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Staff Report for a Work Session on the 2023-2031 Housing Element Update and Regional Housing Needs Allocation (RHNA) Process

SUMMARY AND RECOMMENDATIONS

The Housing Element, a mandatory element of a city’s General Plan, provides goals, policies, and actions that help cities plan for the existing and projected housing needs for all income levels of the community. The Housing Element Update addresses a range of housing issues such as affordability, diversity of housing types, allowable density and project locations, housing for those with special needs, and fair housing for disadvantaged communities of concern. In addition, it establishes goals, policies, and programs that will guide the City of San Leandro’s decision-making around the development of housing to address existing and projected needs with a mix of housing opportunities that will serve a range of income levels.

State legislation requires that local agencies update their Housing Elements every eight years. The next Housing Element Update for the period covering 2023-2031, known as the 6th Cycle, must be adopted by the City Council by January 31, 2023. The State also establishes a series of very specific requirements as to the scope, content, and process by which a housing element is updated and adopted, including review and approval (known as certification) by the State Department of Housing and Community Development (HCD).

The City hired a consultant team led by Rincon Consultants to provide necessary technical expertise and to assist with public outreach efforts to ensure that the City delivers a State-compliant Housing Element reflective of San Leandro’s values and diversity. This report also provides an update on the status of the 6th Cycle Housing Element process that is currently underway, including the most recent estimated Regional Housing Needs Allocation for San Leandro and remaining steps in the process.

BACKGROUND

State Requirements

Having a Housing Element that is approved by the City Council and certified by HCD allows the City to be competitive for state-funded grants and loans that support local housing programs. Lack of a state-certified Housing Element could subject the City to penalties as a result of legal challenge, including reduction or loss of local control over land use decisions and building-related matters, fines, and access to state grants related to affordable housing, land use/planning, and transportation. The Housing Element is a key part of the City's General Plan. An effective housing element addresses preserving and producing an adequate supply of housing affordable at a variety of income levels. The Housing Element Update process provides a vehicle for establishing and updating housing and land use strategies to reflect changing needs, resources, and conditions in the community.

As part of the required update, HCD requires each jurisdiction in the State to demonstrate capacity to meet and accommodate their local "fair share" of the assigned Regional Housing Need Determination (RHND), including total housing units across a series of affordability categories. This local distribution is known as the Regional Housing Needs Allocation (RHNA) and is determined and assigned through a process led by HCD and regional Councils of Governments (i.e. for the Bay Area, ABAG/MTC). The Housing Element must ultimately demonstrate that there is an adequate number of sites to accommodate the RHNA allocated to the City. Cities are required to plan for (i.e., zone) sufficient land for housing to be constructed in the future.

Status of 6th Cycle RHNA Process

The Housing Methodology Committee (HMC), a 35-member group of representatives of local agencies, stakeholders and interest groups from across the Bay Area met from early 2019 through September 2020 to recommend a RHNA methodology to the ABAG/MTC Executive Board. The adopted methodology is used to allocate the approximately 441,000 units RHND (the projected housing needs for the nine-county Bay Area) to each of the cities and counties in the region. The ABAG Executive Board considered the proposed RHNA methodology and accepted public comments at a series of meetings held in October and November 2020. The Board adopted the methodology on January 14, 2021, and the final methodology report was submitted for review by HCD on February 11, 2021. In that same timeframe, ABAG/ MTC also released the final draft of Plan Bay Area 2050, upon which the proposed RHNA methodology is in large part based.

Table 1, Table 1, shows the 5th Cycle (2015-2023) RHNA and the number of units that received building permits under each income category through the latest reporting period ending December 31, 2020. The last two columns include major development projects entitled during the 5th Cycle that have not yet progressed to issuance of building permits (i.e., pipeline projects). Taking into account the pipeline projects, the City has entitled and/or permitted 128% of the above moderate RHNA while nearly doubling the low-income RHNA. Only 5% of the moderate income RHNA and 40% of the very low income RHNA have been permitted or entitled. Although it is difficult to predict which of the entitled projects will move forward to building permits and construction, staff and the consultant team will evaluate the number of permitted units as well as the pipeline projects as we plan for the 6th Cycle RHNA allocation.

