

Capitola Planning Commission

Agenda Report



Meeting: May 4, 2023

From: Community Development Department

Address: Citywide Housing Element Update

Permit Number: 23-0019

APN: Citywide

Housing Element Update 6th Cycle

Environmental Determination: Pending

Property Owner: City of Capitola

Representative: Bret Stinson, RRM Design and Veronica Tam, VTA, Inc.

Background: In accordance with applicable State housing law, local government agencies are legally required to adopt plans and programs for housing 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 options and strive toward reaching regional housing needs while maintaining civic and local responsibility toward economic, environmental, and fiscal factors and community goals stated within adopted General Plan documents.

Housing Elements are required to be updated every eight years and must be certified by the State of California Department of Housing and Community Development (HCD) prior to finalization, in order for HCD to ensure that cities are taking necessary steps to promote the creation of housing for all income categories and of all housing types.

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 will be in effect through December 2023. The City is required by law to update the Housing Element for the 2023-2031 planning period (also known as the sixth cycle) and have the updated Housing Element adopted and certified by HCD by December 31, 2023.

On May 12, 2022, the City Council authorized an agreement with RRM Design Group (RRM) for the preparation of the 2023-2031 Housing Element. Staff has worked with RRM to assess existing and projected housing needs, review the existing Housing Element, and commence work on the updated Housing Element.

Pursuant to applicable State housing law, the City has begun soliciting public input from all segments of the community in the preparation of the Housing Element including stakeholder meetings (November 2022), a community workshop (February 16, 2023), online housing survey (November 2022 – March 2023), Planning Commission meeting (February 2, 2023), City Council meeting (February 9, 2023), and a joint Planning Commission and City Council work session (March 16, 2023).

Discussion: The purpose of this agenda item is to provide the Planning Commission with an update on the 6th Cycle Housing and receive suggestions on properties to utilize for the two housing development concepts which will be included in the final housing element.

Regional Housing Needs Allocation (RHNA)

The Regional Housing Needs Allocation (RHNA) is mandated by State law to quantify the need for housing throughout the State. This informs the local planning process to address existing and future housing needs resulting from projected state-wide growth in population, employment, and households. Every City and County in California must plan for its fair share of the region's housing need, as determined through the RHNA process. HCD identifies the total housing need for each region of the state. In the Monterey Bay region, the Association of Monterey Bay Area Governments (AMBAG) distributes this regional need to local governments. Once a local government has received its RHNA, it must revise its Housing Element to demonstrate how it plans to accommodate its portion of the region's housing need.

Capitola's 5th cycle RHNA (2015-2023) requirement was 143 units, which was the same requirement as the previous 4th cycle. AMBAG has allocated Capitola 1,336 housing units for the current 2023-2031 6th cycle.

It is important to note that the Housing Element is a policy document, and no actual development is proposed as part of the adoption of the housing element. Further implementation actions will need to be undertaken in accordance with state law (Assembly Bill 1398). In general, housing units are not built by the City but instead developed primarily by private and nonprofit developers on private property. Recent changes to state law have imposed new requirements for Housing Elements which introduce substantial challenges to the City's ability to identify sites to accommodate our required RHNA allocation.

New Housing Element requirements include:

- Higher RHNA Allocations: The City's 2015-2023 Housing Element RHNA allocation was 143 units, including 57 lower-income units. Comparatively, the 2023-2031 Housing Element RHNA allocation of 1,336 units, including 712 lower-income units, is approximately 9.3 times higher than the previous element's allocation.
- Affirmative Further Fair Housing (AFFH): Assembly Bill 686 was passed in 2018 as the statewide framework to affirmatively further fair housing (AFFH) to promote inclusive communities, further housing choice, and address racial and economic disparities through government programs, policies, and operations. AB 686 defines "affirmatively furthering fair housing" to mean "taking meaningful actions, in addition to combating discrimination, that overcome patterns of segregation and foster inclusive communities free from barriers that restrict access to opportunity" for persons of color, persons with disabilities, and other protected classes. The bill added an assessment of fair housing to the housing element which includes the following components: a summary of fair housing issues and assessment of the City's fair housing enforcement and outreach capacity; an analysis of segregation patterns and disparities in access to opportunities, an assessment of contributing factors, and an identification of fair housing goals and actions.
- Eligible Lower-Income Sites: There are new regulations regarding the extent to which the City can reuse sites included in previous Housing Elements and increased scrutiny of small, and nonvacant sites when these sites are proposed to accommodate units for very low- and low-income households.
- No Net Loss: A 2017 amendment to Government Code Section 65863 (No Net Loss) requires that jurisdictions preserve sufficient and available sites for lower-income housing throughout the RHNA planning period at all times. The City cannot permit the reduction of residential density for any site unless the reduction is consistent with the adopted General Plan, including the Housing Element. Additionally, if the City allows development of any site with less units by income level than identified in the Housing Element for that site, it must determine if the remaining sites identified in the Housing Element are adequate to meet that need by income level. If sites identified for lower-income housing are developed with less units than identified in the Housing Element or developed for a higher income group, the City shall either identify and rezone adequate substitute sites or demonstrate that the land inventory already contains adequate substitute sites so that there is no net loss of residential unit capacity.

