

CALIFORNIA COASTAL COMMISSION

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May 20, 2019

Th19f**TO: COMMISSIONERS AND INTERESTED PERSONS****FROM: KARL SCHWING, DEPUTY DIRECTOR, SAN DIEGO COAST DISTRICT
DEBORAH LEE, DISTRICT MANAGER, SAN DIEGO COAST DISTRICT
ALEX LLERANDI, COASTAL ANALYST, SAN DIEGO COAST DISTRICT****SUBJECT: STAFF RECOMMENDATION ON CITY OF SAN DIEGO LOCAL COASTAL
PROGRAM AMENDMENT NO. LCP-6-SAN-18-0091-3 (Live/Work Quarters)
for Commission Meeting of June 12-14, 2019**

SYNOPSIS

On December 19, 2018, the City of San Diego Local Coastal Program (LCP) Amendment No. LCP-6-SAN-18-0091-3 was filed in the San Diego District office. The amendment involves modifying the regulations in the certified Implementation Plan (IP) governing live/work quarters – studio spaces in buildings designed for industrial or commercial use that incorporate living space – to promote their development by reducing the minimum floor area requirements, expanding the number of zones they may be developed in and the range of uses that can occupy them. The proposed amendment will only affect the certified IP. A one-year time extension was granted by the Commission on February 7, 2019. As such, the last date for Commission action on this item is February 2020 hearing.

Currently, there are two other pending items from the City of San Diego: LCP-6-SAN-18-0064-2 (Placemaking), which received a one-year time extension at the October 2018 hearing and will be presented to the Commission at the June 2019 hearing; LCP-6-SAN-18-0049-1 (Vernal Pool Habitat Conservation Plan), which received a one-year time extension at the August 2018 hearing is also scheduled for the Commission at the June 2019 hearing.

SUMMARY OF AMENDMENT REQUEST

The City of San Diego wishes to provide additional flexibility for live/work quarters so as to promote more housing opportunities and the use of underutilized commercial and industrial space. Specifically, the proposed amendment would allow live/work quarters in two additional zones: Commercial Office and Commercial Visitor, though the expansion will not extend to the Commercial Visitor zone in the City's coastal zone. Additionally, the proposed amendment would reduce the minimum required floor area for live/work quarters from 750 square feet to 500 square feet, and expand the allowable work use beyond the current limit of artist or artisans to allow commercial uses, office uses, and on-site non-resident employees.

SUMMARY OF STAFF RECOMMENDATION

While the Commission supports the City's efforts to encourage housing opportunities, historically, there have been issues in reconciling efforts to promote such opportunities and still maintain coastal resource protection measures and public amenities. While past amendments by the City have focused on offering density bonuses and concessions on development standards such as setbacks and parking, the currently proposed amendment is more limited in scope: expanding an existing use – live/work quarters – into new zones and allowing additional commercial uses in those spaces.

With the current proposal, the expansion of live/work quarters into commercial visitor zones could displace high priority, visitor-serving commercial uses within popular coastal communities. The expansion of allowable uses in live/work quarters to include office uses in addition to current artisanal uses further increases the risk that uses not serving coastal visitors, such as accountants, lawyers, and realtors, could displace coastal recreational opportunities and decrease the attractiveness of visiting certain coastal areas to the public.

Recognizing the potential adverse impact to coastal communities, the City has proposed the amendment to not extend the expansion of live/work quarters in commercial visitor zones into the coastal zone. This provision will remove the risk of existing commercial visitor-serving businesses from being displaced by live/work quarters. Because the only other new zone into which live/work quarters would be allowed in – Commercial Office – already allows office use, the amendment as proposed adequately balances the goals of promoting additional housing opportunities with protecting coastal resources. Thus, the proposed amendment can be approved as submitted.

The appropriate resolutions and motions begin on Page 3. The findings for approval of the Implementation Plan Amendment as submitted begin on Page 4.

