



MEMORANDUM

TO: City Council

FROM: Brian Pedrotti, Community Development Director

BY: Andrew Perez, Planning Manager

SUBJECT: Consideration of Adoption of an Ordinance Amending Title 16 of the Arroyo Grande Municipal Code Regarding Accessory Dwelling Units and Adoption of a Resolution Approving an Accessory Dwelling Unit Fee Waiver Program

DATE: September 27, 2022

SUMMARY OF ACTION:

Adopting the Ordinance will amend regulations for the development of accessory dwelling units (ADU). Adopting the Resolution will establish a Fee Waiver Program for ADUs that are 500 square feet or less.

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

SB 2 grant funding in the amount of \$20,000 was obtained to offset costs associated with the amendments to the Accessory Dwelling Unit (ADU) regulations, including staffing hours, website development, and marketing materials. The implementation of the fee waiver program is anticipated to decrease revenue for the Community Development Department by as much as \$18,000 annually. However, the lost revenue as a result of waiver building permit fees can be recouped through the use of funds from the City's Inclusionary Housing Trust Fund.

RECOMMENDATION:

Adopt the Ordinance amending development regulations for ADUs and adopt a Resolution establishing the ADU Fee Waiver Program.

BACKGROUND:

The process to update the Ordinance began with a study session at the August 3, 2021 Planning Commission (PC) meeting. At the following PC meeting, staff presented amendments to the Ordinance developed in accordance with feedback obtained from the study session, and the PC recommended that Council adopt amendments to the Title 16 provisions regulating ADU development. The amendments were introduced to the City Council at its meeting on February 8, 2022 (Attachment 3). At that time, Council directed

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staff to modify the draft Ordinance with regard to several aspects of the Ordinance. Staff modified the Ordinance accordingly and presented the changes to Council at a study session on July 26, 2022 (Attachment 4). Positive feedback from Council at the study session allowed staff to proceed to a recommendation hearing with the PC on August 16, 2022, at which PC recommended Council adopt the Ordinance amendments (Attachment 5). Staff introduced amendments to the ADU Ordinance and parameters of the proposed ADU Fee Waiver Program to Council on September 13, 2022 (Attachment 6). Council spoke in support of the draft Ordinance and Fee Waiver Program and introduced the Ordinance as proposed.

ANALYSIS OF ISSUES:

The Ordinance is now ready for adoption. The new regulations for the development of ADUs and JADUs will become effective thirty (30) days after adoption. The ADU Fee Waiver Program will become effective immediately upon adoption. The adopted Ordinance will be sent to the Department of Housing and Community Development for review and confirmation that it is in compliance with State law.

Staff performed additional research regarding the issue of whether the payment of prevailing wages was required on ADU projects for persons participating in the ADU Fee Waiver Program and confirmed that payment of prevailing wages is not required. This included discussions with the Santa Cruz City Attorney's Office and additional research through the Department of Industrial Relations. The exemption from the prevailing wage requirement found in Labor Code Section 1720(c)(1) is applicable.

ALTERNATIVES:

The following alternatives are provided for the Council's consideration:

1. Adopt the Ordinance and ADU Fee Waiver Resolution as proposed;
2. Adopt the Ordinance and modify and adopt the ADU Fee Waiver Resolution;
3. Modify and reintroduce the Ordinance and direct that adoption of the Ordinance occur at a future meeting;
4. Provide other direction to staff.

ADVANTAGES:

Adoption of the Ordinance will regulate development of ADUs in a manner that is consistent with State law. An update to the Ordinance will also satisfy Housing Element Program A.2-1. The ADU Fee Waiver Program will incentivize development of affordable housing units, which is consistent with Housing Element Programs A.3-1 and A.3-3.

DISADVANTAGES:

None identified.

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ENVIRONMENTAL REVIEW:

In compliance with the California Environmental Quality Act (CEQA), the Community Development Department has determined that the project is statutorily exempt per Section 15282(h) of the Guidelines regarding projects involving the adoption of an ordinance regarding second units in a single-family or multifamily residential zone by a city to implement provisions of Government Code Section 65852.2.

PUBLIC NOTIFICATION AND COMMENTS:

A summary of the Ordinance was published in The Tribune on September 16, 2022, pursuant to State law. The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2.

Attachments:

1. Proposed Ordinance
2. Proposed Resolution - ADU Fee Waiver Program
3. Staff Report and Minutes from the February 8, 2022 City Council Meeting
4. Staff Report and Minutes from the July 26, 2022 City Council Meeting
5. Staff Report and Minutes from the August 16, 2022 Planning Commission Meeting
6. Staff Report from the September 13, 2022 City Council Meeting
7. Draft Minutes from the September 13, 2022 City Council Meeting