



**TOWN OF LOS GATOS
COUNCIL POLICY COMMITTEE REPORT**

MEETING DATE: 09/24/2019

ITEM NO: 4

DATE: September 19, 2019
TO: Council Policy Committee
FROM: Laurel Prevetti, Town Manager
SUBJECT: Provide direction on potential amendments to Chapter 29 (Zoning Regulations) of the Town Code regarding below market price regulations and options for the use of below market price in-lieu fees.

RECOMMENDATION:

Provide direction on potential amendments to Chapter 29 (Zoning Regulations) of the Town Code regarding below market price regulations and options for the use of below market price in-lieu fees.

BACKGROUND:

On April 9, 2019, the Policy Committee discussed potential amendments to the Town Code regarding below market price (BMP) regulations. Following a brief discussion, the Policy Committee provided direction to staff to bring back the following items for further discussion:

- BMP regulations in other communities;
- The Town's Affordable Housing Strategy;
- Residential linkage fees;
- Options for amending the Town's BMP regulations, including:
 - Lowering the threshold for requiring BMP units,
 - Greater flexibility in unit sizes and types; and
- Options for use of the Town's accumulated and future BMP in-lieu fees.

On August 27, 2019, the Policy Committee continued their discussion regarding potential amendments to the Town Code and BMP regulations. The Policy Committee provided direction to staff to bring back the following items for additional discussion:

PREPARED BY: Joel Paulson
Community Development Director

Reviewed by: Town Manager, Assistant Town Manager, Town Attorney, and Finance Director

BACKGROUND (continued):

- Options for potential uses of the existing BMP in-lieu fees;
- Options to modify the BMP regulations to increase the number of BMP units and decrease the opportunities to pay in-lieu fees; and
- Options to have BMP units constructed on-site for development projects.

DISCUSSION:

While the Town's Redevelopment Agency no longer exists, the recommended programs and initiatives contained in the Town's Affordable Housing Strategy report could still be considered by the Policy Committee for potential uses of the existing BMP in-lieu fees. Section E. (Housing Fund) of the BMP Housing Program Guidelines also contains potential recommendations that are included for the Policy Committee's consideration. Potential options for using BMP in-lieu fees include, but are not limited to:

1. Issuing a Notice of Funding Availability (NOFA) for an affordable housing project;
2. Purchasing existing units to make them affordable to low/moderate income households;
3. Purchasing land for future development of affordable housing;
4. Purchasing affordability covenants for existing rental units;
5. Purchasing affordability covenants for required BMPs to lower the affordability level;
6. Purchasing affordability covenants for proposed rental or for sale projects; and
7. Providing zero or low interest loans for accessory dwelling units (ADU) that include affordability covenants.

Staff has prepared modified potential amendments to the Town Code (Attachment 6) and the BMP Housing Program Guidelines (Attachment 7) based on the discussion of the Policy Committee at the August 27, 2019 meeting to increase the number of BMP units and decrease the opportunities to pay in-lieu fees, and have BMP units constructed on-site for development projects. The potential amendments are shown in ~~strike-through~~ and underline font. Potential amendments include:

1. Removal of projects in the R-1 and HR zones from being exempt from BMP participation;
2. Removal of planned development projects with an underlying zone of HR from only being required to pay an in-lieu fee;
3. Removal of any reference to the Los Gatos Redevelopment Agency or Community Benefit requirements;
4. Modifications to language regarding the size of BMP units to allow for greater flexibility; and
5. Modifications to language regarding the parking requirements for BMP units to allow for a reduction in parking as determined by the deciding body.

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SUBJECT: BMP Regulations

DATE: September 19, 2019

DISCUSSION (continued):

Staff will be available at the meeting to answer questions and looks forward to receiving direction on potential amendments to the Town's BMP regulations.

COORDINATION:

The preparation of this report was coordinated with the Town Manager's Office.

Attachments:

Previously received with the August 27, 2019 Staff Report:

1. Table V-1 of Affordable Housing Nexus Study prepared for Santa Clara County
2. Affordable Housing Strategy
3. FY 2018-19 Town Operating Budget, BMP Housing Program
4. Potential Town Code Amendments
5. Potential Amendments to the BMP Housing Program Guidelines

Received with this Staff Report:

6. Modified Potential Town Code Amendments
7. Modified Potential Amendments to the BMP Housing Program Guidelines