BACKGROUND

The City's first IP was certified in 1988, and the City then assumed permit authority. The IP consisted of portions of the City's Municipal Code, along with some Planned District Ordinances (PDOs) and Council Policies. In 1999, the Commission certified the City's LDC that primarily includes Chapters 11 through 15 of the Municipal Code. It replaced the first IP and took effect in the coastal zone on January 1, 2000. The Commission has certified many IP amendments since 2000.

ADDITIONAL INFORMATION

Further information on the City of San Diego LCP Amendment No. LCP-6-SAN-18-0091-3 may be obtained from Alexander Llerandi, Coastal Planner, at (619) 767-2370.

PART I. OVERVIEW

A. LCP HISTORY

The City of San Diego has a long history of involvement with the community planning process, and in 1977, requested that the Coastal Commission permit segmentation of its Land Use Plan (LUP) into twelve parts in order to conform, to the maximum extent feasible, with the City's various community plan boundaries. In the intervening years, the City has intermittently submitted all of its LUP segments, which are all presently certified, in whole or in part.

When the Commission approved segmentation of the LUP, it found that the implementation phase of the City's LCP would represent a single unifying element. This was achieved in January 1988, and the City of San Diego assumed permit authority on October 17, 1988, for the majority of its coastal zone. Several isolated areas of deferred certification remained at that time, but some have since been certified as LCP amendments. Other areas of deferred certification still remain today and will be acted on by the Coastal Commission in the future.

Since effective certification of the City's LCP, there have been numerous major and minor amendments processed by the Commission. These have included everything from land use revisions in several segments, to the rezoning of single properties, to modifications of citywide ordinances. In November 1999, the Commission certified the City's Land Development Code (LDC), and associated documents, as the City's IP, replacing the original IP adopted in 1988. The LDC became effective in January 2000.

B. STANDARD OF REVIEW

Pursuant to Section 30513 of the Coastal Act, the Commission may only reject zoning ordinances or other implementing actions, as well as their amendments, on the grounds that they do not conform with, or are inadequate to carry out, the provisions of the certified land use plan. The Commission shall take action by a majority vote of the Commissioners present.

C. PUBLIC PARTICIPATION

Section 30503 of the Coastal Act requires local governments to provide the public with the maximum opportunities to participate in the development of the LCP amendment prior to submittal to the Commission for review. The City has held Planning Commission and City Council meetings with regard to the subject amendment request. All of those local hearings were duly noticed to the public. Notice of the subject amendment has been distributed to all known interested parties.

PART II. LOCAL COASTAL PROGRAM SUBMITTAL - RESOLUTIONS

Following a public hearing, staff recommends the Commission adopt the following resolutions and findings. The appropriate motion to introduce the resolution and a staff recommendation are provided just prior to each resolution.

- I. **MOTION:** *I move that the Commission reject the Implementation Program Amendment No. LCP-6-SAN-18-0091-3 for the City of San Diego certified LCP, as submitted.*

STAFF RECOMMENDATION OF CERTIFICATION AS SUBMITTED:

Staff recommends a **NO** vote. Failure of this motion will result in certification of the Implementation Program Amendment as submitted and the adoption of the following resolution and findings. The motion passes only by an affirmative vote of a majority of the Commissioners present.

RESOLUTION TO CERTIFY IMPLEMENTATION PROGRAM AMENDMENT AS SUBMITTED:

The Commission hereby certifies the Implementation Program Amendment for the City of San Diego as submitted and adopts the findings set forth below on grounds that the Implementation Program Amendment conforms with, and is adequate to carry out, the provisions of the certified Land Use Plan, and certification of the Implementation Program Amendment will meet the requirements of the California Environmental Quality Act, because either 1) feasible mitigation measures and/or alternatives have been incorporated to substantially lessen any significant adverse effects of the Implementation Program Amendment on the environment, or 2) there are no further feasible alternatives or mitigation measures that would substantially lessen any significant adverse impacts on the environment that will result from certification of the Implementation Program.

