

## CITY COUNCIL AGENDA REPORT

MEETING DATE: February 8, 2022

SUBJECT: Policy Discussion on 2021-2029 (6<sup>th</sup> Cycle) Housing Element

PRESENTER: Susan Koleda, Director of Community Development

PROPOSED ACTION: Consider and provide direction to staff

ENVIRONMENTAL  
IMPACT: None at this time. Adoption of the Housing Element and rezoning to implement the Housing Element must be reviewed pursuant to the California Environmental Quality Act prior to adoption

FISCAL IMPACT: Unknown

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**SUMMARY:** The City of La Cañada Flintridge is currently updating the General Plan Housing Element. The 6th Cycle Housing Element will cover the eight-year planning period from October 2021 – October 2029. Local governments across California are required by State Housing Element law to adequately plan to meet their share of the State's overall housing need. The Department of Housing and Community Development (HCD) is the State department that is responsible for administering Housing Element Law and certifying local jurisdiction's Housing Elements. To adequately plan for their share of the State's housing need, local governments adopt Housing Elements as part of their General Plans. Housing Elements provide goals, policies, and programs to create opportunities for housing development.

A Draft Housing Element was released for public review and comment on September 22, 2021 (Attachment 1). In October 2021, the Draft Housing Element was submitted to the Department of Housing and Community Development (HCD) for review and comment. The City received numerous comments on the draft element from HCD on December 3, 2021.

**DISCUSSION:** Since 1969, California has required that all local governments adequately plan to meet the housing needs of everyone in the community. The Housing Element is a State-mandated policy document within the General Plan that guides the implementation of various programs to meet future housing needs for residents of all income levels. The housing needs are determined through the Regional Housing Needs Assessment (RHNA). The Housing Element identifies available land that is suitable for housing development, as well as goals, policies, and programs to accommodate the City's housing need, provide opportunities for new housing, and preserve the existing housing stock.

Key components of the Housing Element include:

- A demographic profile and analysis of population growth and trends in the community;
- Identification and analysis of existing and projected housing needs for all economic segments of the community;
- Identification of adequate sites that are zoned and available within the 8-year housing cycle to meet the city's fair share of regional housing needs at all income levels, as prescribed by RHNA;
- An evaluation of local constraints or barriers to housing development as well as opportunities to develop housing; and
- Housing goals, policies, quantified objectives and scheduled programs to preserve, improve and develop housing within the City.

During preparation of the draft, two public workshops were held during Planning Commission meetings and input obtained from both the Planning Commission and public. Additionally, staff and the City's consultant met with both non-profit and for-profit developers and representatives of various groups within the community to obtain feedback and comments. All information gathered was included within the draft that was released for public review on September 22, 2021. The draft was then submitted to HCD as required for a 60-day review and comments. Formal comments from HCD were received by staff on December 3, 2021.

Based on comments received from HCD, as well as public comments on the draft Housing Element, staff and the consultant are asking the City Council to review the draft and comments on the draft, and provide direction to staff and the consultant prior to staff proceeding.

#### **1. New Housing-Related State Laws**

Since the preparation of the 2014-2021 5<sup>th</sup> Cycle Housing Element, there have been a number of changes to housing-related state law including, but not limited to, the following:

- a) AB 686, passed in 2017, requires that the outreach activities be informed by Affirmatively Furthering Fair Housing (AFFH) characteristics.
- b) New State laws on addressing the adequate sites requirement (AB 1397 and SB 166) have significant impacts on the sites inventory. AB 1397 places higher standards on the reuse of sites, reliance on nonvacant sites, and extreme sizes of sites (too small and too large). SB 166 requires a no-net loss accounting that necessitates a sites inventory with a comfortable 15-30 percent buffer.
- c) The 6<sup>th</sup> cycle update will address new requirements for:
  - AB 101 – Low Barrier Navigation Centers
  - AB 139 – Parking standards for emergency shelters
  - AB 2162 – Supportive housing meeting specific criteria and located within 0.5 mile from transit

