

Capitola City Council

Agenda Report



Meeting: August 22, 2024

From: Community Development Department

Subject: Citywide Housing Element Re-Adoption

Recommended Action: Adopt a resolution approving the Planning Commission recommendation to 1) adopt the Addendum to the General Plan Update Environmental Impact Report; and 2) amend the 2023-2031 Housing Element of the General Plan, as conditionally approved by the California Department of Housing and Community Development; and direct staff to submit the amended Housing Element to the State of California for certification.

Background: In accordance with applicable State law, local jurisdictions are required to adopt plans and programs that provide opportunities for, and do not unduly constrain, housing development. The Housing Element, which is one of seven State-mandated components of the City's General Plan, is a mechanism by which the State requires local jurisdictions to provide a variety of housing development options and meet regional housing needs. The Housing Element should also address the economic, environmental, fiscal factors, and community goals stated in the City's General Plan documents.

State law requires the City to update its Housing Element every eight years. The City's current Housing Element was adopted by the Capitola City Council in 2015 and certified by the State of California in 2016 and was in effect through December 2023. State law requires the City update the Housing Element for the 2023-2031 planning period (also known as the 6th Cycle).

On November 9, 2023, the City Council adopted the 6th Cycle Housing Element and an addendum to the General Plan Update Environmental Impact Report and directed staff to submit the Housing Element to the State Department of Housing and Community Development (HCD) for certification.

On January 12, 2024, the City received a letter from HCD identifying areas where additional information was needed, including the Sites Inventory (Non-Vacant Sites Analysis), Capitola Mall Site Program, and publicly-owned sites. Since receiving the letter, staff has continued to work with HCD towards a conditional letter of compliance. The City has published subsequent drafts on the City's website for seven days prior to resubmitting to HCD on April 19, June 13, July 3, July 10, and a final Subsequent Draft Housing Element on July 23, 2024. The Subsequent Draft Housing Element includes an updated sites inventory with additional analysis to support the selection of a representative sample of non-vacant sites, strengthens the Capitola Mall site program with community benefits and objective standards to encourage redevelopment of the Capitola Mall, and additional clarifications and information. On July 26, 2024, HCD provided the City with a conditional approval letter indicating that the Subsequent Draft Housing Element is in substantial compliance with State Housing Element Law.

The Subsequent Draft Housing Element received one public comment, and City staff prepared and posted a response to that comment.

The City also prepared an Errata to the EIR Addendum to reflect the Subsequent Draft Housing Element.

On August 8, 2024, the Planning Commission held a public hearing and considered the Housing Element amendments and EIR Addendum and HCD's conditional approval, and adopted a resolution recommending that the City Council adopt the Addendum and amendments to the Housing Element.

Discussion: The purpose of this agenda item is to receive public comment and adopt the amendments to the 2023-2031 Housing Element as contained in the Subsequent Draft Housing Element and conditionally approved by HCD, as well as the addendum to the General Plan Update EIR.

The Subsequent Draft Housing Element, published on July 10, 2024, is available in hard copy at Capitola City Hall and the Capitola Library. The Housing Element is also available on the City's website Housing Element Update page at the following link:

<https://www.cityofcapitola.org/communitydevelopment/page/2023-2031-housing-element-update>

Since receiving the January 12, 2024, comment letter, City staff and the City's consultant have worked closely with HCD and stakeholders on revisions and informal resubmittals in an effort to receive a conditional letter of certification prior to re-adoption hearings. In total, five additional updates were published for public review and submitted to HCD. On the publicly-posted drafts, the April revisions are highlighted in yellow, the June revisions in blue, and the July revisions in green.

The January 12, 2024, HCD comment letter focused on two items: 1) additional information on non-vacant sites including in the sites inventory and demonstrated potential for realistic redevelopment through examples, and 2) additional analysis on government constraints specific to the community benefits and the costs for providing community benefits and impact on housing supply. Since the Capitola Mall site is identified as providing the majority of the affordable units in the next cycle, HCD asked the City to "commit to establishing heights that encourage redevelopment".