PART III. FINDINGS FOR APPROVAL OF THE CITY OF SAN DIEGO IMPLEMENTATION PLAN AMENDMENT, AS SUBMITTED

A. AMENDMENT DESCRIPTION

The City of San Diego is herein proposing an amendment to the certified IP, consisting of modifications to existing regulations governing live/work quarters: studio spaces in buildings that were originally designed for industrial or commercial occupancy that have been converted to integrate living space into the work space. To achieve this, the proposed amendment will modify the current definition of live/work quarters to remove the requirement that live/work space be utilized by artists or similarly situated individuals, so as to allow a greater range of uses, such as general commercial or office, in the space, as well as allowing the primary live/work quarter occupant to utilize employees in the space and decreasing the minimum space requirements from 750 square feet to 500 square feet.

Additionally, the allowable zones for live/work quarters are being expanded to include commercial office zones and commercial visitor zones, though expansion of the latter will not extend to commercial visitor zones in the City's coastal zone.

B. FINDINGS FOR APPROVAL

The standard of review for LCP implementation submittals or amendments is their consistency with and ability to carry out the provisions of the certified LUP.

a) Purpose and Intent of the Ordinance.

The purpose and intent of the ordinance is to further the City's efforts to address the housing shortage affecting the region by making it easier for housing to be combined with employment spaces, incorporating housing into areas where it was not possible before, and incentivizing the use of currently underutilized commercial and industrial spaces.

b) Major Provisions of the Ordinance.

The major provisions identify the new zones and requirements for operating live/work quarters:

- The live/work quarters would be expanded to two additional zones: Commercial Office-1 and Commercial Visitor-1 (though not to commercial visitor-zoned properties in the City's coastal zone).
- The minimum floor area requirement would be reduced from 750 square feet to 500 square feet.
- The residential floor area ratio would be increased from thirty-three percent to forty-nine percent.
- The allowable use in a live/work quarter would no longer be limited to artists and artisans; instead, commercial uses, office uses, and uses requiring employees would be allowed in the space.
- No additional parking would be required beyond current parking requirements.

c) Adequacy of the Ordinance to Implement the Certified LUP Segments.

The standard of review for LCP implementation submittals or amendments is their consistency with and ability to carry out the provisions of the certified Land Use Plan(s). In general, as noted earlier, increased density raises potential issues with the protection of critical coastal resources. Allowing greater density than could otherwise be permitted could adversely affect coastal resources through more intensive development, such as high rise buildings, that could encroach on public views or contribute to increased traffic that would deter coastal access. In addition, the granting of incentives, concessions or waivers/reductions to otherwise required development standards to encourage affordable housing opportunities could also lead to coastal resource impacts, such as direct impacts

to sensitive habitats or reductions in required buffers. Critical coastal resources are mandated for protection first in the Coastal Act's Chapter 3 policies and then applied, as appropriate, to each coastal community through the establishment of resource protection standards in their certified land use plans.

In the case of the City of San Diego, it has developed community planning areas based on its established neighborhoods and future urbanizing area. Predicated on those community planning areas, the City utilized the geographic segmentation provisions of the LCP regulations and developed its land use plan component covering twelve different communities (i.e., North City, La Jolla, Pacific Beach, Mission Beach, Ocean Beach, Peninsula, Otay-Mesa Nestor, and others). Each community plan or LCP Land Use Plan contains policies that protect public views, scenic resources, public access, recreational opportunities and sensitive coastal resources including, but not limited to, beaches, bluffs, slopes, hillsides and environmentally sensitive lands in that community. The Commission's review of the proposed changes to the Land Development Code must assure that development is approved only when consistent with the certified LUPs.

Listed below are representative policy excerpts contained in the certified Land Use Plan segments in the Coastal Overlay Zone for the City of San Diego.

