

*****PLEASE NOTE TIME CHANGE*****

SPECIAL JOINT MEETING
Atascadero City Council
Atascadero Planning Commission

Tuesday, January 28, 2020
6:00 P.M.

*Or as soon thereafter as can be heard by the
City Council and Planning Commission*

Atascadero City Hall Council Chambers, 4th Floor
6500 Palma Avenue, Atascadero, California
(Enter from Lewis Avenue)

AGENDA

ROLL CALL:

DISCUSSION:

1. 6th Cycle Housing Element Update (CPP19-0067)

- Fiscal Impact: None.
- Recommendation: City Council and Planning Commission provide feedback to staff and the Housing Element Consultant based on the proposed work plan and community input. [Community Development]

ADJOURNMENT:

The City Council will adjourn to its Regular Session on January 28, 2020; and the Planning Commission will adjourn to its next Regular Session on February 4, 2020.

STATE OF CALIFORNIA)
COUNTY OF SAN LUIS OBISPO)
CITY OF ATASCADERO)

I, Amanda Muther, Deputy City Clerk of the City of Atascadero, declare under penalty of perjury that the foregoing amended agenda for the Special Joint Meeting of the City Council and Atascadero Planning Commission was posted on January 22, 2020, at the Atascadero City Hall, 6500 Palma Avenue, Atascadero, CA 93422 and was available for public review at that location.

Signed this 22nd day of January 2020, at Atascadero, California.

Amanda Muther, Deputy City Clerk
City of Atascadero



Joint Meeting – Housing Element

Staff Report – Community Development Department

6th Cycle Housing Element Update (CPP19-0067)

RECOMMENDATION:

City Council and Planning Commission provide feedback to staff and the Housing Element Consultant based on the proposed work plan and community input.

DISCUSSION:

Background

The State requires that Housing Elements be updated and certified regularly to reflect the most recent trends in demographics and employment that may affect existing and future housing demand and supply. Atascadero previously updated the General Plan Housing Element in 2014, and a new Housing Element must now be completed, reviewed by the State Department of Housing and Community Development (HCD), and adopted prior to December 2020. If certified by the deadline, the Housing Element will be valid for eight years (through 2028). If the City does not meet the December 2020 deadline, the housing element would only be valid for four years from the adoption date and would need to be recertified in 2024. Additionally, if the Housing element is not updated by the deadline, the City could face litigation, would be ineligible for certain funding sources and grants, and would receive penalties in subsequent Housing Element Cycles.

State Housing Element law requires that each City and County identify and analyze existing and projected housing needs within their jurisdictions, and prepare goals, policies, programs and quantified objectives to further the development, improvement, and preservation of housing. The San Luis Obispo Council of Governments (SLOCOG) provides each City in our County with a specific allocation of additional housing units that must be accommodated in each jurisdiction's land use plan. SLOCOG has completed the Regional Housing Needs Allocation (RHNA) and 843 total units have been allocated to the City of Atascadero for this RHNA cycle (2019-2028).

At the November 12, 2019 Council meeting the City Council authorized a contract with MIG to work with City staff and the Community to draft the City's Housing Element. MIG has outlined a public outreach and hearing process that will help the City achieve the 2020 deadline to complete this project. Tonight's Special Meeting is the first step in the update process, allowing the Council, Commission, and members of the public a chance to learn about the housing element update process and to provide input on community

housing needs, opportunities, and constraints. Professionals from the building and housing industries were given an opportunity to speak with staff at a public workshop held at City Hall prior to tonight's meeting.

Analysis

Housing Element Role

The Housing Element is a comprehensive statement by the community of its current and future housing needs and proposed actions to facilitate the provision of additional housing to meet those needs at all income levels. The policies contained in the Housing Element are an expression of the Statewide housing goal of meeting the housing needs in our region, as well as a reflection of the unique concerns of the community. Housing Elements are required to:

1. Assess and address constraints to housing development
2. Provide an assessment of population housing needs
3. Analyze progress toward implementing the previous housing element
4. Guide housing development policy
5. Identify opportunities to meet the City's housing needs and identified RHNA allotment
 - a. Identify resources
 - b. Complete an inventory of existing and new sites for housing development

Housing Element law does not require the City to build all units identified as part of the RHNA, but rather implement a plan to accommodate for these units throughout the City. The Housing Element is not the only tool solve all housing problems but aims to identify constraints and barriers and provide realistic solutions where able.

