

**PLANNING COMMISSION STAFF REPORT****ITEM # 1**

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**FROM:** Kim Murry, Deputy Director Community Development **MEETING DATE:** 11/12/09  
**Prepared By:** Kim Murry and Jeff Hook, Senior Planner

**FILE NUMBER:** ER/GPA 120-08 Housing Element Update

**PROJECT ADDRESS:** Citywide

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**SUBJECT:** Housing Element Update: Revised draft and proposed Negative Declaration of Environmental Effect.

**RECOMMENDATION:**

1. Review the Draft Housing Element Update and proposed Negative Declaration and provide comments and direction as appropriate, and
2. Adopt the Resolution recommending the City Council approve the Housing Element update and proposed Negative Declaration.

**DISCUSSION****Situation**

The draft Housing Element before the Commission has been updated in response to input received through eight public hearings before the Human Relations Commission, Planning Commission and City Council, as well as three focused workshops, and numerous meetings with stakeholders in the community. Many of the policies and programs created in the 2004 Housing Element are being carried forward because they are effective and need to be continued or because the City has yet to implement or experience the impact of the programs. The overall goals of the Housing Element have not changed. The Commission reviewed and tentatively endorsed the proposed goals, policies and programs, recognizing these would come back for further review following initial State Housing and Community Development Department (HCD) review.

**Commission Direction**

The goal of this meeting is to review the draft Housing Element update to confirm that previous Commission direction has been incorporated and to provide any additional comments and direction as appropriate before recommending approval of the draft update to the City Council. Additionally, the Commission had expressed a specific interest in reviewing the Five Year Implementation Plan (Appendix F) to ensure the programs the Commission felt were most important were given priority in the work program. While the appendices provide the documentation for the housing needs and resources in the community, the guiding policies and action plan are contained in Chapter 3 (Goals, Policies and Programs) of the Draft Housing Element. The programs listed in Chapter 3 are shown in Appendix F to document how and when the City will implement the work programs. Appendix F is attached as part of the Draft Element beginning on page 211.

The Commission asked staff to explore crediting housing built on the Cal Poly campus towards meeting its Regional Housing Needs Allocation. Staff discussed the feasibility of this approach with HCD staff. While HCD staff would not allow the City to use these units since they are outside City limits, they did concede to a “compromise.” . During the next five-year update cycle, if the property has been annexed and the County has not counted those units in their RHNA performance (which they did not), the City could negotiate an agreement as part of the annexation process to count those units that were built within the appropriate time frame as part of the City’s performance toward meeting its 2007-2014 RHNA.

HCD’s direction on this issue does not affect the City’s ability to meet its RHNA requirement. Staff feels that HCD’s proposal is reasonable and that the City should consider the feasibility and appropriateness of annexation as part of the Land Use/Circulation Element updates in 2-3 years.

### **State Requirements**

The Draft has been significantly revised and expanded to address HCD comments and State housing law. Table 1 on pages 13 and 14 of the Draft Housing Element provide a brief checklist on how the document meets State housing element requirements. In addition, Attachment 3 includes HCD’s comments on the preliminary draft element and an explanation of how the October 2009 Public Hearing Draft Housing Element responds to those comments.

Housing elements must be revised every five years pursuant to state law. The goal of the update process is to provide a vehicle for establishing and updating housing and land-use strategies to reflect the changing needs, resources, and conditions in the community. Much of the content of the Housing Element is prescribed through requirements of the State Department of Housing and Community Development (HCD) however local jurisdictions need to ensure that policies and programs reflect the local condition. During the Housing Element Update process in 2004, the City assembled a task force of community members and conducted a lengthy and extensive outreach and analysis process to develop the City’s first Housing Element to achieve HCD certification. Now, five years later, the update process is building upon those previous efforts to evaluate if there have been substantial changes in the community or local housing situation, and to determine how effective the existing policies and programs are in meeting current housing needs.

### **Review Focus**

The Draft Housing Element is a lengthy document. State law requires extensive analysis, detail and documentation. When this information is provided to HCD’s satisfaction, the housing element is certified and becomes the framework for housing policies, programs, funding and discretionary actions.

The core of the City’s housing efforts are called out in chapters 1-4 of the Element. Appendices A-R provide key information needed during the review process and provide useful background information, however they are not intended to be adopted as part of the General Plan. In the

interest of time and efficiency, the Commission may wish to focus on certain key sections:

- 1) Section 3.30 – Goals, Policies and Programs (p. 24);
- 2) Ch. 4, Quantified Objectives (p. 55, and particularly Tables 6, 7 and 8 (pp. 61-64); and
- 3) Appendix F, the Five-Year Implementation Plan (p. 211)

### **Five Year Implementation Plan**

The Five Year Implementation Plan groups the proposed programs by goal. Each program is followed by a brief description, an assigned agency or position that is responsible for implementation, an assigned priority and timeframe, and a list of potential resources to assist with implementation. The priority assignments show a “1” for high priority programs that should be completed within the next year; a “2” for programs that can be completed in the next two to three years; and a “3” for programs that are on-going. Staff reviewed the programs and assigned the priorities based on a preliminary evaluation of urgency of the specific program need and staff resources available to implement the programs. While the inclination might be to assign a high priority to every program, limited staff resources and City funds along with a need to involve a variety of stakeholders means that some programs will necessarily follow others. The Housing Element is essentially a five year implementation plan and some programs may take the full five years to develop.

The programs recommended for high priority are summarized below.