- AB 1762, SB 1227, and AB 2345 – Density bonus
  - SB 35 and objective development standards
  - Compliance with transparency in development regulations
- d) New State laws require that the Housing Plan include specific programs:
- By-right approval of reuse sites if 20 percent is set aside for affordable housing (AB 1397)
  - Replacement housing for development on sites with existing uses (AB 1397)
  - Monitoring of no net loss (SB 166) – If Housing Element sites are developed with lower density and different income distribution than anticipated in the Housing Element, resulting in a shortfall of sites for the remaining RHNA, jurisdictions have to identify replacement sites or to rezone/upzone within six months to replenish the sites inventory. Because of this requirement, HCD recommends including a buffer of 15-30 percent in the sites inventory.
  - Incentives to facilitate ADU development
  - SB 35 and object development standards
  - AFFH meaningful actions to promote housing mobility, access to opportunity, reduce displacement, provide fair housing outreach and enforcement, and implement place-based neighborhood improvements. (AB 686)
- e) AB 215, passed in 2021 (effective January 1, 2022), changes the public review process for the Housing Element:
- The Draft Housing Element must be available for a 30-day review period prior to submitting to HCD for review
  - If comments are received, the City must take at least 10 business days to address the comments prior to submitting to HCD for review
  - HCD review of the Draft Housing Element is extended to 90 days (from the 60-day review under old law)
- f) AB 1398, passed in 2021, changes the requirements of the Housing Element regarding timeline for rezoning. The Housing Element is due within 120-day from the statutory deadline. This 120-day period is commonly known as the “grace period.” Prior to AB 1398, the Housing Element was required to be adopted within the grace period or jurisdictions would be subject to a four-year mid-term update requirement. AB 1398 eliminated the four-year mid-term penalty and instead focuses on making jurisdictions complete the necessary rezoning to accommodate the RHNA as soon as possible. Under AB 1398, a jurisdiction must achieve substantial compliance status within the grace period to have three years to complete the rezoning. If the City is unable to achieve compliance status within the grace period, it will only get one year to complete the necessary rezoning for RHNA. The City falls into this category, therefore, we must complete the rezoning by October 15, 2022.

## 2. Regional Housing Needs Assessment

To comply with State law, each jurisdiction's Housing Element must be updated to ensure its policies and programs can accommodate its share of the housing units assigned to the City through the Regional Housing Needs Assessment (RHNA). For the upcoming 6<sup>th</sup> Cycle Housing Element update, the City's share of the RHNA is 612 units, divided among a range of income or affordability levels (based on Area Median Income, or AMI), as shown in the following table.

<b>6<sup>th</sup> Cycle RHNA for La Cañada Flintridge</b>		
<b>Income Category/Affordability Level*</b>	<b>Number of Units</b>	<b>Percent of Total Units</b>
Very Low Income (0-50% of AMI)	252	41%
Low Income (50-80% of AMI)	135	22%
Moderate Income (80-120% of AMI)	139	23%
Above Moderate Income (More than 120% of AMI)	86	14%
<b>TOTAL UNITS</b>	<b>612</b>	<b>100%</b>

There are other requirements that affect a jurisdiction's strategy for accommodating its RHNA. The "No Net Loss" law requires that sufficient adequate sites must be available at all times throughout the planning period. Because cities often have projects built at lower density than their Zoning Codes allow, HCD recommends that jurisdictions include a buffer in the Sites Inventory of approximately 15-30 percent more capacity than required for lower and moderate income RHNA so that it remains compliant throughout the planning period. Adding a 20 percent buffer to the City's RHNA results in the following units La Cañada Flintridge must demonstrate that it can accommodate:

<b>6<sup>th</sup> Cycle RHNA for La Cañada Flintridge</b>			
<b>Income Category/Affordability Level*</b>	<b>Number of Units</b>	<b>20% Buffer</b>	<b>Total</b>
Very Low & Lower Income (0-80% of AMI)	387	77	464
Moderate Income (80-120% of AMI)	139	28	167
Above Moderate Income (More than 120% of AMI)	86	N/A	86
<b>TOTAL UNITS</b>	<b>612</b>	<b>100%</b>	<b>717</b>