Regional Housing Needs Allocation (RHNA)

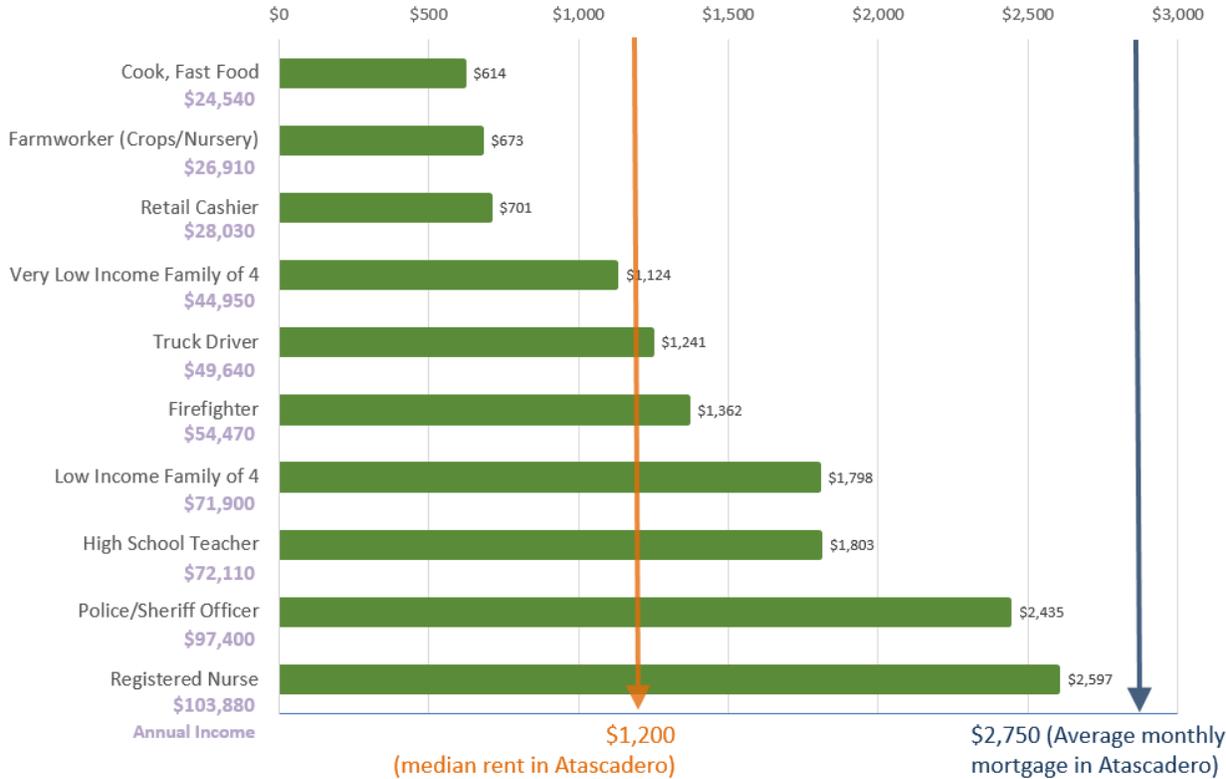
The Regional Housing Needs Allocation (RHNA) is determined by the State Department of Housing and Community Development (HCD) based on population growth and needs assessments on a County-wide basis. In our County, the San Luis Obispo Council of Governments (SLOCOG) is responsible for distributing that allocation to all cities and the unincorporated areas of the County. This distribution was completed by SLOCOG with input from each City and the County to ensure a fair distribution based on infrastructure constraints, land constraints, and jobs-housing balance.

The RHNA also specifies affordability level of units, requiring the Housing Element to provide policies that allow for the achievement of housing for multiple income levels. In addition to market rate levels, the housing needs allocation distributes units over four identified affordability levels: very-low, low, moderate, and above moderate (market rate). Income thresholds for these income groups are based on the Area Median Income (AMI) for San Luis Obispo County (currently at \$87,500/yr), and are as follows:

Income Level	1-Person	2-Person	3-Person	4-Person	5 Person
Extremely Low (0-30% AMI) **	\$18,900	\$21,600	\$24,300	\$26,950	\$30,170
Very Low (31-50% AMI)	\$31,500	\$36,000	\$40,500	\$44,950	\$48,550
Low (51-80% AMI)	\$50,350	\$57,550	\$64,750	\$71,900	\$77,700
Moderate (81-120% AMI)	\$73,500	\$84,000	\$94,500	\$105,00	\$113,400

** It is important to note that the State includes a definition for extremely-low-income levels but does not include a RHNA target for this income level (it is assumed within the very low-income category).

Affordability is defined by the State as a household paying no more than 30% of its annual income on housing. It is considered a cost burden when monthly housing costs (including utilities) exceed this threshold. In Atascadero, 34% of all households experience housing cost burden. The following chart shows the 30% threshold for each of the jobs listed based on monthly income estimates.



