Land Use Committee

TO: **LAND USE COMMITTEE MEMBERS** **DATE: SEPTEMBER 8, 2025**

FROM: **COMMUNITY & ECONOMIC DEVELOPMENT DEPARTMENT** **WARDS: 1 & 2**

SUBJECT: **UNIVERSITY AVENUE RESIDENTIAL DENSITY TRANSFER PILOT PROGRAM**

ISSUE:

Proposed pilot program to establish a Density Transfer Program (DTP) within the University Avenue Specific Plan (UASP) area that permits the transfer of unused residential development rights from one underutilized property (Donor Site) to a developing property (Receiving Site).

RECOMMENDATIONS:

That the Land Use Committee:

1. Receive and file the report on the University Ave Housing Density Transfer Pilot Program; and

2. Provide staff with direction to adopt one of the strategies presented.

BACKGROUND:

CA State Density Bonus Law

California State Density bonus law, originally enacted in 1979 (codified in CA Government Code Sections 65915-65918), encourages affordable housing development by providing incentives that developers may qualify for dependent on the percentage of affordable units included and the income classification. A developer may qualify for a 'density bonus' by voluntarily agreeing to include a certain proportion of affordable units, allowing them to build more dwelling units on a property than what is currently allowed based on the underlying zoning designation.

Under current state law a development project would be permitted to 50% more units than would otherwise be allowed if one of the following three conditions are met:

1. At least 15% of all units are reserved for "very low income" housing
2. At least 24% of all units are reserved for "low income" housing
3. At least 44% of all units are reserved for "moderate income" housing.

A development project may not qualify for a full 50% increase, but density bonuses normally range from 35% to 50% above maximum allowable density. Additional incentives and concessions may also be granted to development projects, providing a reduction in site development standards or

modifications to current zoning code requirements. CA density bonus law differs from a DTP, granting density increases as a bonus incentive to eligible developments, whereas a DTP is typically managed by a local jurisdiction, providing the framework for transferring residential density from one property to another. Incentives approved through the implementation of a DTP would be supplemental to the incentives and concessions granted through state law, working concurrently to improve the economic feasibility of the proposed residential development projects in the area. See Attachment 1 for CA Density Bonus legislative text.

Density Transfer Program Basics

What is a Density Transfer Program (DTP)?

A density transfer program (alternatively known as Transfer of Development Rights, or TDR) establishes a framework for the transfer of residential development rights from one property (Donor Site) to another property (Receiving Site). Unrealized residential capacity may be transferred, in whole or in part, to a receiving site. The transfer of unused housing capacity may or may not be dependent upon project approval. The city can tailor the density transfer process to ensure the DTP is designed most suitably to adhere to the city's goals and mission. Program model types will be later discussed within this report.

Donor Sites

Donor sites are typically identified as properties with unused or underutilized residential density, based on what is allowed under the applicable zoning or General Plan land use designation, that donate or sell the unused development capacity to another party to be developed on a separate property. The transfer of residential density would require donor sites to forfeit said rights for the donor site in perpetuity after transferring to the receiving property. The property owner would be required to provide a deed restriction showing their property is prevented or limited in developing future residential units. In some circumstances explained later in this report, the donor site property owner could still buy back unused housing density from another property owner or party in the future if desired.

Receiving Sites

Receiving sites are typically identified as sites that are often vacant and/or have proven a challenge to develop and could benefit from an increase in residential density beyond what is currently permitted by the Zoning code and General Plan. Given the current allowable maximum residential capacity, development projects on the site might not be economically feasible for developers to consider proposing or following through with a project. While the City explores more comprehensive changes to the UASP as part of the ongoing Riverside 2050 General Plan Update process, a pilot DTP can provide a framework for permitting residential capacity increases for projects along the corridor in the interim. A DTP framework can improve the viability of prospective development projects by making unused development capacity from other sites available to the receiving site through a variety of mechanisms ranging from purchase on the private market to publicly mediated banked credit systems.

Area of Focus

A DTP might be more successful in one part of a city while not proving practical or necessary in another. Some cities have implemented DTPs citywide while others implement them more deliberately within chosen areas of the city like specific plan areas or areas with access to a public transit stop. Riverside currently does not have a framework for a DTP, nor do any such programs

exist in the City. To understand density transfer implementation and best practices, staff previously surveyed five surrounding cities with existing DTPs to compare purpose, type, site criteria, number of units transferred and approval process. Staff presented a matrix of best practices along with additional information on a potential DTP to the Housing and Homelessness Committee on November 27, 2023. Further details on this presentation, along with the matrix of best practices, can be found in Attachments 2 and 3.

