

Capitola Planning Commission

Agenda Report



Meeting: August 8, 2024

From: Community Development Department

Address: Citywide Housing Element Re-Adoption

Project Description: Permit #23-019 for the Re-adoption of the City of Capitola 6th Cycle Housing Element which includes properties Citywide.

Recommended Action: Adopt a resolution recommending the City Council 1) adopt the Addendum to the General Plan Update Environmental Impact Report; and 2) adopt amendments to 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 Housing Element to the State of California for certification.

Property Owner: Citywide

Representative: Katie Herlihy, Community Development Director

Background: In accordance with applicable State housing law, local jurisdictions 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. The Housing Element should also maintain 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. 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. The City is required by law to 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 of California HCD for certification.

On January 12, 2024, the City received a letter from HCD identifying areas for additional information 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. Subsequent drafts have been published 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 comment, and a response to that comment was prepared and posted.

Discussion: The purpose of this agenda item is to receive public comment and to adopt the amendments to the 2023-2031 Housing Element and 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 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. The April revisions are highlighted 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 nonvacant 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 established 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, the 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, an MGP representative provided additional comments regarding the Housing Element sites inventory's stated number of affordable units on the MGP properties. 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)

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

<u>Next Steps</u>	<u>Date</u>
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, 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>.

Attachments:

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

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Approved By: Katie Herlihy, Community Development Director