

# Capitola City Council

## Agenda Report



**Meeting:** January 27, 2022

**From:** Community Development Department

**Subject:** RFP for 6<sup>th</sup> Cycle Housing Element

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**Recommended Action:** Accept presentation on the 6<sup>th</sup> Cycle Housing Element Update process and authorize staff to issue a Request for Proposals (RFP) to contract a planning consultant to lead preparation of the update.

**Background:** Since 1969, the State of California has required all cities and counties adequately plan to meet the housing needs of the community. Cities comply with this requirement by updating their housing elements on regular cycles defined by the state. The housing element is part of the City's General Plan which is the long-range planning document delineating how the city will evolve and develop in the future.

The City's existing Housing Element for the 5<sup>th</sup> Cycle (2015-2023) planning period was adopted by the Capitola City Council on November 24, 2015, and certified by the State of California Department of Housing and Community Development (HCD) on February 4, 2016. The City's existing Housing Element is available on the City's website at: <https://www.cityofcapitola.org/communitydevelopment/page/2015-2023-housing-element>.

The 6<sup>th</sup> Cycle Housing Element is due to HCD by December 2023. Staff plans to publish an RFP for the update of Capitola's Housing Element in February of 2022, to ensure adequate time for an update reflective of the community's goals and in full compliance with state law.

**Discussion:** The update to the City's Housing Element will include the following: (1) analysis of the effectiveness of existing housing programs, goals, and policies; (2) the production of housing units at all income categories and identify any potential barriers to housing production; (3) housing characteristics; (4) housing needs assessment; (5) constraints on housing; (6) regional housing needs assessment (RHNA); (7) updated opportunity sites inventory based on RHNA; (8) compliance with recently adopted legislation related to housing elements; and (9) the review of current General Plan policies to determine internal consistency and compliance with newly adopted legislation. The full scope of work for the City's Housing Element Update which will be incorporated in the RFP is included as Attachment 1.

A city's housing needs are determined through a process called the Regional Housing Needs Assessment (RHNA). The State of California Department of Housing and Community Development (HCD) is responsible for assessing the Regional Housing Need Determination (RHND) for each region's Council of Governments (COG). The City of Capitola participates in the Association of Monterey Bay Area Government (AMBAG) COG which includes Monterey County, Santa Cruz County, and San Benito County. HCD assigns RHND units to each COG by applying a formula based on demographic and population information from the California Department of Finance. Each COG is then required to develop a RHNA methodology to distribute the regional housing allocation to local jurisdictions.

Once each jurisdiction is allocated their RHNA units, the jurisdictions are required to update their housing elements and identify sites to accommodate the units under current zoning. If the RHNA

units cannot be accommodated under the current zoning, the housing element must identify areas to be rezoned to ensure appropriate densities to accommodate all the units assigned to the jurisdiction.

Housing law establishes factors to use in the RHNA allocation methodology. The methodology must address allocation of housing units by jurisdiction, housing units by income group, and must address 12 housing-related factors. The 12 RHNA factors for consideration when creating a distribution methodology include:

1. Jobs and Housing Relationship
2. Opportunities and constraints to development of additional housing, including capacity for sewer and water service, availability of land suitable for development, lands preserved or protected from development, and county policies to preserve prime agricultural land.
3. Opportunities to maximize transit and existing transportation infrastructure
4. Policies directing growth toward incorporated areas
5. Loss of units contained in assisted housing developments
6. High housing cost burdens
7. Rate of Overcrowding
8. Housing needs of farmworkers
9. Housing needs of UC and Cal State students
10. Loss of units during an emergency
11. SB 375 Greenhouse Gas Reduction Targets
12. Other factors adopted by Council of Governments (COGs)

AMBAG is currently in the planning phase for the 6<sup>th</sup> Cycle (2023-2031) RHNA period. The 6<sup>th</sup> Cycle significantly increased the amount of housing a region must accommodate. This increase was due to recent legislative changes (SB 828 (2018), AB 1771 (2018), and AB 686 (2018)), which altered HCD RHNA determinations in the following ways:

- Adjusts RHNA up by setting a target “healthy” vacancy rate of no less than 5%;
- Adjusts RHNA up by accounting for existing overcrowding and redistributing overcrowding into new housing units;
- Adjusts RHNA upwards based on comparing the difference in cost- burden, by income group, for the region to the cost burden by income group for comparable regions, and adjusting the very-low and low income housing need upwards accordingly;
- Prohibits the use of previous underproduction of housing or stable population growth to reduce housing development goals;
- Requires RHNA methodologies to promote fair housing, and reduce income and racial segregation when allocating housing of various income types.

AMBAG was assigned 10,043 units in the 5<sup>th</sup> cycle. In the 6<sup>th</sup> housing cycle, the units more than tripled to 33,274. The 6<sup>th</sup> Cycle regional needs determination increased over three times the amount within the 5<sup>th</sup> Cycle. These increases are typical throughout the State of California.

For the past nine months, AMBAG has been working on potential options for developing a RHNA methodology based on HCD’s 6<sup>th</sup> Cycle RHND. Draft methodologies were presented to the AMBAG board on November 10, 2021, December 8, 2021, and January 12, 2022. At the January 12 meeting, AMBAG staff presented seven draft RHNA allocation methodologies, including: two methods originally presented in 2021, two new methods based on AMBAG Board direction at the December meeting, two variations of the original two draft methods based on HCD staff input, and one new methodology (Option Z) based on HCD feedback. The board voted to use Option Z by a 19-5 vote. The January 12, 2022, AMBAG Agenda Report is included as Attachment 2 and includes an explanation of Option Z and the other six options proposed.

In Option Z the City of Capitola is allocated 1,336 units, which is 4% of the total units allocated to the Santa Cruz and Monterey region. Capitola's population represents 1.4% of the total population for the region. Option Z was calculated by including the number of units in the regional growth forecast for four years, and then distributing the remaining units based on the following methodology: 15% jobs, 31% jobs/housing, 4% transit, 8% resilience, and 42% Affirmatively Furthering Fair Housing (AFFH) based on RCAA and TCAC Areas.

Capitola's allocation increased substantially due to our jobs/housing data and the AFFH contribution as Capitola was identified as a "high resource" jurisdiction with a racially concentrated area of affluence (RCAA). Jobs/Housing and AFFH were both weighted the highest within the formula.

The draft methodology (and allocations) is not final. Currently, HCD is reviewing Option Z and will provide further guidance to AMBAG by April. The AMBAG Board then must adopt a final methodology, which may be appealed by HCD or any of the jurisdictions. AMBAG expects to have the final methodology accepted by HCD by October 2022.

Updated Schedule: All jurisdictions are required to submit the 6<sup>th</sup> Cycle Housing Elements to HCD by December of 2023. To ensure adequate time for the update, Capitola staff plans to publish the Request For Proposals in February of 2022, providing staff 18 months to work with a consultant, Council, and the public on the update. Accordingly, the consultant's proposed schedule will be an important consideration when evaluating proposals. The City's tentative schedule for the RFP is as follows:

- Publish RFP February 2022
- RFP Deadline March 2022
- Select Consultant April 2022
- Notice of Intent to Proceed April 2022

Fiscal Impact: The City of Capitola received a REAP grant through AMBAG for \$65,000 for the Housing Element Update. Cost beyond the \$65,000 will be covered through the General Plan Maintenance fund, as the Housing Element is part of the General Plan. Price will be a factor when selecting a firm.

Attachments:

1. Capitola's 6<sup>th</sup> Housing Cycle Update Scope of Work
2. AMBAG Agenda Staff Report January 12, 2022

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