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To: Marico Sayoc; Rob Rennie; Matthew Hudes; Mary Badame; Maria Ristow

Cc: Shelley Neis; jvannada; Rick Van Hoesen; David Weissman

Subject: Agenda Item #1 - Special Meeting of the Town Council - December 7, 2021

Dear Council Members,

A critical question that the Council needs to discuss at this study session is , are there sufficient sites to accommodate the RHNA by income category?

The Land Use Element and Housing Element, working together, must ensure there are sufficient sites available through appropriate zoning action, development standards and infrastructure capacity to accommodate the development by income category of 1,993 units in total.

Historically the Town has not had a problem in providing for the development capacity for above market rate housing. The major failing has been the Town's ability to provide development capacity for below market rate housing. The 6th cycle RHNA has established that the Town must provide the development capacity for 1,167 below market rate units to be potentially developed within the eight-year cycle. The question is, does the current draft Land Use Element provide for the development of such capacity?

It is important to break the 1,993 RHNA allocation into 2 buckets – market rate housing and below market rate housing. Under the current 2020 General Plan and existing zoning laws, there is more than enough development capacity for the Town to demonstrate to HCD that there are sufficient sites to meet the required above market rate housing. Unfortunately, the same can not be said for the below market rate housing. The central focus of the Land Use Element is to ensure there is sufficient land use capacity.

To determine how many below market rate sites must be planned, HCD allows ADU's to be credited toward meeting the RHNA allocation based on the affordability and unit count. If the ADU's meet the affordability test, 200 ADU's (assumed 25 units per year are developed over the 8-year period) can be credited to the 1,167. That reduces the below market rate housing to 967 dwelling units. To ensure that sufficient capacity exists to accommodate this number throughout the planning period, HCD recommends that the Town create a buffer of at least 15% more capacity than required. That means the Town needs to create capacity through zoning changes to allow for the development of 1,112 below market rate units. The Land Use Element must define the zoning and development standards appropriate to accommodate the need for 1,112 below market rate units.

High land and development costs combined with limited supply of vacant and developable land means that below market rate housing can only be achieved by pursuing more intensive, compact and infill development or redevelopment.

HCD has established best practices for selecting sites to accommodate below market rate housing. These factors include proximity to transit, access to amenities such as parks and services, access to health care facilities and grocery stores, proximity to available infrastructure and transit hubs. Additionally, the Government Code allows for the use of higher density as a proxy for lower income affordability, as long as parcels are zoned to allow sufficient density to accommodate the economies of scale needed to produce affordable housing. Parcels that allow “at least” 20 units per acre are considered appropriate to accommodate the RHNA for below market rate housing.

The Staff memo for the December 7 Study session does not discuss any land use strategies that could be used to enable the Town to achieve the development target of 1,112 below market rate units. The memo discusses the need to meet the overall RHNA allocation of 1,993 units but fails to discuss the more difficult question regarding capacity for the development of below market rate housing. The Staff does correctly point out that the HCD may not certify a Housing Element if it disagrees with assumptions, housing sites and/or programs. The potential for disagreement will not come from assumptions regarding the development of market rate housing but rather the assumptions regarding the development of below market rate housing.

We strongly encourage the Council to discuss the appropriate land use strategies that could be used to meet the below market rate RHNA allocation. That is a core challenge facing the Town.

Los Gatos Community Alliance