## 3. Sites Inventory

Through the Housing Element update process, the City must show that it has the regulatory and land use policies to accommodate its assigned RHNA. Local governments are not required to build the housing—the actual development of housing is typically done by for-profit and non-profit developers. However, the Housing Element is required to demonstrate potential sites where housing can be accommodated to meet all the income levels of a jurisdiction's RHNA. Identification of a site's capacity does not guarantee that construction will occur on that site. If

there are insufficient sites and capacity to meet the RHNA allocation, the Housing Element is required to identify a rezoning program to accommodate the required capacity. If the City does not identify capacity for its RHNA allocation, the City could be deemed out of compliance and risk losing important sources of funding currently provided by the State as well as facing legal challenges.

*Strategies for Accommodating RHNA:*

To ensure the City has adequate sites zoned appropriately to accommodate the total number of units within the RHNA, and the following steps are being taken:

1. Identify any entitled projects
2. Identify “pipeline projects” (in application/review/approval stages)
3. Estimate future permits for Accessory Dwelling Units (based on recent trends over the past three years)
4. Prepare a Sites Inventory – identify available vacant and underutilized properties:
  - A. That already permit residential development
  - B. That need to be redesignated & rezoned to permit residential development
  - C. For lower income housing (very-low and low categories) – must meet certain requirements to be deemed adequate sites:
    - 1) At least 20 du/acre allowed density
    - 2) Between 0.5–10 acres

For a site to be considered adequate for lower income housing, it must meet certain requirements - for La Cañada Flintridge, that requires a “default” density of a minimum of 20 dwelling units per acre and the site must be between 0.5 to 10 acres (note that multiple parcels may be combined into one “site”).

Another requirement that impacts the RHNA is the Fair Housing law, which requires that the sites that are identified as feasible for affordable units are distributed throughout City, rather than concentrated in one area.

A jurisdiction’s strategy to meet its RHNA can take many forms. While some cities have an abundance of vacant land to accommodate their RHNA, others, such as La Cañada Flintridge, are mostly built out and have very few vacant sites. This can be even more challenging if the jurisdictions also have identified constraints to development of housing at the required affordability levels, such as, densities are too low, parking standards are too high, setbacks are too large, building heights are too low, and/or floor area ratios are too low.

One of the strategies a jurisdiction can use to meet a portion of its RHNA is to estimate the potential number of accessory dwelling units (ADUs) that could be built over the 8-year planning period; however, the estimate must be based on recent trends over the past three years. Based on recent trends, the City estimates that approximately 120 ADUs could be built over the 8-year planning period. SCAG provides a method that jurisdictions can use for how those units can be allocated by income category. For La Cañada Flintridge, the distribution of ADUs by income level is as follows:

- 23.5% are considered affordable to very low income households (or 28 units)
- 44.6% to low income households (or 54 units)
- 2.1% to moderate income households (or 2 units)
- 29.8% to above-moderate income households (or 36 units)

The City has prepared a draft Sites Inventory (see Appendix C (Sites Inventory) of the Draft Housing Element (Attachment 1)) to plan for the RHNA noted above, based upon the following strategy:

1. Identify sites from the 5<sup>th</sup> Cycle Housing Element that are still available
2. Identify projects that are “in the pipeline” (proposed or entitled but will not have building permits issued by July 1, 2021)
3. Identify additional sites that are appropriate
4. Propose changes to increase the allowable density for certain properties
5. Include an overlay for religious institutions to construct affordable housing on their properties, in accordance with AB 1851

Due to the fact that La Cañada Flintridge’s RHNA numbers are significantly higher than they were for the 5<sup>th</sup> Cycle Housing Element, the number of remaining sites that were identified in the 5<sup>th</sup> Cycle Housing Element are not adequate to meet the 6<sup>th</sup> Cycle RHNA, nor does the City currently have enough sites that are zoned at the default density for the lower income category (20 dwelling units per acre). As a result, the City’s proposed Sites Inventory strategy includes redesignating and rezoning the Mixed Use 2 (MU-2) portion of the Downtown Village Specific Plan (DVSP) from the current maximum of 15 dwelling units per acre to 20 dwelling units per acre.

