



Agenda Item #:	5.A.
Meeting Date:	April 26, 2022
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## REQUEST FOR PLANNING COMMISSION ACTION

**SUBJECT:** Healdsburg 6th Cycle Housing Element Update

**RECOMMENDED ACTION:**

It is recommended that the Planning Commission receive a staff presentation, obtain public input, and provide guidance related to:

- 1) meeting the State-mandated Regional Housing Needs Assessment (RHNA) requirements;
- 2) the framing of major Housing Element themes; and
- 3) the policy options related to these themes to be included in the 6<sup>th</sup> Cycle Housing Element Update.

The primary focus of this meeting will be on the draft policies and programs presented in **Attachment 4**. It is not necessary for the Commission to select or approve any specific policies or programs; rather, the Commission may provide direction if there are policies or programs presented that we should not pursue or, alternatively, whether there are any substantial policy themes or programs missing.

**OVERVIEW:**

The City of Healdsburg is mid-stream in completing its 6<sup>th</sup> Cycle Housing Element Update, which is scheduled for Certification by the State in early 2023. In order to meet this timeline, which involves substantive review by the California Department of Housing and Community Development (HCD), the City must meet a series of interim milestones, including submittal of a Draft Housing Element to HCD in August. The completion of the needed technical efforts, policy and program development, and required public engagement efforts has been made more challenging by the State’s adoption of numerous new statutory requirements during the 5<sup>th</sup> Cycle period (2015 to 2022).

Fortunately, the City of Healdsburg is well-positioned to meet these challenges given the scope and implementation of the 5<sup>th</sup> Cycle Housing Element, the completion and implementation of the *Housing Action Plan*, and its success creating and entitling housing projects that provide price-restricted affordable housing. Even so, challenges remain to be met during the 6<sup>th</sup> Cycle both in meeting Housing Element statutory requirements and furthering the City’s efforts to address the housing needs of the community -- beyond the statutory requirements. Specific topics that may warrant additional consideration include how best to meet the housing needs of the City’s middle-income households and how best to address the effects on the limited supply of housing that is increasingly affordable only to upper-income households due to the attractiveness of Healdsburg as a visitor destination and its proximity to the central Bay Area.

**BACKGROUND:**

The California State Legislature has identified the attainment of a decent home and suitable living environment for every Californian as the State’s major housing goal. The preparation of the Housing Element is required by California State Law (Chapter 10.6 and 10.7 of the Government Code). The Housing Element is one of the seven mandated elements of the General Plan, and the only element that must be updated on a set schedule, consistent with the establishment of the Regional Housing Needs Allocations (RHNA). The City is presently required to update its 2014 Housing Element to cover the planning period between 2023 – 2031.

In the last few years, the Legislature has passed multiple housing bills creating laws that prescribe new requirements for Housing Elements and new by-right requirements for housing projects. Some of these laws further reduce land use control for cities without a certified Housing Element, including their ability to review and process applications for housing projects. This means it is vitally important for the City to adopt a Housing Element that is compliant with the standards set by HCD. **Attachment 1** provides a summary of the housing laws enacted between 2017 and 2021 that affect Housing Element requirements, approvals and procedures for certain projects, penalties associated with noncompliance, and possible new policy options to be explored in the City’s Housing Element update.

**DISCUSSION:**

**Regional Housing Needs Allocation**

State law requires that Housing Elements demonstrate each local agency’s ability to meet its RHNA. Each jurisdiction’s RHNA is set through a process that is meant to identify and address housing needs for the projected State population and household growth, to improve the jobs - housing balance in communities, and to ensure the availability of housing affordable to all income groups. For the 2023-2031 Housing Element Update period, the County of Sonoma has a combined RHNA of 14,562 units. Healdsburg’s assigned share of that RHNA is 476 units, which is three times Healdsburg’s current (5<sup>th</sup> Cycle) RHNA. The table below illustrates how the RHNA is allocated across income levels for Healdsburg and how the 2023-2031 6<sup>th</sup> Cycle RHNA numbers compare to the 2015-2023 numbers.