Table 1 - Progress Towards 5th Cycle RHNA

2021 Income Levels 100% AMI = \$ 125,600 (4 person household)	2015-2023 RHNA	Permits Issued 2015-2020	% Progress Permits Issued	Permits + Pipeline 2015 - present	% Progress Permits + Pipeline
Very Low Income (<50% AMI)	504	132	26%	202	40%
Low Income (50-80% AMI)	270	126	47%	536	199%
Moderate Income (80-120% AMI)	352	0	0%	18	5%
Above Moderate (>120% AMI)	1161	83	7%	1490	128%
Total	2287	341	15%	2246	98%

Table 2, below, summarizes the estimated RHNA, in comparison to the 5th Cycle allocation. The draft RHNA methodology submitted by ABAG/MTC to HCD, projects a total RHNA of 3,855 units for the City of San Leandro, a 69% increase from the 5th Cycle Allocation. Table 2 shows the comparison of San Leandro’s increased RHNA to Alameda County as a whole as well as to the Bay Area region. Given the substantial 135% increase in the RHND between the 5th and 6th Cycles, San Leandro’s 69% increase is considered moderate. The RHNA methodology directed substantial growth to 'High Opportunity' areas whose characteristics have been shown by research to support positive economic, educational, and health outcomes for low-income families and their children. This resulted in higher RHNA numbers for parts of the San Francisco Bay Area’s Peninsula communities and more affluent communities in general. San Leandro’s key strategic location and transit connectivity accounted for a large portion of our estimated RHNA increase.

Table 2 - Estimated RHNA and Comparison to 5th Cycle

	2015-2023	2023-2031	% Increase
Very Low	504	862	71%
Low	270	495	83%
Moderate	352	696	98%
Above Moderate	1161	1802	55%
Total	2287	3855	69%

Table 3 - Estimated RHNA and Comparison to County and Region

	2015-2023	2023-2031	% Change
Region	187,990	441,176	135%
Alameda County	44,036	88,997	102%
San Leandro	2,287	3,855	69%

Remaining steps in the RHNA process include an appeals period and process that is anticipated to

run through the fall of 2021. The final RHNA will be determined in late 2021. A very low proportion of appeals have been granted in the past. In addition to the official appeals process, a number of outside groups initiated efforts to challenge the State of California over the RHNA process and regional allocations. These groups include those who believe there is evidence that the State has overestimated statewide and regional housing needs due to flawed methodology and assumptions, and housing advocacy groups who conversely argue that the current RHNA cycle underestimates the State's housing needs. Staff will continue to monitor these efforts and their outcomes.

Despite the possibility that RHNA numbers may be adjusted based on appeals or other challenges, or as a result of HCD's review, staff recommends using the most recently published estimate as a "working" number during the initial phases of the Housing Element update, since delaying start of work until the allocations are final would allow insufficient time to complete the update. The final RHNA allocation will be issued in late 2021, providing sufficient time for the City to make any needed adjustments to the sites inventory or other components of the document.

State Legislation

Recent State legislation resulted in changes and new requirements for Housing Element Updates that occur in the 6th cycle:

1. Higher Allocations. State law requires that HCD update its regional housing methodology to account for unmet existing housing needs. This includes an analysis of overcrowding and cost burden, in addition to projected housing needs, which raised the total regional allocation for new units.
2. Affirmatively Furthering Fair Housing (AFFH). Using HCD's guidance and approach, Housing Elements must now affirmatively further fair housing by examining the identified policies, programs, rules, and practices to ensure that they will promote inclusive communities and prevent poverty concentration and segregation.
3. Site Limitations for Lower Income RHNA. New legislation (AB 1397) sets forth additional criteria for selecting sites that can accommodate the lower income RHNA category, defined as less than 80% Area Median Income (AMI). Identification of opportunity sites, which is a component of the Housing Element Update, will require consideration of the following:
 - a. *Reusing sites from prior Housing Element cycles*. Projects with 20 percent of on-site units set aside for lower income households are subject to by-right approval without discretionary review unless rezoned for a higher density prior to the January 31, 2023 statutory deadline.
 - b. *Rezoning*. Sites to be rezoned or upzoned after January 31, 2023 to accommodate the lower income RHNA are subject to by-right approval without discretionary review if projects include 20 percent lower income units. The rezone must also include a minimum density of 20 du/ac and a maximum density of at least 30 du/ac and be large enough to accommodate at least 16 units on site.
 - c. *Mixed Use*. If more than 50% of the lower income RHNA is to be satisfied on mixed use or nonresidential zoning, then the sites must permit standalone residential and do not require more than 50% of the FAR for nonresidential uses.
 - d. *Small or Large Sites*. Additional analysis is required for sites smaller than 0.5 acres and larger than 10 acres for the lower income RHNA category. In the 5th cycle RHNA, over 55% of the opportunity sites identified were less than 0.5 acres. To utilize small sites