The RHNA for the SLOCOG region is 10,810 units. Of those, 843 total units must be planned for in Atascadero, with the distributions among income groups as follows:

Income Group	% of SLOCOG AMI	Atascadero 2021 – 2028 RHNA	% Of Units
Very Low	31-50%	207	24.6%
Low	51-80%	131	15.5%
Moderate	81-120%	151	17.9%
Above Moderate	120% +	354	42.0%
<i>Total</i>		<i>843</i>	<i>100%</i>

In meeting these RHNA numbers, the City can count all projects that have received approval since December 31, 2018. Once those units have been subtracted from the total, accommodation of the remaining units must be incorporated in the Housing Element. This can be achieved by 1) identifying vacant sites that exist as housing sites or could be rezoned to accommodate housing, and 2) identifying underutilized sites and providing incentives to facilitate development of housing units that meet the RHNA allocation. In general, the State associates higher density with affordable housing potential. Recent laws encourage local policies to ensure that those units become part of any future project.

The City has approved a number of large development projects (listed below) that are likely to be constructed within the next RHNA cycle and will count toward the City’s State housing goals.

- Emerald Ridge: 208 market rate rental units
- Hartberg PD: 3 very low, 6 low, 6 moderate, 45 market rate
- People’s Self Help: 5 extremely low, 26 very low, 10 low
- Principal Mixed-Use: 3 low income, 3 moderate, 46 market rate units
- Grand Oaks micro homes: 27 Moderate by design, 3 deed restricted moderate

	Ext/Very Low	Low	Mod	Mkt Rate	TOTAL
Emerald Ridge				208	208
Hartberg PD	3	6	6	45	60
People's self-help	31	10			41
Principal		3	3	46	52
Grand Oaks			30		30
RHNA	207	131	151	354	
Remaining Balance	173	112	112	55	452 remaining balance

391 units

Note: The affordability level of the affordable by design units at Grand Oaks to be confirmed as part of the Housing Element update.

If these projects move forward, the City will have met 46% of our RHNA goals utilizing existing properties. The City must then focus efforts on providing opportunities for the construction of 452 additional residential units, a majority of which fall into the affordable range. In order to meet this allocation, the City must identify sites to meet the remaining balance. The City will need to plan for the construction of these units and ensure that adequate land is available to future projects. It is estimated that the City will meet the remaining above market rate allotment without rezoning. For the affordable units the City will need to identify targeted land and/or impose project requirements. It is important to note that new State law includes no net loss provisions for land identified to meet affordable housing goals. If land is identified in the Housing Element for a designated number of affordable units and either commercial development or market-rate housing development occurs on those sites, the City is required to identify new land to accommodate those affordable units and rezone within 180 days.

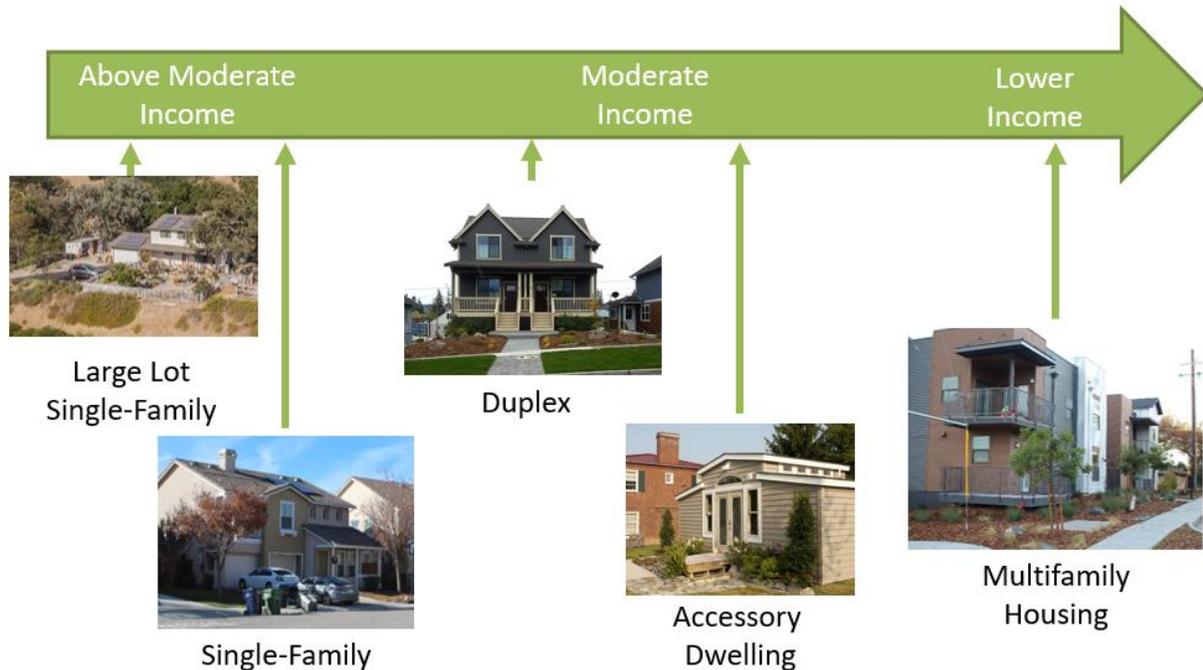
When reviewing land identified for housing, HCD looks at the following factors and conditions:

