



# Folsom City Council Staff Report

<b>MEETING DATE:</b>	7/28/2020
<b>AGENDA SECTION:</b>	New Business
<b>SUBJECT:</b>	Housing Element Update and Direction to Staff; Report on Stakeholder Outreach and Rezone Strategy to Meet Folsom Affordable Housing Needs
<b>FROM:</b>	Community Development Department

**RECOMMENDATION / CITY COUNCIL ACTION**

Staff recommends that the City Council consider progress toward the housing element update process and provide preliminary direction on key policy issues involving multifamily density, inclusionary requirements, and potential zoning solutions in the Folsom Plan Area Specific Plan.

**BACKGROUND / ISSUE**

At the March 10, 2020 City Council meeting, the City’s Housing Element consultant, Ascent, provided the Council with an overview of the City’s 2021 Housing Element update process and summarized the challenges and opportunities pertaining to the required accommodation of Folsom’s share of the lower-income Regional Housing Needs Allocation (RHNA) determined by the Sacramento Area Council of Governments (SACOG).

One of the key challenges the City faces with this upcoming Housing Element update is meeting the City’s RHNA requirement. As shown in the table below the City’s RHNA obligation for this cycle is 6,363 housing units, of which 3,567 units are to be affordable to very low-income and low-income households (collectively referred to as the “lower-income” RHNA).

Folsom's 2021-2029 Regional Housing Needs Unit Allocation by Income						
RHNA	Very Low	Low	Moderate	Above Moderate	Total	*Average Yearly Need
Housing Units	2,226	1,341	829	1,967	6,363	795
Percent of Total	35%	21%	13%	31%	100%	

Note: \* Based on 8-year planning period

Source: SACOG Regional Housing Needs Plan Cycle 6 (2021-2029), February 2020

A core assumption of the Housing Element is that the higher the allowed density in the zoning, the more feasible it is to accommodate affordable housing. Based on state law requirements, 30 units per acre is the minimum density that is deemed appropriate for accommodating the lower income RHNA in Folsom, therefore only sites with zoning that allows 30 units per acre can be counted toward meeting the lower-income RHNA. If a jurisdiction does not have enough capacity on appropriately zoned land to accommodate all income categories of its RHNA, it must identify additional sites and rezone sites within three years of the Housing Element adoption deadline.

Based on the most recent assessment, the City does not currently have enough land zoned for higher-density housing at 30 units per acre, and thus will have an obligation to rezone a number of sites for higher density housing in order to meet the lower-income RHNA.

In addition to identifying adequate lower income sites, the other significant challenge the City faces pertains to the new “no-net-loss” zoning requirement. Pursuant to Government Code Section 65863, the City must maintain adequate sites for lower-income housing throughout the entire 8-year planning period. As such, if a development is approved on a housing element site with fewer units or a different income category (such as market rate housing on a potential lower-income site zoned for 30 units per acre), the City must either make written “no net loss” findings that the other housing element sites are adequate to meet the RHNA for lower-income housing, or the City must identify and rezone a replacement lower income housing site within 180 days. Thus, in addition to identifying adequate sites to meet the RHNA obligation, the City also needs to build in a surplus of extra capacity to address the no-net-loss assuming that the City will likely receive and potentially approve market rate apartment projects on multifamily high density land during the eight year period.

Based on staff’s preliminary analysis of land currently zoned for high-density housing, the City’s estimated RHNA shortfall to meet the minimum requirements of zoned land is 741 low-income units. This shortfall in units translates into an estimated rezone obligation of approximately 37 acres of multifamily zoned land. To address this shortfall staff and the consultant team have been exploring several potential strategies to meet or exceed (establish a buffer) the RHNA including:

- Identifying new sites within the East Bidwell Mixed-Use Overlay consistent with the 2035 General Plan

- Identifying new sites around transit stations in transit priority areas consistent with the General Plan
- Identifying property owners with vacant or underutilized land interested in rezoning/upzoning their property for multifamily high-density development
- Working with landowners in the Folsom Plan Area (south of Highway 50) to identify additional zoning solutions as required by the Development Agreements
- Developing strategies to increase production of accessory dwelling units (ADUs)
- Exploring changes to the Inclusionary Housing Ordinance

Specifically, over the last several months, we have been quantifying existing sites/opportunities for higher density housing, as well as identifying potential new sites for consideration of zoning for higher density housing to meet the state requirements. We have also met with dozens of property owners and other stakeholders in the community through focus groups and interviews to better understand affordable housing issues and to discuss potential strategies to meet the City’s RHNA for the 6<sup>th</sup> Cycle Housing Element.