On February 1, 2024, the Planning Commission held a work session and discussed HCD's input regarding Chapter 17.88: Incentives for Community Benefits relative to the Capitola Mall. The Commission expressed unanimous support for the request to increase the height limit to 75 feet and the addition of an exception for parking garages from the floor area ratio to encourage redevelopment. The Planning Commission also supported adding design mitigations that include stepping the massing of the building from the street frontage, wrapping parking garages into the site architecture, and limiting the increased 75-foot height limit to the Capitola Mall site.

On February 8, 2024, City Council received an update on the Housing Element and echoed the Planning Commission's recommendations related to height, floor area calculations, and additional design mitigation. During the City Council meeting, a representative from Merlone Geier Properties (MGP), the developer for the Capitola Mall site, provided additional comments regarding the Housing Element sites inventory's stated number of affordable units on the Capitola Mall site. Following public comment, the City Council directed staff to work with MGP on the number of affordable units while preparing an updated draft of the Housing Element for HCD review.

Since the original adoption in November 2023, the following additional updates to the 6th Cycle Housing Element have been added:

1. Analysis of realistic capacity analysis on previously redeveloped sites. (Pages 4-6 through 4-9)
2. Analysis of current conditions of sites identified for future lot consolidations. (Pages 4-26 through 4-27)
3. Analysis and examples specific to areas and transportation corridors where redevelopment sites are identified. (Pages 4-35 through 4-40)
4. Example buildout of a site. (Pages 4-41 through 4-42)
5. Analysis of realistic capacity of the Capitola Mall site. (Pages 4-44 through 4-48)
6. Analysis on the sites inventory capacity and future housing opportunities. (Pages 4-48 through 4-50)
7. Update to Program 1.6 Development Regulations related to mall height. (Page 5-9)
8. Update to Program 1.7 Shopping/Commercial Redevelopment related to mall height and monitoring financial feasibility. (Pages 5-10 through 5-11)
9. Added information related to Program 1.10 Housing on Publicly and Quasi-Publicly Owned Land not being included in the 6th Cycle Inventory. (Page 5-14)
10. Edits to Program 3.1 Emergency Shelters and Low Barrier Navigation Centers to comply with state law. (Page 5-24)

On July 26, 2024, HCD provided the City a conditional approval letter indicating the Subsequent Draft Housing Element is in substantial compliance with State Housing Element Law.

On August 8, 2024, the Planning Commission held a public hearing and considered the Addendum to the Environmental Impact Report (EIR), as well as revisions to the Housing Element and HCD's conditional approval, and adopted a resolution recommending the City Council adopt the Addendum and amendments to the Housing Element consistent with the Subsequent Draft Housing Element and HCD's conditional approval.

The following table identifies the next steps for the Housing Element update.

Next Steps	Date
City Council Adoption	August 22, 2024
Submit Housing Element to HCD for Certification	August 23, 2024
HCD Certification	60 days review (October)

CEQA: An Addendum to the General Plan Update Environmental Impact Report for the 2023-2031 Housing Element is included as Attachment 3. The proposed amendments to the Housing Element are also covered by the Addendum and its associated Errata (Attachment 4), and none of the circumstances requiring a supplemental EIR or subsequent EIR exist (CEQA Guidelines Section 15162). The General Plan Update EIR is available at <https://www.cityofcapitola.org/communitydevelopment/page/capitola-general-plan>.

Fiscal Impact: The General Plan update includes numerous commitments to affordable housing projects. Staff intends to utilize special revenue funds related to housing and apply for grants to fund future project commitments.

Public Notice: Public notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting. Public notification also consisted of a notice in the local newspaper.

Attachments:

1. Resolution
2. HCD Conditional Letter January 12, 2024
3. Addendum to General Plan EIR
4. Errata to the Addendum to General Plan EIR
5. Subsequent Draft Housing Element available at the following link:
<https://www.cityofcapitola.org/communitydevelopment/page/2023-2031-housing-element-update>.
6. Planning Commission resolution recommending adoption of amendments to the 2023-2031 Housing Element

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Approved By: Jamie Goldstein, City Manager