The micro-unit pilot program could be crafted to exempt micro-unit projects from the unit size and unit mix requirements, in addition to crafting more suitable open space requirements (see Open Space discussion below).

- **Relax Density Limits.** Generally, in multi-family residential zones of the City, the number of permitted dwelling units is determined by density, which is the number of dwelling units allowed on a site based on the size of the lot and the required site area per unit. The micro-unit pilot program is generally proposed in areas that allow for density of approximately 100 dwelling units per acre. In most of the Downtown, Midtown, and Southeast Area Specific Plan (SEASP) areas, where the pilot is being considered, there are no density limits; development is limited instead by Floor Area Ratios (FARs) and height limits, with a maximum allocation of trips also governing the amount of development in mixed-use areas in SEASP. Where density limitations would preclude a micro-unit project, the State Density Bonus Law can also provide relief, in some instances. The State Density Bonus Law allows up to a 35 percent density bonus in exchange for providing a percentage of affordable units. However, depending on the density limitations, a 35 percent density bonus may, or may not, allow a micro-unit project to achieve densities that make such projects viable.
- **Utilize Density Bonuses to Address Floor Area Ratio and Height Limits.** Similar to considerations around density, restrictive FARs and height limits can create barriers to micro-unit projects. While this may be a consideration in other parts of the City, the areas that are the likely candidates for the micro-unit pilot generally have more permissive FARs and heights. As it relates to height, for example, in the PD-30 zone, height limits are generous and range from 80' to 240', except for in the Downtown Neighborhood Overlay, which contains a 38' height limit. In Midtown, the height limits are tiered based on parcel depth and development districts. The Medical District, for example, has no height limit. The other three development districts (Transit Node Height, Transit Node Low, and Corridor) have height limits that generally range from three stories (36') to five stories (65'), depending on whether the parcel depth is under 200', or 200' and over. The height limits in SEASP generally range between three to five stories. Where height and FAR requirements may pose a challenge, limited height and FAR incentives may be granted through the State Density Bonus law to help micro-unit projects achieve necessary heights and FARs in exchange for restricted affordable units.
- **Adjust Open Space Requirements.** Open space requirements are typically assessed as a square footage amount per dwelling unit. As it pertains to micro-unit projects, these regulations could result in a substantial amount of required open space that could render such projects infeasible. The micro-unit pilot program could swap conventional per-unit open space requirements with an alternative open space requirement that emphasizes common areas to ensure the livability of this housing type for future residents. Specific requirements for high quality amenities will be necessary to assure the needs of future residents within these buildings are met.

- **Address Parking Through TDM and Density Bonus.** As discussed above, per-unit requirements can present a regulatory hurdle for micro-unit projects by virtue of the high density typically associated with these projects. Parking is another per-unit requirement that may need to be further evaluated. Residential units are generally parked at a rate of one space per unit plus one guest parking space per four units. The physical space required for this parking can exceed the living area of the micro unit in some circumstances, and is a contributing factor to high housing costs. Parking lifts, shared parking, alternative mobility solutions (bus, train, bike, scooter, walk) and parking reductions are all possible solutions to these parking requirements. In the Downtown area, for example, projects within the Alternative Mobility Overlay are eligible for a parking reduction by incorporating Transportation Demand Management (TDM) strategies such as car sharing, carpool, unbundled parking, and shared parking, subject to Site Plan Review Committee approval. Similar TDM strategies for parking reduction are also allowed in SEASP and in Midtown with Site Plan Review Committee approval. Outside of incorporation of TDM strategies for a reduction in parking, as mentioned previously, micro-units incorporating income-restricted affordable units can take advantage of parking reductions permitted by the State Density Bonus Law (Government Code §65915).

If you have questions regarding this matter, please contact Christopher Koontz, Planning Bureau Manager, at (562) 570-6288, or [Christopher.Koontz@longbeach.gov](mailto:Christopher.Koontz@longbeach.gov).

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