



**TOWN OF LOS GATOS
PLANNING COMMISSION
REPORT**

MEETING DATE: 11/15/2023

ITEM NO: 1

DATE: November 10, 2023
TO: Planning Commission
FROM: Joel Paulson, Community Development Director
SUBJECT: Consider and Make a Recommendation to the Town Council on the Draft Revised 2023-2031 Housing Element. Location: Town-Wide. General Plan Amendment Application GP-22-003.

RECOMMENDATION:

Staff recommends that the Planning Commission hold the public hearing, ask questions of staff, and receive any verbal public comment from those in attendance, and continue the item to a date certain of November 29, 2023, for a special meeting to continue the public hearing for any additional public comment, deliberation, and a recommendation.

EXECUTIVE SUMMARY:

The Town of Los Gatos has prepared a revised update to the Housing Element of the General Plan to affirmatively further fair housing and accommodate the 1,993-unit Regional Housing Needs Allocation (RHNA) for the 2023-2031 Housing Element cycle. The content of the Draft Revised 2023-2031 Housing Element is structured for further consistency with the requirements set forth in State law. In addition to responding to requirements of State law, the Housing Element also demonstrates the Town of Los Gatos' strategy to meet the Town's locally determined housing needs, and that these needs are addressed through policies and programs outlined within the Housing Element. Public review and input have been a critical component of this 6th cycle Housing Element update. A copy of the Draft Revised 2023-2031 Housing Element is available on the Town's Housing Element website:

www.losgatosca.govHousingElement.

PREPARED BY: Erin Walters and Jocelyn Shoopman
Associate Planners

Reviewed by: Planning Manager, Community Development Director, and Town Attorney

BACKGROUND:

California Government Code Section 65580 and following regulates the use and requirements of housing elements in California. State law requires that the Town update its General Plan Housing Element every eight years. State law further requires adoption of an updated Housing Element by January 31, 2023.

Starting in early 2021, the Town has taken the steps to comply with State law with the goal of adopting a Housing Element prior to the January 31, 2023, deadline.

On January 30, 2023, the Town Council adopted the Draft Housing Element with modifications to the Sites Inventory and directed staff to continue to work with the Department of Housing and Community Development (HCD) to resolve additional comments provided during their review.

On February 13, 2023, after the required seven-day review period, the Town submitted the adopted Draft Housing Element to HCD for preliminary review, which consists of a 90-day review.

On March 31, 2023, after the required seven-day review period, the Town submitted the Draft Revised Housing Element, in response to the January 12, 2023, HCD findings/comment letter to HCD for preliminary review.

On April 14, 2023, the Town received HCD's findings/comment letter on the Draft Revised Housing Element that was submitted to HCD on February 13, 2023.

On May 30, 2023, the Town received an updated findings/comment letter from HCD on the Draft Revised Housing Element that was submitted to HCD on March 31, 2023.

On October 2, 2023, after the seven-day review period, the Town submitted the Draft Revised Housing Element (dated September 2023), in response to the May 30, 2023, HCD findings/comment letter to HCD for review. The documents submitted to HCD can be viewed on the Housing Element update website at: www.logatosca.gov/HousingElement.

On November 7, 2023, staff and the consultant met with the Town's HCD reviewer and received preliminary feedback on the Draft Revised Housing Element submitted to HCD on October 2, 2023. A preliminary review matrix of the HCD reviewer's comments on the Draft Revised Housing Element will be provided to the Planning Commission for the November 15, 2023, Planning Commission meeting in an Addendum Report.

The primary purpose of this agenda item is to ask questions of staff and the Town's Housing Element consultant on the Revised Draft Housing Element (September 2023), discuss potential modifications to the document based on the preliminary feedback provided by the Town's HCD

BACKGROUND (continued):

reviewer, receive any verbal public comment, and continue the item to a date certain. At the following meeting the Planning Commission will have the opportunity to deliberate further based on additional revisions and make a recommendation to the Town Council on whether to adopt the Draft Revised Housing Element.