**Table 1 Healdsburg Regional Housing Need Allocation, 2023-2031 Compared to 2015-2023**

<b>Income Group</b>	<b>Number of Units 2015 - 2023</b>	<b>Number of Units 2023 - 2031</b>	<b>Percent Increase</b>
Extremely Low ( $\leq 30\%$ AMI)	15	83	453%
Very Low ( $> 30\% \leq 50\%$ AMI)	16	107	569%
Low ( $> 50\% \leq 80\%$ AMI)	24	109	354%
Moderate ( $> 80\% \leq 120\%$ AMI)	26	49	88%
Above Moderate ( $> 120\%$ AMI)	76	128	68%
<b>Total</b>	<b>157</b>	<b>476</b>	<b>203%</b>

## **Housing Element Update Requirements**

California's Housing Element law requires that the Housing Element include the following discussion and analysis.

- Provide achievable goals, policies, quantified objectives, and scheduled programs to preserve, improve and develop housing opportunities.
- Identify and analyze household characteristics, including housing costs compared to residents' ability to pay and housing characteristics, including the extent of overcrowding and an estimate of housing stock conditions.
- Identify and analyze governmental and non-governmental constraints on the maintenance, improvement, and development of housing for all income levels. These constraints may include land use and density controls, building codes and their enforcement, site improvements, fees required of developers, local processing and permit procedures, the availability of financing, the price of land, the cost of construction, and community opposition.
- Identify the special housing needs of the community including housing for homeless, senior, and female-headed households, farmworkers, and persons with disabilities.
- Identify sites that are suitable for all types of residential development, including multifamily and manufactured homes, during the eight-year housing cycle to meet the City's fair share of regional housing needs, or Regional Housing Needs Allocation (RHNA) at all income levels.
- Identify opportunities for energy conservation with respect to residential development.

Housing Elements must be reviewed and certified (approved) by HCD in order to satisfy State law.

## **State Expectations and Requirements**

HCD has dramatically increased expectations for Housing Element sites and programs in order to comply with the complex new State laws and to obtain certification. Thoughtful solutions will be needed to address the following State expectations and requirements:

- Regardless of RHNA, all local governments must include zoning for a variety of housing types, including multifamily, transitional, and permanent supportive housing, low barrier homeless navigation centers, SROs (Single Room Occupancy), homeless shelters, mobile homes, and employee and farmworker housing. Even though the City is able to demonstrate meeting its full RHNA with housing projects already in the pipeline and Accessory Dwelling Units (ADUs), the above housing types must still be allowed.
- The City will need to demonstrate appropriate zoning to accommodate its share of the regional housing need for lower income households. Statute provides a default minimum density of 20 units per acre. If the City plans to accommodate their RHNA for low-income households on sites that allow less than 20 units per acre, an analysis is required based on statutory factors including market conditions and the City's experience in developing affordable housing at lower densities.
- HCD will likely require programs to remove zoning barriers and increase housing choices so that housing units are not out of reach to less affluent community members. These actions would be required regardless of how the City accommodates its RHNA. AB 686 requires HCD to also look at how the sites zoned at high enough densities for low-income

housing are integrated throughout the community. As the City is comprised of a mix of low, moderate, and high-resource areas (as defined by the [State's Opportunity Area maps](#)), it will be important to ensure housing sites are not concentrated in low resource areas.

- With the inclusion of enough programs, the consultant team expects that the City will be able to demonstrate adequate sites through a combination of methods without the need to rezone specific sites within the three-year period noted above.

### **Zoning, Density, Affordability Assumptions, and Accessory Dwelling Units (ADUs)**

The City is not required to construct the housing units mandated by RHNA. It is instead required to demonstrate that it has adequate sites zoned at appropriate densities to accommodate the number of RHNA units in each income category, plus a buffer. When a city lacks adequate available land for the development of its RHNA, it must either rezone adequate land at high enough densities to support affordable housing development or use other methods to identify where the units can go. These methods may include increasing allowable densities in certain land use categories; providing zoning overlays to allow housing on certain commercial parcels; allowing additional units within single-family neighborhoods; programs to encourage more, smaller units that are typically more affordable than larger units; or other creative solutions that address the City's identified housing needs.

