

Joint Capitola City Council & Planning Commission Work Session Agenda Report



Meeting: March 16, 2023

From: Community Development Department

Subject: Citywide Housing Element Work Session

Recommended Action: Receive a presentation regarding the Housing Element Update and Sites Inventory.

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 therefore 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. In addition, 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, a community meeting, Planning Commission meeting, City Council meeting, and a housing survey.

Discussion: The focus of the March 16, 2023, joint Planning Commission and City Council work session is to provide an overview on the Housing Element and the first draft of the Sites Inventory. After the presentation, the public will be given the opportunity to provide public comment followed by City Council and Planning Commission comments.

Housing Element Required Sections

State law (California Government Code Sec. 65583 et seq) sets forth requirements for Housing Elements and related land use regulations related to housing. The Draft 2023-2031 Housing Element will include the following components:

- **Background Information:** A housing needs assessment which identifies and analyzes the existing and projected housing needs within the City by examining demographic, employment, and housing trends and conditions, with attention paid to special housing needs (e.g., seniors, large families, persons with disabilities).
- **Constraints on Housing Analysis:** An analysis of existing and potential governmental and nongovernmental barriers to housing development.

- **Housing Resources:** An inventory of resources relevant to meeting the City's housing needs.
- **Housing Plan:** A statement of goals, policies, quantifiable objectives, and financial resources available for the preservation, improvement, and development of housing.
- **Evaluation of Past Performance:** Review of the 2015-2023 5th cycle Housing Element to measure progress and effectiveness of housing and outreach policies and programs.
- **Public Participation:** Implement a robust community engagement program, reaching out to all economic segments of the community plus traditionally underrepresented groups.
- **Sites Inventory:** Identify locations of available sites for housing development or redevelopment to ensure there is enough land zoned for housing to meet the future need at all income levels.

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 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 the Housing Elements which introduces 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 non-vacant 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.

Public Participation

The 2023-2031 Housing Element update process has provided, and will continue to provide, residents and other interested parties with opportunities to review draft documents and proposed policies, and to provide recommendations for consideration by decision-makers pursuant to Government Code §65583.

To date, the following public outreach efforts have been made during the update process:

- Online Housing Needs Survey (November 2022 – March 2023)
- Stakeholder Interviews (November 2022)
- Planning Commission Study Session (February 2, 2023)
- City Council Meeting (February 9, 2023)
- Community Workshop #1 (February 16, 2023)

The following public outreach efforts will be conducted throughout the remainder of the update process:

- Public Review of Draft Housing Element (30 days; Spring 2023)
- Community Workshop #2 (During Public Review period)
- Public Hearings (Fall 2023)

Next Steps

City staff and RRM will coordinate on providing the following for the 6th cycle Housing Element Update:

- Complete draft sites inventory analysis;
- Draft the Housing Element document and publish for 30-day public review (Spring 2023);
- Periodically report to the Planning Commission for recommendations and input;
- Prepare and refine draft CEQA documents;
- Submittal to HCD (14 days after close of Public Review);

- HCD Mandatory Review of Draft Housing Element (The draft housing element initial review period by HCD of 90 days. Subsequent review cycles by HCD will be 30 day increments);
- Respond to HCD comments; and
- Conduct Planning Commission/City Council hearings for adoption of the Housing Element (Fall/Winter 2023)

Fiscal Impact: There is no fiscal impact associated with this report.

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