DISCUSSION:

This section lists the required components of Housing Element updates per State law, and then provides an expanded discussion of each including a reference to where it is addressed in the Town's Draft Revised Housing Element, and the areas where additional edits have been made since January 30, 2023.

Required Components of a Housing Element

Pursuant to Government Code Section 65583, local governments are required to include the items below within their Housing Elements, and subsequent updates thereto.

1. **Housing Needs Assessment:** Examine demographic, employment, housing trends and conditions, and identify existing and projected housing needs of the community, with attention paid to special housing needs (e.g., large families, persons with disabilities). This Section includes a community's RHNA as determined by a community's regional planning body in partnership with HCD.
2. **Housing Sites Inventory:** Identify locations of available sites for housing development or redevelopment to demonstrate there is enough land zoned for housing to meet future need at all income levels.
3. **Constraints Analysis:** Analyze and recommend remedies for existing and potential governmental and nongovernmental barriers to housing development.
4. **Policies and Programs:** Establish policies and programs to be carried out during the 2023-2031 planning period to fulfill the identified housing needs.
5. **Affirmatively Furthering Fair Housing (AFFH):** Analyze and address significant disparities in housing needs and access to opportunity by proposing housing goals, objectives, and policies that aid in replacing segregated living patterns with truly integrated and balanced living patterns, transforming racially and ethnically concentrated areas of poverty into areas of opportunity, and fostering and maintaining compliance with civil rights and fair housing laws.
6. **Evaluation of Past Performance:** Review the prior Housing Element to measure progress in implementing policies and programs.
7. **Community Engagement:** Implement a robust community engagement program that includes reaching out to individuals and families at all economic levels of the community, plus historically underrepresented groups.

DISCUSSION (continued):

Housing Element Requirements

The following sections expand on these major topics covered by the Town's Housing Element and the work that has been completed since the January 30, 2023, adoption.

A. Housing Needs Assessment

As part of the Housing Element update process the Town is required to analyze the existing and projected housing needs of the Town, including its fair share of RHNA requirements. The Town's analysis of housing needs is required to include an assessment of detailed demographic data including: population age, size, and ethnicity; household characteristics; overpayment trends; housing stock conditions; units in need of replacement or rehabilitation; and needs of special needs populations including the elderly, persons with disabilities, unhoused persons, extremely low-income households, and farmworkers. Utilizing the Housing Needs Data Report provided by ABAG, the 6th cycle Housing Element update outlines the Town's housing needs. Since the January 30, 2023, adoption of the Housing Element, additional data and analysis has been provided by Root Policy Research and Vernonia Tam and Associates, that can be found in Appendix B of the Draft Revised Housing Element.

B. Housing Resources and Sites Inventory

As part of the 6th cycle Housing Element update, the Town is also required to identify resources available to the Town for the preservation, rehabilitation, and production of housing throughout the community. These resources also include land within the Town of Los Gatos that are identified as eligible for accommodation of the Town's RHNA requirements. Pursuant to Government Code Section 65583.2(a), the following resources are eligible for accommodation of the Town's RHNA: vacant sites zoned for residential use; vacant sites zoned for nonresidential use that allows residential development; residentially zoned sites that are capable of being developed at a higher density; or sites zoned for nonresidential use that can be redeveloped for residential use, and for which the Housing Element includes a program to rezone the sites. The Town's Housing Sites Inventory is summarized in Appendices D and H of the Draft Revised Housing Element.

The Sites Inventory of the Draft Revised Housing Element includes sufficient sites to meet the RHNA requirement in each income category, with a surplus of approximately 57 percent above the remaining RHNA as described in Section B of this report.