As part of this site identification, the City must demonstrate that it has tools in place to ensure affordability at the specified income levels. The typical method to demonstrate affordability at lower income levels is to require the future developer of that property to record a long-term affordable housing deed restriction on the units.

As part of its analysis of housing availability, the City may take credit for non-restricted units such as Accessory Dwelling Units (ADUs) or Junior Accessory Dwelling Units (JADUs). At a minimum, the City may assume that the number of ADUs constructed in each year of the upcoming planning period is equal to the average of ADUs permitted over the years 2018-2021 and that the affordability of the ADUs will be distributed across income categories as follows: 15% Extremely Low-Income; 15% Very Low-Income; 30% Low-Income, 30% Moderate- Income; and 10% Above Moderate-Income. These baseline assumptions are commonly referred to as "safe harbor" assumptions.

The City may use a higher number of ADUs and/or different distribution of ADU affordability if it can provide evidence that these higher construction rates and/or lower rents occur in its planning area. In Healdsburg, there were a total of 53 ADUs in 2018, 2019, 2020, and 2021, resulting in an average of 13 per year. During the 8-year Housing Element cycle, the City may reasonably expect the development of 106 ADUs. Using the safe harbor assumptions described above, the 106 ADUs will be allocated as follows: 16 Extremely Low, 16 Very Low, 32 Low, 32 Moderate, and 11 Above Moderate.

### **Local Housing Issues and Housing Needs**

One of the many requirements for the Housing Element is the collection of data to help determine housing needs. This includes such things as how many residents are overpaying for their housing, overcrowded units, the costs of developing housing, and demographic information and trends. The bulk of the required housing and demographic data has been provided by the Association of Bay Area Governments (ABAG) and is contained in **Attachment 2**. The assessment and analysis of this data is expected to generate programs that help to address Healdsburg's specific housing needs.

## Summary of Community Outreach

To ensure that Healdsburg's Housing Element is more than just a set of policies and a list of projects for review and approval by HCD, staff and consultants are collecting local data in real time. Efforts to collect community data are described and summarized below.

- The Kick-off of the 2023 Housing Element Update was held as a public workshop at the January 3, 2022 City Council meeting. The presentation covered the Housing Element update process, new laws, opportunities for engagement, local demographics, and provided the opportunity for members of the public to speak.
- Housing Element Update Website created ([www.healdsburg.gov/1033/Housing-Element-Update](http://www.healdsburg.gov/1033/Housing-Element-Update)): This website was created in January 2022 and provides introductory information to the Housing Element update process, a dedicated email address, links to information on past and upcoming community meetings, a project timeline summarizing the regulatory requirements, and community opinion surveys in Spanish and English.
- A Housing Element Working Group (HEWG) consisting of nine members was convened at the January 3<sup>rd</sup> City Council meeting to work through and provide guidance on Policies and Programs. The group met on January 19<sup>th</sup>, January 31<sup>st</sup>, February 28<sup>th</sup>, March 14<sup>th</sup>, and April 11<sup>th</sup>. HEWG meetings are noticed and open to the public.
- Community Opinion Surveys: Surveys were conducted in English and Spanish and could be completed on smartphones, computers, or other internet-accessing devices, and through 'intercepts' at public events (Farmers Market, etc.) where paper surveys could be filled out. The surveys were promoted through the City's website, utility newsletter, email distribution lists, and door-to-door distribution of 'door hangers' that were placed in targeted locations where a higher proportion of underrepresented individuals reside (e.g., low-income households, people of color, seniors). Preliminary results are discussed in more detail below.
- Virtual targeted stakeholder workshops are scheduled in the coming weeks with community-based organizations, affordable housing property managers, and housing developers. Additional stakeholder interviews and surveys are planned for May.

