

## ATTACHMENT A

Pursuant to Government Code section 65585, subdivision (b), HCD reviewed the draft Housing Element and reported the results of its review.

The following changes were requested by HCD:

**1. General HCD Comment Topic Area 1: Promote and affirmatively further fair housing opportunities and promote housing throughout the community or communities for all persons regardless of race, religion, sex, marital status, ancestry, national origin, color, familial status, or disability, and other characteristics... (Gov. Code, § 65583, subd. (c)(5).)**

**HCD Finding 1a:** Goals, Actions, Metrics, and Milestones: Promoting housing mobility removes barriers to higher opportunity and income areas and strategically enhances access to housing choices and affordability. The element must include significant actions to promote housing mobility within the City and relative to the region to promote more inclusive communities. While the element includes some potentially meaningful actions, largely, these actions are limited to the regional housing need allocation (RHNA) or geographically targeted to high and highest resource areas which is the entire City. Instead, programs to promote housing mobility should consider geographic targeting such as highest resource and relatively higher median income areas or areas of lesser intensity. In addition, the element should consider additional actions with numerical targets (e.g., 200 units) beyond rehabilitation, accessory dwelling units (ADU) and following state laws. Examples of additional actions could include upzoning areas, increasing housing choices (e.g., duplexes to fourplexes), targeting funding, allowing conversion of existing space beyond state ADU and junior accessory dwelling unit (JADU) laws and homesharing.

**City Response 1a:** The analysis has been updated to address HCD's finding. To further facilitate affordable housing in the City, Capitola has included the following provisions in the Development Standards program of the Housing Element (p. 3-18):

- Corner lot duplexes in the R-1 zone: Allow corner lots in single-family neighborhoods to accommodate duplex units. Such a strategy is intended to provide flexibility compared to SB 9 requirements, with the goal of introducing moderately priced homes in the neighborhoods. Objective development standards will be used for these projects.
- Examine the maximum densities in the RM-L and RM-M zones to determine if higher density limits will help facilitate multi-family development in the City.
- The Fair Housing Actions table in the Housing Element expands on facilitating housing production using these actions.

p. 5-39 and 5-40 (Table 5-1)

The City is also implementing the following strategies to meet 200-unit numerical target:

- ADUs SB9 (Program 1.9)
- Shared housing program

**2. General HCD Comment Topic Area 2: An inventory of land suitable and available for residential development, including vacant sites and sites having realistic and demonstrated potential for redevelopment during the planning period to meet the locality’s housing need for a designated income level, and an analysis of the relationship of zoning and public facilities and services to these sites. (Gov. Code, § 65583, subd. (a)(3).)**

**Identify actions that will be taken to make sites available during the planning period with appropriate zoning and development standards and with services...(Gov. Code, § 65583, subd. (c)(1).)**

**HCD Finding 2a: Capitola Mall:** While the element provides information regarding the current uses on the Capitola Mall site, it must still describe the extent to which existing uses may continue to constitute an impediment to residential development. For example, the element cites a previous application and trends in commercial uses but should also evaluate the extent to which existing commercial uses may preclude residential development in the planning period. For example, the element could address existing lease agreements, easements or property conditions that may preclude residential development, whether uses will discontinue or how uses will continue through redevelopment, replacement parking and site planning consideration, potential phasing of the project, development on non-commercial portions of the site, and other factors that support the site’s redevelopment during the planning period.

Additionally, given the reliance on the Capitola Mall site to meet the RHNA, the element should include a program that commits to facilitating development and monitoring approvals of the projects (e.g., coordination with applicants to approve entitlements, supporting funding applications, expanding approvals, and monitoring of project progress, including rezoning or identification of additional sites, if necessary).

**City Response 2a:** The analysis has been updated to address HCD’s finding and describe existing leases in more detail and describe phasing. Language has also been added to p. 5-11 for the City to develop alternative strategies to meet the RHNA requirement if it becomes apparent that the mall development is not achievable.

**HCD Finding 2b: Realistic Capacity:** While the element lists recent projects in the MU-N and C-C zones to estimate realistic development capacity on those sites, the element must further analyze the likelihood of 100 percent nonresidential development and account for this likelihood in the calculation of residential capacity.

**City Response 2b:** The analysis has been updated to address HCD’s finding. Language has been added to p. 4-7 to discuss the likelihood of 100 percent nonresidential development.

**HCD Finding 2c: Suitability of Nonvacant Sites and Zoning for Lower-Income Households:** The element includes sites in the R-1 zone (with a maximum density of 8.7 du/ac) with existing congregational or educational uses currently listed as sites appropriate to meet the lower-income RHNA. However, the element must demonstrate densities appropriate to accommodate housing for lower-income households. For communities with densities that meet specific standards (at least 20 units per acre for Capitola), no analysis is required. (Gov. Code, § 65583.2, subd. (c)(3).) Otherwise, an analysis must demonstrate appropriate densities based on factors

such as market demand, financial feasibility, and development experience within identified zones. In addition, the element should further evaluate the extent existing uses impede additional development. For example, the element mentions excess surface parking and underutilized buildings but should discuss whether those uses will continue or discontinue and if continuing, how the use impacts additional development. Based on the outcomes of this analysis, the element should add or modify programs, including, if applicable, meeting by right requirements pursuant to Government Code section 65583.2, subdivision (h) and (i).