While the City may choose to adopt a citywide DTP in the future and/or increase overall residential capacities with the General Plan update, staff have for now narrowed the focus to the University Ave Specific Plan (UASP) corridor. Implementation of a pilot version of a DTP with a limited geographic scope will allow the city to test the program at a smaller scale initially. A pilot DTP will provide a temporary process to approve requests for increases in residential density, allowing Density transfers would only be permitted between properties within UASP boundaries, ensuring the current maximum residential capacity of the UASP remains unchanged at 6,819 units with no significant change in environmental impact relative to the UASP as it currently exists.

DISCUSSION:

Why the University Avenue Specific Plan?

Purpose

First adopted by the City Council in 1993, the UASP has played a key role as an important link between major anchors of the city, connecting UCR to the Downtown neighborhood. The UASP aims to unify the area through the revitalization of the corridor into an active and lively destination for the community. Some of the key strategies identified in the UASP development plan to bring about this vision are:

1) Alteration of the land use mix;
2) Investment in quality, affordable housing;
3) Investment in the business community; and
4) Investment in the people.

Incentivizing housing development in the area can act as a catalyst to improve the pedestrian environment; to enhance development of existing businesses along the corridor, helping to finance those improvements; and to increase the feasibility that vacant or surplus properties along the corridor are developed to their full potential. It is important to note that the UASP in its entirety is located within a high-quality transit corridor (HQTA), defined by Senate Bill 79 as an area within one-half mile of high-frequency public transit, thus making the corridor ideal for transit- and pedestrian-oriented development. The City has adopted policies permitting an increase in density for properties zoned for mixed-use development that are within a HQTA, further incentivizing residential development in the area.

Out of a total of 138 lots located within the UASP, 133 of them have an existing General Plan 2025 Land Use designation permitting residential development. This yields a maximum residential development capacity of 6,819 units for the UASP in its entirety. The UASP corridor has approximately 550 total developed housing units currently developed; this is roughly 8% of the corridor's maximum capacity. The ability to transfer unused residential development capacity from sites that are less likely to be redeveloped to those that are more likely increases the probability that the total residential capacity of the UASP is achieved. Establishing a pilot DTP centered around the UASP could require both properties to be located within the specific plan boundary.

City Owned Surplus Properties

The City owns a total of 14 surplus properties within the UASP. These properties were a key consideration in selecting the UASP for a pilot DTP. All 14 properties remain vacant and face challenges with development. This is due in part to having low residential development capacity based on current GP 2025 land use designation, which restricts viability of development. Reference table A below for the current allowable density and maximum capacity of each of the 14 surplus properties. Yielding a total of 210 allowable units, we can deduce the 14 vacant surplus properties could benefit from permitting additional residential units beyond what each currently allows on its own. Thus, increasing the probability, the vacant lots are suitably developed with economically feasible projects. Encouraging residential development on these 14 lots makes them ideal candidates to be established as receiving sites within a DTP.

Table A.

APN	General Plan Land Use Designation	Allowable Density	Area	Max Allowable Units
211143003	MU-N - Mixed Use Neighborhood	10 DU/Acre	0.18 Acres	2
211143002	MU-N - Mixed Use Neighborhood	10 DU/Acre	0.18 Acres	2
211174028	MU-N - Mixed Use Neighborhood	10 DU/Acre	0.59 Acres	6
211131032	MU-U - Mixed Use Urban	60 DU/Acre	0.21 Acres	13
211131022	MU-U - Mixed Use Urban	60 DU/Acre	0.23 Acres	14
211131018	MU-U - Mixed Use Urban	60 DU/Acre	0.23 Acres	14
211131017	MU-U - Mixed Use Urban	60 DU/Acre	0.23 Acres	14
211131026	MU-U - Mixed Use Urban	60 DU/Acre	0.23 Acres	14
211131024	MU-U - Mixed Use Urban	60 DU/Acre	0.23 Acres	14
211131023	MU-U - Mixed Use Urban	60 DU/Acre	0.23 Acres	14
221061002	MU-U - Mixed Use Urban	60 DU/Acre	0.38 Acres	23
211131031	MU-U - Mixed Use Urban	60 DU/Acre	0.38 Acres	23
211131021	MU-U - Mixed Use Urban	60 DU/Acre	0.46 Acres	28
221052002	MU-U - Mixed Use Urban	60 DU/Acre	0.48 Acres	29
		Total # of Units		**210**

Developing the UASP's city owned surplus sites with housing would additionally result in an increase in production of affordable housing units. CA State Surplus Land Act rules that all new development on surplus sites must include a 25% affordable component. Residential development

proposals on these sites would be incentivized through CA State Density Bonus Law, CA surplus land act, and may furthermore be eligible to receive a density transfer through the DTP. These incentives could be "stacked" to maximize potential development feasibility. It is important to remember that individual projects would still be scrutinized under the current entitlement approval process and density transfer requests might require additional approval, depending on program design. The stacking of DTP incentives would supplement state incentives, approved with the intention to develop properties to their full potential. This will not only contribute to realizing the corridor's full residential development capacity but will also contribute to meeting the City's Regional Housing Needs Assessment (RHNA) obligation.