Through these efforts, we have identified several sites with potential for rezoning as viable multifamily development opportunities over the next 8 -year period (East Bidwell Mixed Use Corridor and Transit Priority Areas). We also asked the landowners in the Folsom Plan Area to consider how they might help meet approximately half of the RHNA shortfall. Finally, we have a few property owners potentially interested in rezoning their property for multifamily development conditioned on Council policy direction. As such, before we finalize and quantify the rezone strategy, we are asking the City Council to provide preliminary direction on a few key policies that will inform those calculations and/or impact property owner decisions about voluntary rezoning.

**ANALYSIS / CITY COUNCIL DIRECTION**

Staff seeks guidance/preliminary direction from City Council on three specific housing policies to inform our rezone strategy/RHNA solutions as follows:

First, does the City Council support increasing allowable densities within key areas of the City including the transit priority areas, East Bidwell Mixed Use Corridor, and the Regional Town Center site in the Folsom Plan Area?

Secondly, does the City Council support increasing the current dwelling unit count in the Folsom Plan Area in order to meet the RHNA?

Thirdly, does the City Council want to entertain an expansion to the existing inclusionary requirement to expand applicability beyond for sale housing to include rental housing?

- 1. Does the City Council support increasing allowable densities within key areas of the City, including the transit priority areas, East Bidwell Mixed Use Corridor, and the Regional Town Center site in the Folsom Plan Area?**

A potential strategy to increase lower-income capacity for the City’s RHNA is to consider increasing the allowable multi-family and mixed-use densities in key areas of the City, including the transit priority areas, East Bidwell Mixed Use Corridor, and the Regional Town Center site in the Folsom Plan Area.

Analysis:

Currently, the City’s General Plan and corresponding multifamily zoning designations allow for a maximum of 30 dwelling units to acre. Thirty units per acre is the minimum density the State will consider as likely to accommodate housing affordable to lower income categories. State law also requires local jurisdictions to grant density bonuses (increases) for qualifying projects and the City’s Zoning Code includes a Density Bonus Ordinance consistent with State law.

Over the last several years, the City has approved several multifamily apartment projects in the 25 to 35 units per acre range as summarized in the table below.

Project	Number of Units	Density (Units per Acre)*
Bidwell Place Mixed-Use	75	35.9
Bidwell Pointe Mixed-Use	140	33.3
Talavera Ridge Apartments	72	25.5

\*Projects with more than 30 units to the acre qualified for a density bonus under the City’s ordinance.

For regional comparison, other jurisdictions in our region allow for higher density multifamily development citywide and/or in key areas of their communities where deemed appropriate (See comparison table below).

Project	Location	Number of Units	Density (Units per Acre)
El Dorado Town Center Apartments	El Dorado Hills	214	44
Main Street Plaza Apartments	Roseville	65	56
The Lohse Apartments	Roseville	58	67.44
Junction Crossing Apartments	Roseville	80	61.5

Typically, multifamily development with 30 units to the acre include surface parking (rather than structured parking) and can be accommodated in 3 story structures. Multifamily development with 40 or more units per acre typically include structured parking and/or parking reductions associated with transit proximity with structures that are 4 stories or more (See Attachment 1: Examples of High-Density Multi-Family and Mixed-Use Projects).

Given the General Plan policy direction about transit priority areas around the City’s 3 light rail stations, the potential for higher density housing in some areas of the East Bidwell Mixed Use Corridor, and planned compact urban development in the Folsom Plan Area Town Center, staff is recommending the Council consider increasing the

maximum allowable density in those key areas to 40, 50, or even 60 units per acre, depending upon location and other factors. Not only would increasing allowable densities in key urban areas within the City promote efficient land use consistent with the SACOG's Blueprint Principles, the increased densities would also lessen the City's burden of having to rezone additional sites for housing and provide a buffer when identified sites in the RHNA inventory are developed as market rate.