for lower income RHNA, the City must be able to demonstrate past trends, potential for lot consolidation, and programmatic response to facilitate lot consolidation.

- e. *More than 50 Percent Non-vacant Sites.* If more than 50% of the lower income RHNA is to be accommodated on non-vacant sites, the sites are subject to a higher standard of feasibility analysis.
4. Site Limitation for Moderate and Above Moderate Income RHNA Categories. New legislation (AB 725, effective January 1, 2022) requires that 25% of the moderate income RHNA (80-120% AMI) and 25% of the above moderate income RHNA (>120% AMI) be provided on sites that can accommodate at least four units, including accessory dwelling units (ADUs).
5. No Net Loss. (AB 166) As development occurs, the City must continually monitor its residential sites' capacities in accommodating its remaining RHNA throughout the entire eight-year planning period. If development on a specific site results in fewer units (total number and by income category) than assumed in the Housing Element, the City must demonstrate remaining capacity is available for the remaining RHNA. For this reason, HCD recommends utilizing a buffer for the lower and moderate sites inventory that exceeds the RHNA. The project team will analyze past trends of opportunity sites to determine an appropriate buffer.

Housing Element Update

Housing Element Components

The key deliverables for the Housing Element Update project include administrative, public, and final HCD-certified drafts of the Housing Element Update, associated environmental review as required by the California Environmental Quality Act (CEQA), and a summary of outreach and engagement.

The content of the Housing Element and the methodologies used for analyzing constraints and sites inventory are dictated by State law. The Housing Element must include the following:

1. Housing Needs Assessment. Examine demographic, employment, and housing trends and conditions and identify existing and projected housing needs of the community, with attention paid to special housing needs (e.g., workforce housing, persons with disabilities).
2. Evaluation of Past Performance. Review the prior Housing Element to measure progress in implementing policies and programs. The City's Housing Element Annual Progress Reports (APRs) to HCD will form the basis of this evaluation.
3. Housing Sites Inventory. Identify available sites for housing development to ensure there is enough land zoned to meet the future needs at all income levels, with consideration of affirmatively furthering fair housing.
4. Community Engagement. Conduct and summarize a robust community engagement program, reaching out to all economic segments of the community, especially underrepresented groups.
5. Constraints Analysis. Analyze and recommend remedies for existing and potential governmental and nongovernmental barriers to housing development.
6. Policies and Programs. Establish policies and programs to be carried out during the 2023-2031 planning period to fulfill the identified housing needs.

Consultant Team

On July 19, the City Council approved a consulting services agreement (CSA) for assistance with the Housing Element update. Although the Community Development Department staff will be involved with all aspects of the update, because of extensive changes to state law and the strict deadlines imposed by these laws, consultant assistance is needed to ensure timely completion of the Housing Element Update.

Rincon's team has previously completed four 5th Cycle Housing Element updates and is currently working to prepare 6th Cycle Updates for the Cities of Carlsbad, Vista, Corona, Banning, Los Angeles, Calabasas, Walnut, Port Hueneme, Simi Valley, Camarillo, Oxnard, and Palo Alto. Since the update process for Southern California and Sacramento area cities is already underway, Rincon is able to bring to San Leandro's Housing Element update its experience preparing Housing Elements under the most recent changes to state law.