- Existing use on the site – the State prefers the identification of vacant land
- Realistic potential for re-use/re-development of underutilized sites
- Size and shape of ownership patterns
- Development density

The City will have to take these factors into account when identifying opportunity sites in the Housing Element update. In particular, the State associates higher density with housing affordability. In general, higher density developments provide smaller units and greater opportunities to offset restricted affordable units.

Where or how can we accommodate our RHNA in Atascadero?

With the recent surge in multi-family development activity, nearly all of the vacant multi-family zoned land in Atascadero has been allocated for new development. In order to accommodate the RHNA, the City will need to evaluate infill of existing underutilized land, potential for higher density on existing sites, mixed-use above commercial zones, or rezoning of land that has access to services and infrastructure, and is located closer to jobs and transit. Staff will hear community, housing and development professionals, Planning Commission and City Council input prior to determining the best strategy to accommodate our RHNA numbers.



New State Laws

The following summarized new State laws enacted to provide additional guidance and requirements for 6th cycle Housing Element updates. Additionally, there are new bills that reduce fees and development exactions for secondary dwelling units.

1. More Robust Sites Inventory (AB 1397)
 - a. Sites with existing uses must be individually analyzed for development potential.
 - b. If non-vacant sites are used to accommodate 50% or more of need for lower income households, jurisdiction must overcome presumption that existing use is an impediment to development.
 - c. Sites re-used from previous inventories must be rezoned by-right for projects with at least 20% of units affordable to count toward lower income need.
2. Additional constraints to housing development analysis required (AB 879)
3. No Net Loss: Additional affordable sites required if an identified site is developed with market-rate housing or commercial (SB 166)
 - a. If jurisdiction allows development of fewer units by income category than identified in housing element, must find that either:
 - i. Sufficient excess capacity exists; or

- ii. Identify and “make available” new sites within 180 days
- b. Cannot approve development at lower density without making such findings
- 4. Housing Crisis Act (SB 330)
 - a. Down-zoning and reductions in density are prohibited through 2024 (SB 330)
 - b. Restricts local rules that limit housing production
 - c. Strengthens the Permit Streamlining Act and the Housing Accountability Act
- 5. Legality of inclusionary zoning restored for rental projects (AB 1505)
- 6. Additional density bonus incentives for low-income housing (AB 1763)
 - a. For housing projects where all units are affordable to low and very low income residents, AB 1763 more than doubles the density bonus to 80%.
- 7. Accessory Dwelling Unit Law Updates
 - a. May prohibit short-term rentals in ADU’s
 - b. Jurisdictions prohibited from charging Development Impact Fees for ADU’s 750 sq ft or less, must be proportional to the primary unit for ADU’s between 751 sq.ft. and 1200 sq. ft.

Vehicle Miles Travelled (VMT)

Since completion of the City’s previous Housing Element in 2014, environmental policies have changed, particularly the consideration of placing housing close to jobs and transit. This factor was taken into consideration when SLOCOG allocated RHNA numbers to each of the Cities and County in our region. However, locally, units need to be placed close to transit and commercial areas to comply with VMT environmental thresholds. Atascadero is currently ranked as the City with the highest number of miles travelled between home and work compared to all other incorporated Cities in our region. This factor can result in substantial traffic on Highway 101 and other regional corridors. Therefore, VMT for new housing projects in our region may be considered a significant environmental impact. The City of Atascadero will need to establish local VMT thresholds in order to guide housing development towards appropriate locations and to help streamline the environmental review process. At the same time, Atascadero will also need to continue to focus on the establishment of a stronger commercial and job sector to continue to help balance the ratio between jobs and housing. Significant strides are being made through the planning of a large business park concept at Del Rio and through strategies suggested through the El Camino Plan. Additional opportunities will be realized through the development of vacant Colony Square lots, the completion of La Plaza, development of the Home Depot parcels, and development of the vacant Dove Creek parcel, along with redevelopment/occupancy of the K-Mart site.