La Jolla LCP Land Use Plan

- Introduce opportunities for the production of more affordable housing within La Jolla to meet the housing needs of all income levels.
- Maintain a diversified, yet balanced land use pattern which includes providing adequate levels of commercial retail services, residential development, and cultural opportunities within existing commercial areas, while limiting additional office use within commercially designated districts.
- Revitalize commercial retail areas to strengthen, reinforce, and unify existing retail districts within La Jolla.
- The City should seek to strengthen the existing commercial districts by requiring pedestrian-related amenities with development, such as plazas and courtyards, by limiting office-commercial uses to the existing office-commercial areas identified in this plan, and by prohibiting the encroachment of new commercial uses into existing residential neighborhoods.

Mission Beach Precise Plan and Local Coastal Program Addendum

- The promotion of a wider variety of dwelling unit sizes including studios, and one-, two-, or more bedroom houses and apartments.
- The encouragement of all types of individuals and family sizes to live in Mission Beach.

- The promotion of an economically balanced community through the investigation of individual and community rehabilitation efforts, changes in taxing and assessment procedures, and the use of subsidy funds where applicable.
- The accommodation of commercial facilities necessary to serve the needs of tourists attracted to the community by the beaches.

Ocean Beach Community Plan and Local Coastal Program

- Reduce vehicular traffic demand placed on the street network by encouraging the use of alternative modes of transportation, including public transit, bicycles, and walking.
- Support transitional housing uses in Ocean Beach.
- Provide housing for all economic levels.
- Enforce the Coastal Zone Affordable Housing Replacement Program to facilitate replacement of existing affordable housing units and the retention of existing affordable units. Required replacement housing should be constructed in Ocean Beach.
- 2.1.4 Support existing and new transitional housing projects in Ocean Beach.
- 2.1.5 Retain and expand the number of affordable housing units in Ocean Beach.
- 2.2.4 Develop commercially designated properties in accordance with the land use designations of the plan. The commercially designaged properties fronting Newport Avenue and Niagara Avenue are prime locations for high-priority commercial recreation and visitor serving uses to meet the demands of goods and services required by the tourist and local populations. Priority uses include overnight accommodations, dining, retail, and recreational facilities, as well as mixed-use development with ground-floor commercial uses, and such uses will be encouraged over general commercial uses in these areas.

Live/Work quarters represent a long-existing combination of residential and work uses in the City. The advantages of such a mixed-use development are readily apparent: the concurrent location of the residence and work spaces minimizes the need for travel, reducing traffic and emissions. The nature of such spaces makes them flexible in locating them, reducing the need to demolish and construct new buildings. Having the work space and living space can create better connections between residents and the community, and can activate underutilized spaces by having them used throughout the day, during the day for work purposes and in non-business hours for residential uses.

Currently, the certified IP limits live/work quarters to artists and artisans, as art spaces and workshops readily lend themselves to occupying commercial and industrial spaces that could also incorporate residential space within them. However, as the nature of workplaces change and the cities across the state continue to address housing shortages and traffic congestion, the City has identified live/work spaces as another opportunity for updating the IP to be in line with modern practices and changing work habits. As many occupations can now be done digitally from a residence – with employees telecommuting or not requiring a full-fledged office building to conduct their business – the City is proposing to remove occupational limits on live/work quarters, allowing the public to determine which occupations may end up working well in such a scenario.

By expanding the allowable occupations that can avail themselves of live/work spaces, the City is striving to expand the housing opportunities in the City by promoting the inclusion of residential space in underutilized commercial and industrial spaces. This will streamline the implementation of new housing by not requiring the development and construction of new residential structures. Rather, existing commercial and industrial spaces can instead convert some of their interior space into residential space at a much lower cost and within a shorter timeframe. Furthermore, the combination of living and working space would increase the economic viability and affordability of housing by allowing the occupant to work out of the same space they are residing in, lowering operational and housing costs.

Currently, live/work quarters are allowed in commercial neighborhood, commercial regional, and certain commercial office zones. The proposed amendment's expansion of live/work quarters to more commercial office zones and commercial visitor zones would be in line with the policies of the certified LUPs to enhance the mix of housing in coastal communities, with emphasis given to smaller and mixed developments that are more affordable.

