

Date of Hearing: May 12, 2021

# ASSEMBLY COMMITTEE ON APPROPRIATIONS

Lorena Gonzalez, Chair

AB 500 (Ward) – As Amended April 19, 2021

Policy Committee:	Natural Resources	Vote:	7 - 3
-	Housing and Community Development		6 - 2

Urgency: No      State Mandated Local Program: Yes      Reimbursable: No

## SUMMARY:

This bill re-establishes the California Coastal Commission's (Coastal Commission) authority to facilitate the preservation and creation of affordable housing for lower- and moderate-income households in the Coastal Zone. Specifically, this bill:

- 1) Deletes the prohibition on requiring local coastal programs to include housing policies and programs.
- 2) Requires housing opportunities for persons of low-and moderate-income to be protected, encouraged and where feasible, provided.
- 3) Requires new development in nonhazardous areas to preserve and enhance the supply of higher-density residential, multifamily residential and mixed-use development in areas with adequate public transit.
- 4) Requires, no later than January 1, 2024, a local government in the coastal zone with certified land use plan or a fully certified local coastal plan (LCP) to adopt and submit to the Coastal Commission an amendment to streamline the permitting procedures for the approval of accessory dwelling units (ADUs) and supportive housing projects.

## FISCAL EFFECT:

- 1) Increased annual Coastal Commission costs of \$450,000 for three staff positions to review and approved updated LCP's (General Fund).
- 2) Potential significant revenue to fund lower-and middle-income housing. The expanded authority provided by this bill will allow the Coastal Commission to require developers to either create a certain portion of housing units for lower-income individuals or pay some in-lieu fee to fund it (special fund).

## COMMENTS:

- 1) **Purpose.** The purpose of the bill is to increase residential density and affordable housing in the coastal zone, consistent with Coastal Act policies.

This bill reinstates Coastal Act affordable housing policies that were repealed in 1981, and gives the commission the authority to protect existing affordable housing and ensure any new affordable housing planned and designed is consistent with other Coastal Act policies. This

bill also allows the Coastal Commission to push for increased residential density through permit actions and LCPs, in a manner that does not diminish coastal resources, increase risks to structures from sea level rise or conflict with public access.

The bill repeals the prohibition that prevents the Coastal Commission from requiring LCPs include housing policies, but it does not compel local governments to amend LCPs to address affordable housing. If a local government chooses to amend its LCP to streamline the permitting process for ADUs and supportive housing, the commission would be required to prioritize those amendments.

Many coastal local governments have already adopted inclusionary housing policies in their general plans and local coastal plans.

- 2) **Background.** The Coastal Commission was established by voter initiative in 1972 (Proposition 20) and later made permanent by the Legislature through adoption of the Coastal Act. In partnership with coastal cities and counties, the Commission plans and regulates the use of land and water in the coastal zone. Development activities, which are broadly defined by the Coastal Act to include construction of buildings, divisions of land and activities that change the intensity of use of land or public access to coastal waters, generally require a coastal development permit (CDP) from either the Commission or the local government with a certified local coastal plan (LCP).
- 3) **Affordable Housing in the Coastal Zone.** As originally enacted in 1976, the Coastal Act provided that "housing opportunities for persons of low- and moderate-income shall be protected, encouraged, and, where feasible, provided." In 1977, the Coastal Commission developed statewide guidelines for the implementation of this requirement. As a condition of CDPs, the guidelines included a number of provisions related to affordable housing, such as inclusionary housing requirements, in-lieu fees, density bonus provisions, land donation requirements, reduced parking requirements and demolition limitations. The revised guidelines also made findings to support the economic feasibility and policy rationales for requiring specific percentages of affordable units to be set aside for affordable housing through deed restrictions and rent controls. All versions of the guidelines provided that affordable housing could not be used as a trade-off for protecting coastal resources and that any housing, affordable or otherwise, would only be permitted consistent with coastal resource protection, including public access. According to the commission, this resulted in approximately 5,000 units of affordable housing being approved over a period of five years statewide, without undermining other Coastal Act policies protecting wetlands, habitat, access, agricultural lands, scenic views or community character.

In 1981, SB 626 (Mello), Chapter 1007, Statutes of 1981, set new standards for preserving housing for persons and families with low- and moderate-incomes in the coastal zone. It repealed the Coastal Commission's authority to protect and provide affordable housing in the coastal zone, and provided that LCPs cannot be required to include housing policies and programs. SB 626 also authorized the conversion or demolition of affordable units in coastal zones, so long as replacement units were constructed within the same city or county and, if zone.

- 4) **Lower-Cost Accommodations.** The Coastal Commission has carried out the Coastal Act mandate to protect and provide lower cost visitor-serving accommodations in various ways. The commission has certified LCP policies throughout the coastal zone. Through CDP actions, the commission has in some cases denied permit applications for development that would eliminate existing lower-cost facilities, and has in other cases required lower-cost accommodations to be constructed in conjunction with new higher-cost hotels either on or off site.

The Coastal Commission has also collected over \$24 million in “in-lieu” fee mitigation for impacts to lower-cost accommodations, and more than \$10 million of those fees have resulted in the development of significant lower-cost accommodations along the California coast, including support for the 260-bed Santa Monica Hostel, the restoration of Crystal Cove Cottages in Orange County and nearly 200 new State Parks campsites. However, millions of dollars in in-lieu fees remain unspent, and the commission is currently engaged in an effort to document all past “in lieu” fee requirements. The commission partnered with State Parks, the Coastal Conservancy, regional agencies, local governments and non-profits on projects that spend in-lieu fees.