Inclusionary Housing Ordinance

The City has also contracted with MIG to draft an Inclusionary Housing Ordinance. The City currently utilizes an interim policy that was adopted by the City Council in 2003. Since that time, State Density Bonus law and other incentives have changed. An inclusionary ordinance would replace the policy and recognize more recent State updates. With State requirements ensuring that affordable units are constructed on identified sites (No Net Loss), the adoption of an inclusionary ordinance will ensure that affordable units or in-lieu fees are included in every new residential project as we move forward through the new RHNA cycle. This will ensure the City’s meets RHNA goals and is one of the only options that results in the physical construction of affordable units.

Housing Element Timeline

The City is required to obtain a certified Housing Element by the end of 2020. Factoring in the HCD review process, this means that a draft document will be brought before the City Council for public review by May of this year. The draft will then be forwarded to HCD for review and comment and an environmental analysis will commence. Once HCD has approved the draft, the Housing Element will be brought back to the Council for final adoption. The City will receive input from the public throughout the process.

Regional housing and development professionals have been contacted for input and comment. The City must obtain a Housing Element certification by the end of the year to remain in compliance and remain eligible for certain funding and grant opportunities.

Conclusion

The Housing Element update is a State mandated process that aims to provide a regulatory and land-use framework aimed at addressing housing needs and providing opportunities for the construction of housing that meets the needs of current and future residents. California's housing element law acknowledges that, in order for the private market to adequately address the housing needs and demand of Californians, local governments must adopt plans and regulatory systems that provide opportunities for (and do not unduly constrain), housing development.

The Housing Element is constructed to address the goals of the State while being responsive and respectful of local conditions and characteristics. With that in mind, staff is looking for input from the public, Planning Commission, and Council to help identify opportunities, constraints, and barriers for housing production as well as creative solutions to meet the City's housing goals. Additionally, it is important to keep in mind that this is one of seven Elements (Chapters) of our City's General Plan. As such, we need to consider input that will make sure this process not only responds to state law but that the work is crafted to respect local needs.

- What are the major housing issues in Atascadero?
- What are the challenges to overcome?
- Where can new housing be accommodated?
- What are creative solutions to address constraints?
- What can we do to respond to local needs of Atascadero?

ATTACHMENTS:

1. San Luis Obispo County RHNA Allocation distribution
2. Housing Element Update schedule

Jurisdiction	Total Allocation	Very Low 24.6%	Low 15.5%	Moderate 18.0%	Above Moderate 41.9%
Arroyo Grande	692	170	107	124	291
Atascadero	843	207	131	151	354
Grover Beach	369	91	57	66	155
Morro Bay	391	97	60	70	164
Paso Robles	1,446	356	224	259	607
Pismo Beach	459	113	71	82	193
San Luis Obispo	3,354	825	520	603	1,406
Unincorporated	3,256	801	505	585	1,365
Regional Total	10,810	2,660	1,675	1,940	4,535

2019 RHNA: Jan. 1, 2019 - Dec. 31, 2028 (10 years)

Note 1: The table above included minor percentage calculation adjustments (to the top percentage to achieve whole units). Income group totals accurately match HCD's determination.

Note 2: Income limit categories for San Luis Obispo County in 2019 are determined by HCD and found at:

<http://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits.shtml>

ITEM NUMBER: 1
DATE: 01/28/20
ATTACHMENT: 2

Milestone Target	Completion Date
Contract Execution/Start Date	November 2019
Kick Off Meeting and Tour	December 2019
Initial Consultation with HCD	December 2019
Study Session / Public Workshop #1	January 2019
Administrative Draft Housing Element	April 2020
City Review of Administrative Draft Element Complete – Comments to MIG	2 weeks following submittal
Study Session / Public Workshop #2	May/June 2020
HCD Submittal #1	July 2020
City Completes and Circulates CEQA Documentation	July/August 2020
Respond to HCD Comments and Revise Draft Housing Element	August/September 2020
Administrative Draft Affordable Housing Ordinance	August 2020
City Review of Administrative Draft Affordable Housing Ordinance Complete – Comments to MIG	2 weeks following submittal
Draft Affordable Housing Ordinance	September 2020
Planning Commission Public Hearing	October 2020
City Council Public Hearing	November 2020
HCD Submittal (Adopted Housing Element)	Due December 31, 2020 plus 120-day grace period
Final Certified 2019-2028 Housing Element	HCD has 90 days to review an adopted Housing Element