## Summary of Community Survey #1

At this point, the first of two Community Surveys has been completed. The bilingual (English/Spanish) Housing Needs & Opportunities Survey was promoted with a flyer sent as a utility bill insert to every household in the City of Healdsburg, supplemented by doorhangers in neighborhoods with higher proportions of renters and Latino residents. The response is on par with and slightly above prior surveys of community interest in Healdsburg at just under 500 respondents by the time of this staff report, with 87% of responses in English and 13% in Spanish.

The biggest housing needs facing Healdsburg today identified by a supermajority of respondents are housing choices in the lower price range (75%), housing for people who work here (73%), lower-cost rental housing (67%), and homes that are affordable to first-time homebuyers (66%). Healdsburg's housing needs in the coming 10 years were identified as housing priced so younger Healdsburg residents can afford to live here (79%), and that businesses will need housing affordable to their workers (67%). Of all respondents, 72% expressed support for missing middle housing such townhomes and low-rise multiplexes, and 55% supported accessory dwelling units. These predominated other options including senior housing, cohousing, and mid-rise multifamily housing in the downtown core (**Attachment 3**).

A follow up survey intended to inform the Draft Housing Strategy is the next step in the community outreach process and will expand on the first round of community feedback, with results presented along with the Draft Housing Strategy to the City Council. Stakeholder outreach includes interviews of housing developers and community organizations. Continued updates on the stages of the Housing Element Update process and opportunities to provide feedback are found at [bit.ly/HealdsburgHousing](http://bit.ly/HealdsburgHousing).

### **Affirmatively Furthering Fair Housing**

A key theme of changes to the State's Housing Element statutes as well as HCD's oversight and certification of Housing Element Updates, is the need for cities and counties to actively pursue and achieve adequate and fair housing in their respective jurisdictions.

Affirmatively Furthering Fair Housing (AFFH) is a program intended to identify, reverse, and prevent housing segregation and discrimination. Originally established as a federal program within the Department of Housing & Urban Development (HUD) by the Fair Housing Act of 1968, the law was activated as a HUD rule in 2015 for jurisdictions receiving federal housing funding, and reversed in 2020. Upon federal reversal, the State of California passed Assembly Bill 686 (2018) to codify AFFH in California Housing Element Law. This Housing Element Cycle is the first to implement AB 686, and implementation is a new process for both the jurisdictions conducting AFFH analysis and state regulators approving local plans.

The AFFH section will draw from several data sources. The Lawyers' Committee for Civil Rights Under Law has conducted a regional fair housing analysis and individual jurisdictional analysis for the sixteen jurisdictions of Sonoma and Napa Counties, supported by regional planning funding from Association of Bay Area Governments (ABAG/MTC). Regional data from the ABAG Housing Data Workbook, originally presented in the Housing Element Kick-Off workshop to City Council in January, has been pre-approved as a central data source for both the AFFH section and identification of housing needs and constraints. ABAG has also prepared a Regional Segregation Report with jurisdiction-specific findings, and California Department of Housing & Community Development (HCD)'s AFFH Data Viewer provides mapping resources illustrating various AFFH requirements (<https://affh-data-resources-cahcd.hub.arcgis.com/>).

One key aspect of AFFH requirements is to ensure an equitable distribution of sites in the Housing Element Sites Inventory. Since Healdsburg is an affluent community with confluence of both High Resource and Low Resource communities as identified by HCD, the regional fair housing assessment will be supplemented by the local knowledge needed to shape a local plan for equitable distribution of sites, along with programs to ensure that sites in low-resource neighborhoods are supported by community amenities, and further programs to actively advance fair housing considerations in Healdsburg.

A suite of programs developed in the coming months will likely be amended by HCD in their review of the City of Healdsburg's Housing Element Update. Jurisdictions that have previously completed their 6<sup>th</sup> Cycle Housing Element Update have encountered the highest level of scrutiny and revision to the AFFH section. The City of Healdsburg can reasonably expect that even a robust submission to HCD is likely to encounter programmatic additions to the Housing Element that help ensure the City of Healdsburg is embedding the lens of fair housing and equity – racial, social, and economic – throughout the plan. At this stage, staff efforts will be best supported by local knowledge from the Planning Commission identifying areas of focus and guiding how to best enhance the City's practice of fair housing.