**City Response 2c:** The analysis has been updated to address HCD's finding. Information about density under SB 4 has been added to page 4-31; additional narrative has been added to pg. 4-28; additional narrative about underutilized sites and parking have been added to pg. 4-3. In addition, school sites will no longer include lower-income units.

**HCD Finding 2d:** Small Sites: Sites smaller than half an acre are deemed inadequate to accommodate housing for lower-income households unless it is demonstrated, with sufficient evidence, that sites of equivalent size and affordability were successfully developed during the prior planning period or other evidence demonstrates the suitability of these sites. The element mentions some past production on small sites and reports that most of the small sites are under common ownership but should also discuss the potential for consolidation. For example, the element could evaluate the circumstances potentially leading to consolidation such as existing shared access, necessity for consolidation to share access, necessity for consolidation to promote financial feasibility, meet development standards or facilitate site planning. Based on the outcomes of this analysis, the element should add or modify action to encourage lot consolidation. For example, the element could consider graduated density as an additional incentive to promote lot consolidation.

**City Response 2d:** The analysis has been updated to address HCD's finding. Additional narrative has been added to p. 4-24. Additional discussion has been added to facilitate shared access and provide needed densities for lower income units

**HCD Finding 2e:** Publicly-Owned Sites: The element mentions publicly-owned sites but should also discuss their suitability for development in the planning period, including status, anticipated schedule and any known barriers to development in the planning period. Based on the outcomes of this analysis, programs should be added or modified to comply with surplus land act requirements, if applicable, target numerical objectives consistent with the inventory and commit to a schedule of actions to facilitate development, including alternative actions if necessary.

**City Response 2e:** The analysis has been updated to address HCD's finding. Additional narrative has been added to p. 4-28. In addition, a new Program (1.10) added to pg. 5-13 to address school sites and the Planning Commission's desire to facilitate discussions about future housing on State-owned properties. Income allocations on school-owned sites have been changed from low income to moderate and above moderate income.

**HCD Finding 2f:** Environmental Constraints: While the element generally describes a few environmental conditions within the City, it must relate those conditions to identified sites and

describe any other known environmental or other constraints that could impact housing development on identified sites in the planning period, such as lot shape, access, contamination, overlays, and easements.

**City Response 2f:** The analysis has been updated to address HCD's finding. Responsive language has been added to pp. 4-39, 4-42. Maps have been added to Constraints section.

**HCD Finding 2g: Electronic Sites Inventory:** For your information, pursuant to Government Code section 65583.3, the City must submit an electronic sites inventory with its adopted housing element. The City must utilize standards, forms, and definitions adopted by HCD. Please see HCD's housing element webpage at <https://www.hcd.ca.gov/planning-and-community-development/housing-elements> for a copy of the form and instructions. The City can reach out to HCD at [sitesinventory@hcd.ca.gov](mailto:sitesinventory@hcd.ca.gov) for technical assistance.

**City Response 2g:** City has noted, will submit after Housing Element adoption.

**HCD Finding 2h: Programs:** Based on the results of a complete sites inventory and analysis, the City may need to add or revise programs to address a shortfall of sites or zoning available to encourage a variety of housing types.

**City Response 2h:** The analysis has been updated to address HCD's finding. Language has been added to Program 1.6 (p. 5-8), and a new Program 1.10 has been added (p. 5-13) about publicly owned lands.

**3. General HCD Comment Topic Area 3: An analysis of potential and actual governmental constraints upon the maintenance, improvement, or development of housing for all income levels, including... land use controls, building codes and their enforcement, site improvements, fees and other exactions required of developers, and local processing and permit procedures...(Gov. Code, § 65583, subd. (a)(5).)**

**Address and, where appropriate and legally possible, remove governmental and nongovernmental constraints to the maintenance, improvement, and development of housing, including housing for all income levels and housing for persons with disabilities...(Gov. Code, § 65583, subd. (c)(3).)**

**HCD Finding 3a: Fees and Exaction:** While the element provides a general overview of fees in the City, it should further analyze the total fees as a proportion to the overall development cost. Upon this analysis, the element may need to add or modify programs to reduce fees, as appropriate.

**City Response 3a:** The analysis has been updated to address HCD's finding (see p. 3-28).

**HCD Finding 3b: Other Locally Adopted Ordinances – Incentives for Community Benefit:** While the element provides some general information on the City's Incentives for Community Benefit Ordinance, it should analyze the Ordinance's impact on housing supply and affordability. For example, the element should describe the process which applicants must go through to qualify for these incentives, including any discretionary hearings or standards that might apply. Upon this analysis, the element may need to add or modify a program, as appropriate.

**City Response 3b:** The analysis has been updated to address HCD’s finding (see pp. 3-13, 3-18). In addition, Program 1.6 has language about Community Benefits Zoning Code requirements being amended to meet objective standards (p. 5-9).

**HCD Finding 3c: Constraints on Housing for Persons with Disabilities:** Program 3.4 commits to permit large residential care facilities in zones where residential uses are permitted but should also clarify these uses will be permitted regardless of licensing and similar to other uses of the same type in the same zone.

**City Response 3c:** The analysis has been updated to address HCD’s finding (see p. 3-26).

**HCD Finding 3d: Programs:** Upon a complete analysis of potential governmental constraints, the City may need to revise or add programs and address and remove or mitigate any identified constraints.

**City Response 3d:** The analysis and programs have been modified to address HCD’s finding. See Program 1.6; Program 3.4.