Sites Inventory and Density

The City must demonstrate in its Housing Element the ability to meet its RHNA allocation, through the provision of sites suitable for residential development. To meet the assigned housing needs, the Housing Element will identify sites that may be suitable for residential development, including vacant and non-vacant sites throughout the City. In addition, the City will include an estimate of ADUs projected to be constructed during the planning period based on development trends. The sites inventory analysis will demonstrate that the City has adequate capacity to accommodate the RHNA for the 2023-2031 6th cycle planning period. The City will also be required to specify the projected housing type/density for each identified site.

At the March Planning Commission and City Council work session, the first draft of the sites inventory map was published for review and discussion. Since the work session, the housing consultants have incorporated the feedback received into the updated sites inventory map, included as Attachment 1. The modifications to the map include:

- Additional sites at the Capitola Avenue/Bay Avenue intersection
- Additional sites along Capitola Avenue from the Village to Highway 1.
- Additional site for workforce housing to New Brighton State Park along McGregor Drive
- Removed sites from 4250 to 4400 Capitola Road.
- Removed 2121 41st Avenue
- Removed sites previously included in 4th and 5th Housing Cycle

The current map includes a 20 percent buffer to the required 1,336 units. This number will likely change in the coming months due to comments received during the public review period and review by HCD.

Housing Element Public Review Draft

The public review draft of the housing element update will be published Monday, May 8, 2023. Following state law, the public review draft will be available for review for 30 days. During the public review period, a second community workshop will be held and two public hearings (Planning Commission June 1 and City Council June 8). Staff will utilize the city website, social media, and email to notify the public and interested parties that the document is ready for review and input. The public review draft will be available on the city website at <https://www.cityofcapitola.org/communitydevelopment/page/2024-2031-housing-element-update> and in print at Capitola City Hall and the Capitol Library

Two Housing Development Concepts

Also included in the housing element contract are two housing development concepts. RRM Design will analyze and prepare residential concepts for housing options on two sites within the City. These concepts are intended to illustrate development potential on specific sites identified on the sites inventory map. The concepts provide good examples of future redevelopment and are useful to support analysis, review, and discussion of potential residential intensification needed to meet the increased RHNA requirements. During the May 4, 2023 meeting, staff is requesting the Planning Commission suggest two sites to be analyzed.

City staff has identified the following properties as possible sites for development concepts as the property owners/representative have indicated interest in redevelopment and the sites exceed a half acre in size. Attachment D includes an aerial of each site as well as information from County GIS. The Planning Commission may suggest additional sites during the meeting.

- 1404 38th Avenue (Agility Boulder Site) 1.4 acres
- 1430 41st Avenue (Previous Outdoor World) 1.09 acres
- 4450 Capitola Road (Single-Story Office Building on corner of Capitola Road and 45th Avenue) 1.06 acres
- 4148 and 4160 Clares Street (Whitlow Concrete) 0.617 acre

Next Steps

The following table outlines the next steps for the housing element update.

Next Steps	Date
Public Review Draft Published	May 8, 2023 – June 8, 2023
Community Workshop for Public Review Draft (virtual)	May 16, 2023 at 6 pm
Planning Commission Public Hearing on Public Review Draft	June 1, 2023
City Council Public Hearing on Public Review Draft	June 8, 2023
Submit Draft to HCD for mandatory 90-day review	June 23, 2023
Conduct Planning Commission and City Council adoption hearing	October 2023
Adoption	November 2023

CEQA: The housing consultant is currently drafting the CEQA documents for the public hearings next fall.

Recommendation: Receive staff presentation on Housing Element Update and provide input on possible sites for future housing development concepts on two properties.