Following, we ask the committee to review 3 different DTP model types presented and provide direction on which, if any, are the suitable tool(s) to help revitalize the corridor and help achieve its maximum housing potential.

DENSITY TRANSFER PROGRAM OPTIONS

The transfer of residential density would require donor sites to donate or sell their unused residential development capacity rights, severing ownership of said rights to a receiving property. This transfer of ownership has generally been executed by other surrounding jurisdictions through two different DTP models that will be outlined below. Both models require identifying potential donor sites and potential receiving sites throughout the focus area.

Identifying Donor Sites

A donor site is a property generally identified as one that allows for residential development but that has underutilized capacity and/or is constrained from future housing development. Currently within the UASP there are 110 properties allowing for by-right residential development but that have existing non-residential development. The combined unused residential development capacity for these 110 properties is 5,472 units, roughly 80% of the maximum allowable density of the UASP. Identifying these lots as potential donor sites would allow for the redistribution of these unused housing development rights.

Overall, there is flexibility in defining donor sites for a DTP and other options which the city can consider. City surplus sites, for example, might also serve as candidates for potential donor sites. It might make sense for a surplus site to donate unused density to another (surplus, Housing Element, or privately owned) site, ensuring at the very least that some housing capacity is being achieved and that viable housing development proposals requesting additional density allowances are not easily dismissed.

Identifying Receiver Sites

A receiving site is a property that would benefit from an increase in allowable density, more than what is currently permitted through the General Plan and Zoning code. Receiving sites can be identified as sites that are challenging to develop with the existing allowable density alone. As mentioned earlier, the City-owned surplus sites located within the corridor could make ideal receiving sites for the following reasons:

- The Surplus Land Act generally requires these properties are developed with at least 25% affordable housing.
- 11 of the 14 total lots are also 6th Cycle Housing Element Opportunity Sites (HE sites) that have already been identified as ideal for residential development.
- Surplus sites remain vacant and difficult to develop with economically feasible housing development considering the existing low-density residential capacity and constrained

footprints.

Significant flexibility exists in defining potential receiver sites depending on program design. Any property owner could apply to receive a density transfer, whether it be a privately or publicly owned (surplus) property. A developed property could also apply to receive a density transfer if proposed redevelopment could further benefit from additional housing density. The City also has the discretion to approve receiver sites, and donor sites, on a case-by-case basis, or limit eligibility only to certain properties in furtherance of specific policy goals.

Density Transfer Program Approaches

There are two general types of DTP models used to manage transfer of density requests: The Transactional Model and the Credit Bank Model. The Transactional Model contains two potential variations, both outlined below. For a pilot DTP, a single model can be implemented or a combination of any, or all three, models can be chosen.

1) Transactional Model

A transactional DTP typically requires direct negotiation between the property owner of the donor site and the property owner of the receiver site. To determine payment from the receiver site, an appraisal of the financial value of the density share being transferred from the donor site would be necessary. The City's program could require the receiver site owner find an eligible, or potentially eligible, donor site property on their own. To help initiate the search process, the City could optionally provide an inventory of potentially eligible donor sites to interested housing developers. Once negotiation is reached between receiver and donor property owners, a deed restriction would also be required to memorialize the density ownership transfer and limit further residential development on the donor property. There is no need for City involvement in the determination of the value of the transferred density or the terms of the transaction other than the deed restriction.

A) 1-to-1 Direct Transfer

A 1-to-1 transactional density transfer model is one that involves a direct transfer of development rights from one property owner to another upon the condition that the transfer is one between properties with the same development standards, producing the same product types. For example, if a receiver site has a land use designation of Mixed-Use Urban, the donor site must also have a land use designation of Mixed-Use Urban for the transfer of residential development rights to be permitted. The City might choose to implement a 1-to-1 Direct Transfer DTP as a pilot program considering the value and use of the density being transferred remains unchanged between both the donor site and the receiving site.