Since the January 30, 2023, adoption of the Housing Element, the following modifications have been made to the Sites Inventory of the Draft Revised Housing Element:

DISCUSSION (continued):

1. The removal of site A-1 (50 Park Avenue and 61 Montebello Way). The Regional Housing Needs Allocation (RHNA) capacity only accepts net new units. Site A1 has a minimum capacity of five units, whereas there are 11 housing units on-site. Due to the housing capacity resulting in less than the exiting number of units on-site, the site has been removed from the Sites Inventory. This results in a total of 48 sites in the modified Sites Inventory.
2. The income distribution for sites D-3, D-4, and D-5 were modified to place all housing units in the above moderate-income category since each site is less than half an acre and deemed inadequate to accommodate housing for lower-income housing.
3. The net capacity for sites B-1, D-1, D-2, D-3, D-4, D-5, D-6, D-7, and E-1 was reduced by a total of 21 units to account for existing housing units on-site.
4. The Pipeline Projects were reduced from 201 units to 191 units based on the net capacity of existing housing units on-site.
5. The RHNA planning period for the ABAG region started on June 30, 2022. Housing units that were finaled, permitted, or approved after this date, or were under construction as of June 30, 2022, up to January 31, 2023, can be credited toward the RHNA, resulting in a total of 250 housing units. Based on the preliminary feedback provided by the Town's HCD reviewer on November 7, 2023, staff and the consultant will continue to review this section of the Draft Revised Housing Element.

C. Regional Housing Needs Allocation (RHNA)

In January of 2022, HCD approved ABAG's adopted *Final RHNA Plan for the San Francisco Bay Area: 2023-2031 (Plan)* which establishes a total RHNA for the San Francisco Bay Area of 441,176 residential units for the 6th cycle Housing Element update 2023-2031 planning period. ABAG's *Plan* further distributes this RHNA across the Bay Area's nine counties, and 101 cities based on demographic and population data received from the California Department of Finance (DOF). Local jurisdictions must then utilize their ascribed RHNA to update the housing elements of their general plans for the 6th cycle planning period, inclusive of identifying eligible land resources to accommodate their RHNA.

RHNA requirements are organized into four affordability categories, established according to the Area Median Income (AMI) of a geography. These categories include very low-income residential units, which are affordable to households earning less than 50 percent of AMI; low-income residential units, which are affordable to households earning between 50 percent and 80 percent of AMI; moderate income residential units, which are affordable to households earning between 80 percent and 120 percent of AMI; and above moderate-income residential units which are affordable to households earning over 120 percent of AMI. The Town's RHNA is summarized below:

DISCUSSION (continued):

Town of Los Gatos RHNA		
Income Category	5 th Cycle RHNA (2015-2023)	6 th Cycle RHNA (2023-2031)
Very Low (less than 50% of AMI)	201	537
Low (50-80% of AMI)	112	310
Moderate (80-120% of AMI)	132	320
Above Moderate (More than 120% of AMI)	174	826
Total	619	1,993

RHNA Credits/Surplus

New “no net loss” provisions of Government Code Section 65863 require the Town to ensure an adequate supply of land be made available for housing development throughout the duration of the 2023-2031 planning period. This means that if housing sites identified within the jurisdiction's 6th cycle Housing Element are developed with non-residential uses, lower residential densities, or residential uses at affordability levels that are different than anticipated by the Housing Element, the Town will need to rezone other properties in order to make up the shortfall.

Since the January 30, 2023, adoption of the Housing Element, the Sites Inventory has been revised to reflect RHNA credits for housing units that were finalized, permitted, or approved after this date, or were under construction as of June 30, 2022; ADU projections; Senate Bill 9 projections; and the Pipeline Projects amount to 737 units. The remaining RHNA that needs to be accommodated by the Sites Inventory is 1,256 units, as shown in Table 10-3 in the Draft Revised Housing Element and on the following page.

DISCUSSION (continued):

Table 10-3 RHNA Credits and Sites Strategies

RHNA Credit	Affordability Credit				
	Very Low-Income	Low-Income	Moderate-Income	Above-Moderate Income	Total
Entitled/Permitted/Under Construction/Finaled (June 30, 2022, to January 31, 2023)					
- Single-Family Units and Housing Projects	49	0	2	176	227
- ADUs	0	3	11	9	23
Pipeline Projects	0	1	0	190	191
Projected ADUs (1/1/2023-1/31/2031)	60	60	60	20	200
SB 9 Units	0	0	0	96	96
Total	109	64	73	491	737
RHNA	537	310	320	826	1,993
Remaining RHNA	428	246	247	335	1,256
Housing Element Overlay Zone (HEOZ) Sites	634	357	340	640	1,971
- Owner Interest/Conceptual Development Plans	480	283	264	320	1,347
- Additional Sites	154	74	76	320	624
Surplus above Remaining RHNA	206	111	93	305	715
% Surplus	48%	45%	38%	91%	57%