#### *2.6 Prepare criteria to manage the Affordable Housing Fund to ensure that the fund serves as a sustainable resource for supporting affordable housing development.*

While the Council adopted five criteria for determining if a project meets minimum criteria for award of Affordable Housing Funds, the criteria were developed at a time when there was not a high demand or many projects qualifying for these funds. Recently, given market conditions, larger requests and competition for these funds have surfaced the need to develop additional direction for Council consideration to ensure the funds are used in a way that provides the most impact. Staff review sees the development market and lending conditions continuing to create demand for local funding sources. The in-lieu fees associated with development that fund this source have been depressed for some time and hence finding ways to make the fund sustainable (through grants or creative lending of funds) is a high priority in order to ensure these funds are available for future affordable housing developments.

#### *2.8 Establish permit streamlining procedures ...and water and sewer priorities for affordable housing projects.*

Time is essential when grant funds are at stake. Many grants rely on timeliness criteria that require a local jurisdiction to respond in a much faster timeframe than is typical for normal processing. This program seeks to memorialize priorities for affordable projects – something that is critical in times when grant funding may be essential to the success of a project.

- 2.13 *Amend Affordable Housing Standards to consider incorporating HOA fees and utility allowances into calculations for affordable sales or rent prices.*

This program is especially important given the City's experience in the recent past. There have been instances in the last two years where families with qualifying incomes could not obtain a loan for a unit priced for their affordability level when HOA fees were considered. These fees can often add anywhere from \$200-\$300/month on top of mortgage payments and can result in the unit no longer being affordable to those families.

- 2.16 *Evaluate the Inclusionary Housing Ordinance requirements & their impact in meeting assigned RHNA proportions.*
- 3.12 *Amend the Inclusionary Housing Ordinance to allow a reduced term of affordability for rehabilitated units.*

There has been a lot of discussion related to the Inclusionary Housing Ordinance, Commercial project participation options, and Table 2A and its effectiveness. With experience in applying the inclusionary provisions for several years, staff is in a better position to conduct research, provide analysis and recommendations for ways to ensure this ordinance is effective.

- 6.9 *Amend the Zoning Regulations and Parking Access and Management Plan to allow for flexible parking for housing developments, especially in the downtown core.*

This was a work program identified in the previous Housing Element. Staff has drafted proposed language for the Zoning Regulations and is working with Public Works to finalize the proposal. Given the progress toward this program completion, it is reasonable to see it implemented within the first year.

- 6.10 *Provide incentives (flexible density, use, height, and parking) to encourage additional housing in the Downtown Core.*

This program is timely given the seismic retrofit activity that is required during the next year. Many buildings may redevelop with additional development to help off-set the cost of retrofit and as such will be required to include at least one dwelling. Developing incentives to encourage more dwellings in the downtown will work with the timing of proposed development.

- 6.17 *Complete the OASP and consider final City approval to annex the area by December 2010.*

In order to count a portion of the housing associated with the Orcutt Area Specific Plan toward meeting the City's Regional Allocation, HCD requires that a program be in place that calls for completion and annexation of the OASP.

- 6.20 *Update the Community Design Guidelines and the Municipal Code to exempt up to 4 dwellings from Architectural Commission Review*

A program in the existing Housing Element directs staff to update the process for minor housing

projects. Confusing wording adopted in the Design Guidelines and Municipal Code has lead to an inconsistent process. Implementation of this provision is critical to encourage infill on smaller lots which is why staff recommends it as a priority “1”.

*6.23 Amend the General Plan to designate the 46 acres associated with the former General Hospital as a “Special Design Area”, suitable for housing development.*

Timing on this program is important as the County is considering options for development of the property behind the former General Hospital building. The City should set the stage to identify this location as suitable for housing while flagging its sensitivity for visual and grading concerns on the sloping site.

*6.24 Update the Density Bonus Affordable Housing Incentives and Zoning Regulations to be consistent with state law.*

The City’s provisions have been out of sync with state law for a several years and need to be brought into conformance which is why staff recommended a higher priority for this program.

*8.13 Identify sites in expansion areas suitable for tenant-owned mobile-home parks or other special needs housing.*

The program rose to a higher priority because the OASP recommends creation of a new or expansion of the existing mobile home park into the OASP area. Since the adoption of the Specific Plan needs to occur within the next year, this program will be implemented within the next year.

*8.18 Solicit input on the zoning ordinance provisions for homeless shelters from service agencies that work with extremely low income persons and the homeless.*

*8.19 Update the Zoning Ordinance to identify a zone or zones where emergency shelters are allowed by right, consistent with SB2.*

State law in the form of SB2 indicates that all jurisdictions must identify a zone or zones where shelters are allowed by right. In the last round of Zoning Ordinance amendments, the Public Facilities zone uses were updated to allow homeless shelters without a conditional use permit. SB2 does allow a jurisdiction to develop site and operational standards that apply to these uses and now that the use is allowed, the City needs to follow up with development of appropriate standards. This is a higher priority as the effort is already underway to develop a new location to replace the deteriorating Maxine Lewis shelter facility.

## **Environmental Review**

The Negative Declaration is attached for the Commission’s review. No significant impacts were noted in any of the categories. Since the Regional Housing Needs Allocation of 1,589 units fits within the City’s existing zoning and planned for services capacity, no impacts were identified. The City’s existing policies and programs address environmental protection and land use and development concerns.

## **Summary**

The Commission should review the priorities assigned to the implementation programs and provide comments and direction as appropriate. Any additional corrections to the draft Housing Element update will be carried forward with the Commission recommendation for approval by the City Council.

## **RECOMMENDATION**

1. Review the Draft Housing Element Update and proposed Negative Declaration and provide comments and direction as appropriate, and
2. Adopt the Resolution recommending the City Council approve the Housing Element update and proposed Negative Declaration.

## **Attachments:**

1. Draft Housing Element Update
2. Proposed Negative Declaration
3. Response to HCD Comments on Preliminary Draft Housing Element
4. Resolution