## Summary of Sites Assessment

A major component of the Housing Element is the identification of sites for future housing development and evaluation of the adequacy of these sites for fulfilling the City's RHNA. These sites can include vacant sites zoned for residential use, vacant sites that allow residential development, and underutilized sites that are capable of being redeveloped to increase the number of residential units. These sites must have the realistic potential for new residential development within the eight-year Housing Element planning period.

HCD also provides that planned, approved, and pending residential units may be counted toward fulfilling the City's RHNA, as may a limited number of accessory dwelling units (ADU) and junior accessory dwelling units (JADU). As noted above, during the 5<sup>th</sup> Cycle Housing Element period, the City of Healdsburg not only constructed housing that meets the 5<sup>th</sup> Cycle RHNA requirement but engaged in planning, entitlement, public site disposition, and partnership agreements that has resulted in pending projects that largely meet the 6<sup>th</sup> Cycle RHNA sites requirement.

## Calculating the RHNA Need (Shortfall or Surplus)

In order to determine the final number of RHNA units of each income category that the City must demonstrate adequate sites for, a sites assessment is performed to allow anticipated, upcoming housing development to be considered one time in the fulfillment of RHNA requirements. The resulting figure is the remaining RHNA need and reflects either a shortfall or a surplus in each income category (See **Table 2**). Where there are shortfalls, the City must either rezone adequate sites to meet the shortfalls or adopt other programs that address the remaining housing needs. Because of the State's new "No Net Loss" laws, a buffer of sites is also needed (see Attachment 1, Highlights of New Housing Laws). The City plans to accommodate its RHNA through a combination of the methods listed below and which are summarized in **Table 2**.

- Pending, approved, or permitted residential projects.
- Accessory dwelling unit (ADU) and junior accessory dwelling unit (JADU) development projections consistent with ABAG's "safe harbor" assumptions.
- Acquisition of non-deed restricted units and conversion to 55-year deed restricted, affordable units (may be counted for up to 25% of each RHNA category).
- For purposes of aligning with addressing RHNA, HCD allows Extremely Low, Very Low, and Low-income units to be grouped into a category called "Lower." For each category – Lower, Moderate, and Above Moderate, Healdsburg is meeting its RHNA as well as a no net loss buffer. However, the City may not currently have sufficient program elements or resources in place to ensure that all the required housing units will be developed at all income limits. As an example, achieving housing for 'Extremely Low' income families will require specific programmatic attention. This will be the focus of policy and programs included in the 6<sup>th</sup> Cycle Housing Element.
- Additionally, statutory RHNA needs do not reflect the full scope of Healdsburg's housing needs, including housing for the homeless, seniors, housing rehabilitation, affirmatively furthering fair housing (AFFH) policy, and creating housing opportunities for middle income families.

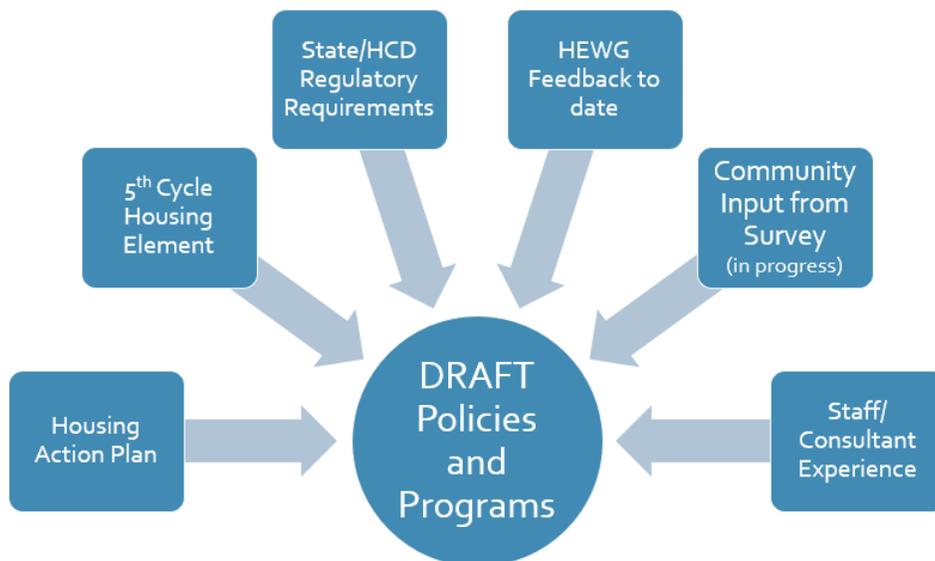
**Table 2 Comparison of RHNA and Identified Residential Sites**