Source: Town of Los Gatos, Town of Los Gatos 6th Cycle 2023-2031 Housing Element Update, HCD Draft Revised, September 2023, Clean Copy

The Sites Inventory accommodates a net capacity of approximately 1,971 units, a surplus of approximately 57 percent above the remaining RHNA of 1,256 units, which would equal capacity of approximately 715 additional units. These sites, in addition to Accessory Dwelling Units Projections, Senate Bill 9 Projections, and Pipeline Projects have a total, net capacity of 2,708 units. This “cushion” for capacity above the base RHNA number is highly recommended because of the State’s “no net loss” requirements. The “cushion” provides a degree of flexibility for policy makers as they make development decisions. Based on the preliminary feedback provided by the Town’s HCD reviewer on November 7, 2023, staff and the consultant will continue to review this section of the Draft Revised Housing Element.

D. Constraints Analysis

In addition to analyzing the existing and projected housing needs of the Town, the Housing Element must also identify and analyze potential and actual governmental and nongovernmental constraints to the maintenance, improvement, or development of housing for all income levels in the community, regardless of protected class. Since the January 30, 2023, adoption of the Housing Element, additional information and analysis has

DISCUSSION (continued):

been provided by Veronica Tam and Associates, that can be found in Appendix C of the Draft Revised Housing Element.

E. Goals, Policies, and Implementation Programs

The Housing Element includes a set of goals, policies, and implementation programs intended to promote the preservation, rehabilitation, and production of housing throughout the Town. Goals are long-range, broad, and comprehensive targets that describe future outcomes the Town desires. A policy is a specific instructional guideline that seeks to promote a goal. Together, goals and policies are implemented through a series of programs that identify specific, quantifiable actions the Town will undertake during the 6th cycle planning period. The Town's Draft Goals, Policies, and Implementation Programs are summarized in Section 10.6 of the Draft Revised Housing Element. Since the January 30, 2023, adoption of the Housing Element, the Implementation Programs have been reorganized through combining similar programs and removing programs that are required routinely. Additionally, a new Policy and Implementation Program was added that supports local labor, per the direction of the Housing Element Advisory Board (HEAB).

F. Affirmatively Furthering Fair Housing (AFFH)

Assembly Bill (AB) 686, passed in 2018, created new requirements for jurisdictions to affirmatively further fair housing as part of the Housing Element update process. These requirements, found in Government Code Section 8899.50, are intended to address racial inequalities seen today throughout California which developed through historical policies and practices enacted at Federal, State, regional, and local levels and across the public and private sectors. Though many of these explicit forms of historical discrimination have been outlawed, the results of these systems have left a lasting imprint on both the Bay Area region and the Town. Racially explicit practices (e.g., racial covenants) which excluded persons of color from predominately white neighborhoods have been replaced with race-neutral land use policies that continue to exclude these same groups. Furthermore, rapidly increasing housing costs have deepened racial and economic disparity and segregation, displacing many low-income people and people of color to the peripheries of the region or out of the Bay Area all together.

Accordingly, the Town must incorporate fair housing considerations into its 6th cycle Housing Element to increase housing opportunities in high resource neighborhoods. The following summarizes the components of the required AFFH component of the Town's Housing Element and can be found in Appendix A of the Draft Revised Housing Element:

DISCUSSION (continued):

- Targeted Community Outreach;
- Assessment of Fair Housing;
- Fair Housing Outreach Capacity and Enforcement;
- Segregation and Integration Patterns;
- Racially and/or Ethnically Concentrated Areas of Poverty (R/ECAPS) and Racially Concentrated Areas of Affluence (RCAA);
- Disparities In Access to Opportunity;
- Sites Inventory Relative to Affirmatively Further Fair Housing; and
- Goals, Policies, and Implementation Programs that Affirmatively Further Fair Housing.

