



AB 1287 (Alvarez) Middle Income Homes Bonus

Bill Summary

AB 1287 would require a city or county to grant a housing development a density bonus and incentives when an applicant proposes to maximize existing incentives to construct deed-restricted affordable units, and provides additional deed-restricted moderate-income units. The project would become eligible for an additional density bonus and incentives, stacked on top of the existing available benefits available under Density Bonus Law.

Existing Law

The Density Bonus Law is a housing statute that incentivizes developers to build affordable housing. In exchange for dedicating a certain percentage of their base density to Very-Low, Low, or Moderate Income homes, projects become eligible for a density bonus, among other benefits.

The law prescribes the amount of bonus and incentives that a development can claim, which depends on the percentage of Very-Low, Low, or Moderate Income homes built in the project. There is a sliding scale, such that the more affordable units are dedicated, the more bonus and other benefits become available. In addition to more density, projects receive other benefits, including "concessions" from local development restrictions.

Most projects using Density Bonus Law choose to build at the deeply affordable Very-Low Income level, because it requires deed-restrictions on the fewest number of units. The bonuses and concessions for that level of affordability are shown in Figure 1.

Figure 1:
Current Density Bonus Law for Very-Low Income Units

Percentage Very-Low Income Units	Percentage Density Bonus	Concessions
5	20	1
6	22.5	1
7	25	1
8	27.5	1
9	30	1
10	32.5	2
11	35	2
12	38.75	2
13	42.5	2
14	46.25	2
15	50	3

For projects to be eligible to use Density Bonus Law, they must provide:

- At least 5% of the housing units are restricted to Very Low-Income residents,
- At least 10% of the housing units are restricted to Low-income residents, or
- At least 10% of the housing units are restricted to Moderate Income residents in a for-sale development. 100% of the housing units (other than manager's units).



Problem

The current structure of Density Bonus Law encourages developers to dedicate a relatively small number of base density units at the deeply affordable Very-Low Income level. This has proven successful to create homes for the most in need, as well as more market-rate homes. However, it leaves a “missing middle” with very few projects choosing to included homes that are deed-restricted at Moderate Income.

Prior efforts to create incentives for Moderate Income homes under Density Bonus Law have raised concerns that they might come at the expense of the preexisting incentives to build more deeply affordable Very-Low Income units. It has been a challenge to create new incentives for Moderate Income production, without undermining the continued production of Very-Low Income units, which continue to be very necessary for Californians who have the greatest challenges finding affordable homes.

Solution

AB 1287 creates a new incentive that can only be used when a project maximizes the production of Very-Low, Low, or Moderate Income units, as allowed by current Density Bonus Law. Only when those maximums are met, does an additional bonus become available when a project deed-restricts an additional set of Moderate Income units.

This structure ensures that the new Moderate Income Bonus never undermines existing incentives under Density Bonus Law. In fact, it even creates new economic reasons to maximize deeply affordable unit production, by offering an additional sweetener in the form of the stacked bonus and additional concessions.

Use of this program could allow a development to dedicate 15% at Very-Low income to receive a 50% bonus, and to also dedicate another 15% at Moderate Income, to receive a second stacked 50% bonus. The Moderate Income benefits would stack on top of the existing Density Bonus Law benefits, in an amount shown on Figure 2.

Figure 2:

Once projects maximize the Very Low, Low, or Moderate-Income under preexisting Density Bonus Law, additional stacked bonuses can include:		
Percentage of Additional Moderate Income Units	Percentage Density Bonus	Concessions
5	20	1
6	22.5	1
7	25	1
8	27.5	1
9	30	1
10	32.5	2
11	35	2
12	38.75	2
13	42.5	2
14	46.25	2
15	50	3

Support

- Circulate San Diego, SPUR, Bay Area Council

For More Information

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