#### **4. Constraints To Development of Housing**

State housing law also requires jurisdictions to identify factors that can constrain the development, maintenance and improvement of housing. These include market constraints (price of land, construction costs, and market financing), and governmental constraints (land use controls, development standards, types of housing, housing for persons with disabilities, building codes, off-site improvements, fees and permit processes) and environmental and infrastructure constraints. The following program will address this issue:

*Program 3: Governmental Constraints to Housing Development* (Draft Housing Element, page 99-100). The City must amend certain development standards to mitigate the identified constraints and ensure that the development standards are adequate to allow the achievement of the maximum density permitted to accommodate housing types that are affordable to households in all income categories. Proposed actions include:

- Reducing parking standards, reducing setbacks, reducing open space requirements, and modifying the way building height is measured.
- Deletion of design guidelines for multifamily and mixed use development and adoption of objective design standards.

- Amendment of the requirement for a CUP for multifamily uses in the MU zone to a ministerial permit.
- Permitting multifamily residential development in the MU zone without a commercial component and without discretionary review.
- Development of a policy and implementing procedures to reduce various permit fees for affordable housing and special needs housing.

##### **5. Proposed Amendments to the Zoning Code/Downtown Village Specific Plan**

Pursuant to state law (AB 2348), development capacity must be estimated on a realistic basis, not theoretical basis; it must account for development trends and patterns, as well as development standards such as height limit, parking requirements, open space/landscaping requirements, and lot coverage/setbacks. Therefore, programs to mitigate identified constraints to affordable development, both in the DVSP and in other areas of the City, must be considered. Many of them, such as reducing parking requirements and modifying development standards for R-3 and Mixed Use properties that are not within the DVSP, are under consideration through the current Zoning Code update process.

*Program 4: Downtown Village Specific Plan (DVSP)* (Draft Housing Element, page 100-101) would redesignate and rezone the Mixed Use 2 (MU-2) portion of the Downtown Village Specific Plan (DVSP) from the current maximum of 15 dwelling units per acre to a minimum of 20 dwelling units per acre. Other proposed changes to the DVSP include:

- Deleting the requirement that all properties designated Mixed Use include commercial use in a portion of the development, which would allow them to be developed as 100% residential developments;
- Increasing the height for MU-2 properties to three stories or 35 feet, increase Floor Area Ratio (FAR), reduce setbacks and parking requirements.

*Program 5: Religious Institution Housing Overlay Zone* (Draft Housing Element, page 101-102) would encourage religious institutions to build housing on property owned by religious institutions (also known as congregational land), thus providing sites that otherwise would not be available for affordable housing. This approach also helps congregations further their missions to support lower-income populations while providing enhanced financial stability for religious institutions, many of which have been impacted by declining attendance, which has been exacerbated by the COVID-19 pandemic.

- Builds on the provisions of AB 1851, adopted in 2020, which facilitates housing on religious institution properties by prohibiting a local agency from requiring the replacement of more than 50 percent of religious-use parking spaces that a developer proposes to eliminate as part of that housing development project.
- The Religious Institution Housing Overlay (RI-OZ) would apply to all religious institutions in the City. Require a certain percentage of units to be affordable to lower (below 80% AMI) and moderate income (81-120% AMI) households.
- Would update parking requirements to create flexibility in accommodating church parking needs.

**SUMMARY:**

Changes in housing-related state laws since the adoption of the 5<sup>th</sup> cycle Housing Element in 2014 will require the City to designate additional land for lower-income housing, modify densities within those same areas, allow multifamily uses ministerially and modify development standards to remove constraints on housing development. Such changes will require amendments to the General Plan Land Use Element, Downtown Village Specific Plan and Zoning Code and must be completed by October 15, 2022.

**OPTIONS:**

1. Consider and provide direction to staff.
2. Motion to: Receive and file.

**RECOMMENDATION:**

Option # 1 - Consider and provide direction to staff.

**ATTACHMENT:**

1. Draft Housing Element (September 2021)
2. California Department of Housing and Community Development Comment