Since the January 30, 2023, adoption of the Housing Element, additional maps and analysis, including, but not limited to the distribution of RHNA units by AFFH variables have been added to Appendix A of the Draft Revised Housing Element, as well as an analysis of trends and patterns related to access to transportation on a local and regional level.

G. Evaluation of Past Progress

Pursuant to State Law, the Draft Housing Element summarizes the implementation status of Goals, Policies, and Implementation Programs from the Town's 5th cycle Housing Element. Since the January 30, 2023, adoption of the Housing Element, further refinement was made to Appendix E of the Draft Revised Housing Element.

H. Community Engagement

Beginning in the summer of 2021, the Town has conducted a comprehensive community engagement and outreach strategy, as required by Government Code, to inform the 6th cycle Housing Element update process. Since the January 30, 2023, adoption of the Housing Element, the Town has continued with community engagement strategies, which have included six HEAB public meetings; a joint study session with the Planning Commission and Town Council on statewide housing laws that apply to applications for housing development projects in the Town; and seven informational booths at the farmer's market. The Town has a dedicated Housing Element update website which has provided the public information regarding the Housing Element process timeline and engagement opportunities. Community engagement opportunities have been publicized on the Town's website, through the Town's multiple social media platforms and through targeted email updates to the Town's Notify Me subscriber list for the 2040 General Plan Update and Housing Element update. Announcements have been provided in the local newspaper for all HEAB meetings. Feedback received throughout the ongoing community engagement and outreach process has assisted staff and the consulting team in preparing the Draft Revised Housing Element.

DISCUSSION (continued):

Next Steps

On November 7, 2023, staff and the Housing Element consultant met with the Town's HCD reviewer and received preliminary feedback on the Draft Revised Housing Element submitted to HCD on October 2, 2023. A preliminary review matrix showing HCD's preliminary comments will be provided prior to the November 15, 2023, Planning Commission meeting in an Addendum Report.

In parallel with the discussion of the Draft Revised Housing Element tonight, Town staff and the consultant will continue to work on implementing modifications to the Draft Revised Housing Element based on the preliminary feedback that was provided on November 7, 2023. Staff recommends continuing the item to a date certain of November 29, 2023, at which time the Planning Commission will review, deliberate, and make a recommendation to the Town Council on whether to adopt the Draft Revised Housing Element with additional modifications. The Planning Commission's recommendation on the adoption of the Draft Revised Housing Element is tentatively scheduled for consideration by the Town Council on December 19, 2023.

As required by Assembly Bill 215, the Draft Revised Housing Element must be made available to the public for a seven-day review period prior to resubmittal to HCD. Staff expects to start the seven-day review period on Friday, November 17, 2023, through Monday, November 27, 2023, by 5:00 p.m. The Town expects to receive its comment letter from HCD on the Draft Revised Housing Element by December 1, 2023.

Based on HCD's review, to be completed by December 1, 2023, it is possible that additional revisions may be needed before HCD would certify the Housing Element. This means that additional Planning Commission and Town Council hearings for adoption of a revised Housing Element may need to be conducted.

ENVIRONMENTAL ASSESSMENT:

An Environmental Analysis was prepared for the Housing Element update. All potentially significant effects have been analyzed adequately in the Town of Los Gatos 2040 General Plan Environmental Impact Report (EIR), pursuant to applicable standards including CEQA Guidelines Section 15168(c)2, because the Housing Element update is consistent with the growth projections evaluated in the General Plan EIR.

PUBLIC COMMENTS:

At the time of this report's preparation, the Town has not received any public comment.

CONCLUSION:

A. Recommendation

Staff recommends that the Planning Commission hold the public hearing, ask questions of staff, and receive any verbal public comment, and continue the item to a date certain of November 29, 2023, for a special meeting to continue the public hearing for any additional public comment, deliberation, and a recommendation to the Town Council.

EXHIBITS:

Previously received (available online at: www.losgatosca.gov/HousingElement):

1. Draft Revised 2023-2031 Housing Element
2. Environmental Analysis

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