Before completing more detailed analysis and recommendations, staff is requesting preliminary direction from the City Council about this potential policy change. This includes guidance and direction from City Council on whether increase density is supported, where the priority areas should be located and what level of density increase the City Council would be comfortable with.

## **2. Does the City Council support increasing the current dwelling unit count in the Folsom Plan Area in order to meet the RHNA?**

The Folsom Plan Area Specific Plan (FPASP) currently allows for 11,461 residential units at various densities on approximately 1,630 acres. Since FPASP adoption in 2011, the City Council has approved eight amendments to the Specific Plan with land use and density refinements. In addition to the specific plan amendments, several Minor Administrative Modifications (MAMs) have been approved which have moved allocated dwelling units to new sites in the FPASP area but did not affect the overall number of approved units.

### Analysis:

The Development Agreements for the Folsom Plan Area include language about modifications to help the City meet the RHNA. In the staff and consultant meetings with the landowners, staff requested the landowners to assume the City would be asking them to help meet approximately half of the City's RHNA shortfall. We discussed a range of options and potential solutions. The preferred landowner solution includes a robust effort to incorporate ADUs and Junior ADUs into new single-family home construction. They also propose increasing the density of key multifamily and mixed-use sites in and around the Regional Town Center from a maximum of 30 units/acre to a range of 30 to 55 units/acre along the FPASP transit corridor and a range of 30 to 40 units/acre in the Town Center mixed-use sites.

In the past City Council has expressed concerns over increasing the residential unit count in the FPASP. Staff is sensitive to these concerns; nevertheless, to meet the lower-income RHNA requirements and provide a buffer, the City needs to rezone and/or upzone properties for higher density housing.

The issue is that in order to rezone or upzone sites in the FPASP and keep the current maximum unit count to 11,461, the increased density requires the transfer of residential units from other sites. That being said, it is important to point out that with the approval

of the last three tentative maps for Toll Brothers, Creekstone and Rockcross, MAMs were approved to move a combined total of 283 allocated dwelling units from these sites to other sites.

Alternatively, rather than transfer density/units from one parcel/site to another, the residential allocation of 11,461 units could be increased. If City Council were to support an increase to the number of residential units, CEQA analysis would be required to assess potential impacts such as traffic circulation and water supply and demand. It should be noted that the Water Supply Agreement (which has been validated by the courts) provides a total of 5,600-acre feet per year of water to the Folsom Plan Area consistent with Measure W. Based on estimates from the 2018 FPASP amendment associated with increasing the residential unit cap to 11,461, total water demand for the plan area was at 5,499-acre feet per year. If the Council were inclined to increase the residential unit count in the Folsom Plan Area for purpose of meeting RHNA, a more detailed and precise water supply and CEQA analysis would be prepared.

Staff seeks feedback and direction from the City Council on whether there is support for increasing the current dwelling unit count in the Folsom Plan area in order to meet the RHNA

**3. Does the City Council want to entertain an expansion to the existing inclusionary requirement to expand applicability beyond for sale housing to include rental housing?**

The City of Folsom has an inclusionary housing program that requires developers of all new **for-sale** residential projects greater than 10 units (both single-family and multi-family projects) to include at least 10% of their units as affordable to lower-income households. Since its inception in 2002, the City's inclusionary program has undergone several revisions, including the 2013 revisions which reduced the inclusionary requirement from 15% to 10%, added an in-lieu fee alternative, and removed the inclusionary requirements pertaining to rental units in accordance with the 2009 *Palmer/Sixth Street Properties, L.P. v. City of Los Angeles* court decision. The *Palmer* decision held that inclusionary housing requirements for residential rental units are pre-empted by the Costa-Hawkins Rental Housing Act. Costa-Hawkins is the state's primary rent control law, which generally gives residential landlords the right to establish the initial rents payable by new tenants.

In 2017, Assembly Bill (AB) 1505 superseded the Court's ruling in *Palmer*. This legislation provides jurisdictions with the ability to adopt ordinances that require **rental** residential projects to include a defined percentage of affordable housing units. Cities and counties that elect to adopt inclusionary rental ordinances pursuant to AB 1505 must provide developers with an alternative means of compliance, such as the payment of in-lieu fees, dedication of land, the construction of affordable units off-site, or the acquisition and rehabilitation of existing units.