However, the proposed expansion of live/work quarters in both location and allowable occupation could cause adverse impacts to coastal communities and coastal visitors. Due to their popularity as visitor destinations, several coastal communities in San Diego have sizeable visitor commercial areas serving tourists and locals alike in their enjoyment of the coastal zone. Such commercial visitor-oriented operations can consist of businesses ranging from retail and dining to bike rentals and entertainment. As categorized by use, visitor commercial clearly does not encompass uses such as offices, which are recognized as a different category of business use and commonly do not serve coastal visitors.

An expansion of live/work quarters into commercial visitor areas could displace the aforementioned high priority, visitor-serving commercial uses under the Coastal Act and replace them with an office use, such as accounting, architect, or realtor. Such uses, in not serving coastal visitors, would decrease the attractiveness of coastal areas to visitors and negatively impact the community character and public utilization of coastal areas. The coast-adjacent areas, long being attractive as a residential location but expensive to move into, could find their commercial visitor areas replaced with live/work quarters wherein the occupant ostensibly conducts an "office" venture from it but, given the closed nature of many office-oriented businesses, be difficult to enforce if the space is truly being

utilized for its intended businesses purpose. Recognizing the importance in preserving a community's visitor commercial amenities, certain communities in San Diego, such as La Jolla, have community-specific regulations in their Planned District Ordinances dictating the minimum floor area and street frontage requirements for ground commercial uses so as to prevent their displacement by residential uses.

After discussions with Commission staff when drafting the proposed amendment, the City recognized the Commission's concerns about maintaining the visitor orientation in certain coastal areas and has proposed the amendment with a footnote in the use regulations tables indicating that the expansion of live/work quarters to commercial visitor zones excludes visitor commercial zones in the coastal zone. The expansion of live/work quarters in commercial office zones in the coastal zone is acceptable, as those zones already allow for office uses.

Regarding parking, the parking requirement for live/work quarters will remain unchanged: one parking space per residential area and the parking for the non-residential use, based on current parking requirements for the specific use as contained in the IP.

Thus, as proposed, the amendment to regulations governing live/work quarters will enhance housing opportunities in the City of San Diego while avoiding foreseeable adverse impacts to coastal visitor-serving business and parking. In summary, the Commission supports expanding housing opportunities in existing urban areas able to accommodate it and encouraging housing opportunities in a manner where coastal resources and visitor serving amenities are protected. Therefore, the proposed amendment to live/work regulations can be found consistent with the applicable land use plans and approved as submitted.

PART IV. CONSISTENCY WITH THE CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

Section 21080.9 of the California Environmental Quality Act (CEQA) exempts local government from the requirement of preparing an environmental impact report (EIR) in connection with its local coastal program. The Commission's LCP review and approval program has been found the Resources Agency to be functionally equivalent to the EIR process. Thus, under CEQA Section 21080.5, the Commission is relieved of the responsibility to prepare an EIR for each LCP submission.

For the City's action, an environmental impact report (EIR No. 96-0333) was completed for the original adoption of the Land Development Code, and a Program EIR (No. 104495) was prepared and certified for the General Plan Update. The City has previously utilized these documents for CEQA compliance in association with other code amendments and has similarly found that no further CEQA analysis is needed for this amendment.

Nevertheless, the Commission is required in an LCP submittal or, as in this case, an LCP amendment submittal, to find that the LCP, or LCP, as amended, does conform to CEQA provisions. In this particular case, the LCP amendment will not have any significant

adverse effect on coastal resources, and there are no feasible alternatives or feasible mitigation measures available which would substantially lessen any significant adverse impact on the environment. The expansion of live/work quarters will not extend to commercial visitor zones in the coastal zone, and will thus protect visitor-serving commercial uses from being displaced by non-priority uses. In summary, no adverse impacts to coastal resources are anticipated and approval of the proposed amendment is consistent with CEQA.