B) Varying Classification Direct Transfer

A varying classification direct transfer of residential development rights is one that permits transfers between lots with different Zoning classifications or underlying land use designations. In this case the receiving site must still abide by the development standards of the underlying land use designation, with exception of the approved increased density. While this method is still categorized within the transactional model, it differs from the 1-to-1 direct transfer in that the units donated would not be placed back into the same land use category. This could potentially allow undeveloped housing capacity to be transferred from a mixed-use designated lot to a high-density residential lot, for example, that might benefit more from the excess developmental capacity.

2) Credit Bank Model

The credit bank model is a type of DTP that allows unused development capacity to be donated (or sold) to a bank that a developing property can later withdraw from when requesting a density transfer. The bank model allows more flexibility than the traditional transactional model since the bank itself enables unused density to be donated or withdrawn without requiring immediate negotiation between property owners. A deed restriction would be required upon donation of density credits to restrict future development on the donor site. If the donor site later wanted to develop residential units on the property, density can be transferred back to the donor site assuming there are credits left in the bank to withdraw from.

The credit bank is typically "seeded" with unused residential development capacity from underutilized or undeveloped properties. An optional starting point to consider could involve seeding the bank with any unused residential density from all City-owned surplus properties. These credits would be withdrawn once a development project on a receiving site is approved for a density transfer. Populating the credit bank with unused density from City-owned surplus properties would allow those density credits to be redispersed amongst the same surplus properties or could be made available to private properties requesting additional density.

Another strategy to seed the bank would be to invite all private property owners in the UASP to voluntarily contribute density credits to the bank. A private property owner might be interested in voluntarily donating residential density credits with the prospect if, for example, they are contemplating or pursuing development with nonresidential land use. A further alternative would be to make it incumbent upon any new nonresidential development on sites that permit mixed uses to transfer unused residential density to the credit bank as a condition of approval of the nonresidential project. At the direction of the Committee, one or more of these approaches could be incorporated into a UASP DTP pilot.

Administrative Process

The approval process for a transfer of development rights can vary depending on the type of density transfer model implemented. A Density Transfer Request (DTR) could require a separate application, in addition to the general application required when applying for development entitlements. The additional application would pertain only to the requested density transfer, requiring administrative approval concurrent with entitlement approval. The Planning Division would review the residential density transfer request for compliance with the implemented DTP program, project design, environmental concerns, development standard compliance, and state law compliance before presenting the entire project to the appropriate approval authority. Managing a credit bank model could be handled by City staff or, depending on complexity, a third party such as a municipal finance firm or accountancy, although this would require identification of a funding source and compliance with procurement processes.

A deed restriction would be required from all donor sites, regardless of the DTP model implemented. DTRs could be administratively approved concurrently with the entitlement process or could require separate, additional approval, such as by the Planning Commission or City Council, at the direction of the Committee.

Recommended Pilot Model

Staff recommend initiating a DTP pilot that is open initially to city-owned surplus sites located within the UASP corridor with the near-term goal of maximizing development feasibility of the 14 vacant surplus sites located within the UASP. 11 of these vacant sites are also 6th Cycle Housing Element

Opportunity sites which allow for multi-family residential development by-right. The Committee may consider incorporating Housing Element sites as donor or receiving sites initially as well.

Given this objective, a credit bank model that is only open to 1) city-owned surplus properties and 2) HE sites may be worth initial consideration. Designated HE sites with existing or proposed nonresidential development can contribute the unused residential development density or 'credit' to the credit bank from which any other eligible receiver site may request to receive density credits. The receiving site does not need to purchase any specific amount of credit from the donor site directly. Under the credit bank model, unused credits can be redispersed in a variety of ways and with more flexibility on transactional deadlines.

The recommended model focuses on the 11 vacant HE and City-owned surplus sites while still incentivizing development on the remaining City-owned surplus sites that are not HE sites. The credit bank enables the city to condition future nonresidential development on properties zoned for residential to donate their unused density to the bank, which surplus sites can then pull from. The bank can be credited with any unused density to HE Sites and can later be opened to other privately owned sites, within or outside of the UASP, if the pilot program is found to be effective.

Next Steps

With Committee direction, staff will prepare a complete program and present to the City Council for review and consideration.

FISCAL IMPACT:

There is no fiscal impact associated with this report.

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Attachments:

1. CA State Density Bonus Law
2. November 27th, 2023 – Housing and Homelessness Committee
3. Density Transfer Program Comparison Matrix
4. UASP Land Use Designations Map
5. UASP City Owned Surplus Properties & HE Sites Map
6. UASP Unused Residential Capacity Map
7. Presentation