<b>Income Group</b>	<b>2023 – 2031 RHNA</b>	<b>Pending, Approved, or Permitted Units</b>	<b>Projected ADUs</b>	<b>Total Credits</b>	<b>% of RHNA</b>
Extremely Low	83	26	16	42	
Very Low	107	153	16	169	
Low	109	116	32	148	
<b>Lower-Subtotal</b>	<b>299</b>	<b>295</b>	<b>64</b>	<b>359</b>	<b>120%</b>
Moderate	49	65	32	97	198%
Above Moderate	128	264	11	275	215%
<b>TOTAL</b>	<b>476</b>	<b>624</b>	<b>106</b>	<b>730</b>	<b>153%</b>

**Housing Strategy – Goals, Policies and Programs**

The heart of a Housing Element is the Housing Strategy comprised of goals, policies, and programs. The goals create the broad categories that the Housing Element addresses; the policies articulate the City’s policies for each of these goals that guide the City’s subsequent decision-making, resource allocation, and actions; and the programs translate how policies will be implemented over time through specific actions by the City.

A variety of factors influence the drafting of these policies and programs including the prior Housing Element (and review of its success or shortcomings), the City’s *Housing Action Plan* (adopted as an implementing framework during the 5<sup>th</sup> Cycle), State statutes and HCD oversight and in particular the need to affirmatively further fair housing, evaluation of housing sites and development readiness, review and input from the Housing Element Working Group, input from the surveys and other public outreach efforts, the experience of staff and consultants, and related assessment housing needs data and demographic trends, and identification of governmental and non-governmental constraints to housing production. The graphic below illustrates this process.



Given these factors, seven ‘policy themes’ and related program options were drafted. These policy themes and program options were actively reviewed by the HEWG and revisions were made in response to comments received. The seven major policy themes are:

1. Meeting 6th Cycle RHNA requirements
2. Assuring balanced geographic distribution of Affordable Housing Sites and Projects
3. Going beyond RHNA Requirements
4. Expanding Development Capacity
5. Affirmatively Furthering Fair Housing
6. Removing or Mitigating Governmental Constraints
7. Removing or Mitigating Non-Governmental Constraints

**Attachment 4** presents policy themes and program options for your review and comments. Following Planning Commission review and incorporating input from the other pending factors the Housing Strategy (goals, policies, and programs) will be prepared for inclusion in the Draft Housing Element. This Housing Strategy will be the centerpiece of the Housing Element Update.

### **Next Steps**

The Planning Commission’s direction will be taken into account as the technical and community outreach efforts continue. This ongoing work will include completion of the Affirmatively Furthering Fair Housing Analysis, and the second community housing survey, other outreach and community engagement efforts all toward preparing a Draft Housing Strategy (the full set of policies and programs) to be presented along with proposed housing production Quantitative Objectives and the draft sites inventory, at the City Council public workshop to be held on May 16, 2022.

Following review of the Draft Housing Strategy at the City Council workshop a Draft Housing Element will be prepared to be released for public review and comment this summer and submitted to HCD for their review. To remain in compliance with state law, the City must adopt a certified housing element by Spring 2023, as shown on the attached schedule.

### **Attachments**

1. Highlights of New Housing Laws Since the Last Housing Element
2. Housing Needs Data Report – Healdsburg
3. Preliminary Community Survey #1 Results
4. Key Healdsburg Housing Element Policy Themes & Programs
5. Housing Element Update Schedule