Rincon has ample experience working with the City of San Leandro and has provided to the City contract planning services and environmental document preparation services for the past 5 years, including the Bay Fair TOD Specific Plan EIR.

The team includes a comprehensive range of technical staff and subconsultants, including Miller Planning Associates, who are currently leading the Multi-Family Objective Development Standards project; Kittelson and Associates, who has extensive experience working on traffic analysis in San Leandro; and Veronica Tam and Associates, who has previously completed 60 5th Cycle housing elements and is currently working to prepare 6th Cycle updates for 25 cities.

Scope of Work

Rincon's proposed project scope addresses each phase of the preparation and adoption of the Housing Element. It reflects a dynamic process, with broad public engagement throughout, to ensure a robust community-wide conversation about housing policy, future housing sites, and strategies and actions to meet the City's assigned RHNA. A community outreach and engagement plan will be developed early on in the project to detail the strategies that will ensure broad-based, diverse, and substantive engagement.

A substantial component of the update will be the creation of an updated housing sites inventory. The process will include evaluation of new state legislation in considering potential site inventory selection criteria, including strategies to comply with "no net loss" provisions of state law when reviewing projects in the future.

The current Housing Element provides a significant base of information with respect to housing needs, as well as a series of policies and programs to address those needs. The update will provide an opportunity to examine existing policies and programs and to update them to ensure that new housing development meets community housing needs, particularly for affordable (below market rate) housing units.

In addition to the Housing Element Update, the scope of work also includes associated revisions to the City's Land Use Element as well as state-mandated updates to the Safety Element and the creation of a new Environmental Justice Element mandated by Senate Bill 1000. The Environmental Justice Element is required to identify objectives and policies to reduce health risks in disadvantaged communities, promote civic engagement in the public decision-making process, and prioritize improvements and programs that address the needs of disadvantaged communities.

Community Outreach

Outreach and engagement are an integral part of this project from initiation to adoption. The consultant team (Rincon Consultants in conjunction with En2Action) will work with staff to provide expansive and inclusive methods of outreach that are tailored to community members and stakeholders that will guide the development of the City's housing framework. The project website at www.SLHousingElement.com <<http://www.SLHousingElement.com>> allows for interested parties to sign up for updates and learn more about the Housing Element Update.

Outreach strategies will likely include stakeholder interviews, communitywide survey(s), small format meetings, and public workshops. The interviews, meetings, and workshops will adhere to State and local public health guidance in effect at the time of the event.

The team will also rely on use of the project website, email lists, social media, and flyers and mailings for communication. Other distribution channels include: Community Based Organizations (CBOs), Homeowner Associations (HOAs), Schools, Community/Senior Centers, and Community hubs such as grocery stores and farmers markets.

Project Budget

The CSA with Rincon Consultants sets a not to exceed amount of \$500,000. Funding for the project includes: \$300,000 from an approved Local Early Action Planning (LEAP) Grant; \$47,400 from a pending (non-competitive) Regional Early Action Planning (REAP) Grant; and the remaining \$152,600 is proposed to be funded from the Community Planning fund.

Environmental Review

Rincon will also assist in the preparation of all appropriate environmental documents for compliance with the California Environmental Quality Act (CEQA), including an Environmental Impact Report (EIR) for the Housing Element Update and any required re-zonings. The EIR will analyze the effects of prospective zoning changes, so that they can be fully understood and used to inform the Housing Element process.

The environmental review includes identifying any potential significant environmental impacts associated with the Housing Element Update, identifying and considering alternatives to the proposed Zoning Ordinance or General Plan amendments, and identifying mitigation measures to avoid or reduce potential environmental impacts. The CEQA process also provides the general public and any interested parties with an opportunity to review and comment on the draft Environmental Impact Report (EIR).

Schedule

Staff identified a target of 18 months for completion of the Housing Element Update project, including public hearings on the draft documents in the summer of 2022 and adoption and certification of the Housing Element and EIR by January 31, 2023.

PREPARED BY: Avalon Schultz, AICP, Principal Planner, Community Development