Analysis:

With the dissolution of redevelopment in 2012, California eliminated the most significant financial resource available to the City to assist in the production of affordable housing. In addition, over the past several years the amount of Federal funding for affordable housing has steadily decreased. As these affordable housing resources continue to decline, and as rents and sales prices continue to rise, the City's existing Inclusionary Housing Ordinance plays a significant role in assisting in increasing the supply of affordable housing in Folsom. The passage of AB 1505 provides the opportunity for the City to consider requiring residential rental projects to include a defined percentage of affordable housing units.

As part of this housing element update, the City has commissioned the consulting firm EPS to prepare an inclusionary housing in-lieu fee analysis to gather information related to the appropriateness of the current in-lieu fee associated with for-sale residential projects. As part of this effort, EPS is conducting a survey of other jurisdictions in the region that impose affordable housing requirements and/or fees on residential development. The purpose of this survey is to provide an understanding of how the City's program requirements compare to those of other jurisdictions in the region in order to inform potential consideration of future adjustments to the program. Based on EPS's preliminary research, only the cities of West Sacramento and Davis currently have inclusionary policies for rental projects. Elk Grove, Sacramento, and Sacramento County have nexus-based fee programs for rental projects and Roseville, Rocklin, and El Dorado County do not have inclusionary or fees requirements for rental projects.

It is important to note that during stakeholder interviews, several property owners have expressed concern about rezoning to multi-family residential or mixed-use if the inclusionary ordinance is going to be modified to require inclusionary on rental projects.

Staff seeks City Council direction on the possibility of applying the City's inclusionary requirement to rental housing projects.

Upon receipt of Council direction, staff will move forward with refining the RHNA strategies prior to returning to the City Council for final consideration of the proposed RHNA solutions. Both Planning Commission and City Council meetings will be public hearings.

**ATTACHMENTS**

1. Examples of High-Density Multi-Family and Mixed-Use Projects
2. Power Point Presentation

Submitted,

A handwritten signature in blue ink, appearing to read "Pam Johns", with a long horizontal flourish extending to the right.

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Pam Johns, Community Development Director



# **Attachment 1**

## **Examples of High-Density Multi-Family and Mixed-Use Projects**

## ADDITIONAL INFORMATION

# HOW CAN RESIDENTIAL PROJECTS BUILT AT THE SAME DENSITY LOOK SO DIFFERENT?

### Density

A project's "density" is the total number of dwelling units per acre. While this is helpful in understanding the total number of for-rent or for-sale units in a particular residential project, it does not take into account unit size or number of bedrooms.

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### Form and Format

Often the form of a residential project will have a greater affect on how it fits into its surrounding neighborhood than its density. Projects that are built at the right scale and style can blend into a neighborhood, reducing the feel of "bulk."

## VISUALIZING DENSITY (OR REALLY, FORM)

Below are examples of different residential projects designed at **approximately 40 dwelling units per acre** (typically considered high density in the Sacramento region). While each of these projects has the same approximate "density," their form, style and feeling of bulk are quite different. This is due to several factors, including the unit format (size and number of bedrooms), amount of visible/invisible density (what is visible from the street), building setbacks, heights, parking requirements, on-site open space, and other site features. As shown in these examples, the actual form and format of a project is typically a greater indicator of how well it fits into a local neighborhood than just its density.



40 Dwelling Units per Acre



40 Dwelling Units per Acre



40 Dwelling Units per Acre



40 Dwelling Units per Acre



40 Dwelling Units per Acre



40 Dwelling Units per Acre

**Sacramento Area**



***West Gateway Place Apartments – West Sacramento (41 du/acre)***



***BDX at Capital Village – Rancho Cordova (42 du/acre)***



***El Dorado Hills Town Center Apartments – El Dorado Hills (44 du/acre)***



*Main Street Plaza Apartments – Roseville (56 du/acre)*



*The Lohse Apartments – Roseville (67 du/acre)*

**Los Angeles Area**



## Attachment 2

### Power Point Presentation