

COUNTY OF PLACER

Community Development Resource Agency

John Marin, Agency Director

PLANNING

Michael J. Johnson Planning Director

MEMORANDUM

TO: Honorable Board of Supervisors

FROM: Michael J. Johnson, Director

Planning Department, Community Development Resource Agency

DATE: July 14, 2008

SUBJECT: Placer County Housing Element Update

Authorization to Submit Housing Element to California Department of Housing and

Community Development for Review and Certification

ACTION REQUESTED

The Planning Department is seeking authorization from the Board of Supervisors to submit the Draft Housing Element to the California Department of Housing and Community Development for review and certification. Once the State of California certifies the document, the Housing Element will be considered for final adoption by the Planning Commission and Placer County Board of Supervisors.

BACKGROUND

As required by California Government Code Article 10.6, commencing with section 65583 (see Exhibit B), staff has prepared a Draft Housing Element for consideration by the Board of Supervisors. The Draft Housing Element was prepared by a collaboration of County departments and Mintier & Associates, a planning consultant, along with input by the public. The Element provides goals, policies, and implementation programs for the planning and development of housing throughout unincorporated Placer County.

Every jurisdiction in California must adopt a General Plan, and every General Plan must contain a Housing Element. While jurisdictions review and revise all elements of their General Plan regularly to ensure that the documents remain up to date, California law is much more specific in regard to the schedule for updating the Housing Element, requiring an update at least every five years. Under California law (Govt. Code §65588 (e)(3)), Placer County's Housing Element has to be submitted to the California Department of Housing and Community Development for review and certification by June 30, 2008. The current Housing Element planning period runs from 2006 through 2013.

As set forth in section 65583 (Housing Element Content) of the California Government Code, the law is also specific in terms of the issues that the Housing Element must address, including:

- 1. An evaluation of the results from housing programs implemented during the previous review period; (i.e., with the County's current Housing Element);
- 2. An assessment of the County's existing and projected housing needs based on housing, land use, population, demographic and employment trends;

- 3. An analysis of housing opportunities within the County, including an inventory of suitable sites and the County's capacity to meet regional fair-share goals;
- 4. An analysis of constraints to providing housing and mitigating opportunities for those constraints; and,
- 5. A set of goals, policies, resources, and programs for the preservation, improvement and development of housing.

Failure to secure a certified Housing Element from HCD can result in loss of funding for housing and infrastructure related projects and potential legal challenges. The Redevelopment Agency and County have several potential infrastructure, economic development, community facilities and housing applications for approximately \$13 million that require a certified Housing Element for eligibility. The ramifications of a legal challenge range from court-mandated actions to a moratorium on development until the County's Housing Element is certified by the state.

FISCAL IMPACT

Approval of the Housing Element will have a positive fiscal impact on the County, as the County will be eligible to apply for various state and federal grants and programs with a certified Housing Element. For example, the June 2008 \$3.3 million infill infrastructure award to the Redevelopment Agency for the Kings Beach Scattered Sites initiative required a Housing Element deemed in compliance by HCD. The County and Agency will be ineligible to apply for the next round of funding in that program, estimated to be Dec. 2009, without a Housing Element deemed in compliance and adopted by the Board.

DISCUSSION OF HOUSING ELEMENT ISSUES

Regional Housing Needs Allocation

The California Department of Housing and Community Development (HCD) provided the Sacramento region with its projected increase in housing need for a seven and a half year period (2006-2013). This projected regional need is a portion of the State's housing goal for the same period. The projection is articulated in the Regional Housing Needs Assessment (RHNA) prepared by the Sacramento Area Council of Governments (SACOG). SACOG divides the total estimated housing need among the cities and the unincorporated areas within the six-county region. The RHNA identifies not only the number of housing units Placer County must plan for, but also the affordability level of those units.

HCD issued a regional allocation of 118,652 total residential units to the six-county region. Of this amount, unincorporated Placer County received an overall allocation of 6,229 units. The allocation specifies the number of units within four economic categories (measured as median family income or MFI) - Very Low, Low, Moderate and Above Moderate incomes - as defined by Govt. Code §65584(e):

- Very Low Income (less than 50 percent median household income [MFI]): 1,538 units or 24.6 percent of the County's total allocation
- Low Income (50 to 80 percent MFI) 1,178 units or 19 percent of the County's total allocation
- Moderate (80 to 120 percent MFI) 1,231 units or 19.8 percent of the County's total allocation
- Above Moderate (above 120 percent MFI) 2,282 units or 36.6 percent of the County's total allocation.

The intent of the allocations is to ensure that each agency provide adequate sites and adequately zoned land to accommodate, at a minimum, the 6,229 affordable units allowed by the County. Placer County must describe in its Housing Element how it will provide capacity in its General Plan land use diagram and zoning for these 6,229 units within the planning period.

Accommodating the State Housing Allocation

One of the most important aspects of the Draft Housing Element is to identify sufficient sites and provide land that is properly zoned to accommodate the County's fair-share of the region's affordable housing needs.

The Resource Inventory section of the Housing Element identifies vacant land that is suitable and available within unincorporated Placer County for higher-density residential development. The Housing Element compares this inventory to the County's RHNA-assigned need for new housing. Demonstrating that the County has sufficient land zoned to meet the County's fair-share of the region's affordable housing is essential for certification of the Housing Element by HCD. Land deemed suitable for residential development in the analysis includes:

Vacant sites zoned for residential use;

Residential Holding Capacity on Vacant Land

in Tahoe Basin

- Vacant sites zoned for nonresidential use that allows residential development;
- Residentially zoned sites that are capable of being developed at a higher density; and
- Sites zoned for nonresidential use that can be redeveloped for, and as necessary, rezoned for residential use.

Pursuant to California law (Govt. Code §65583.2), Placer County is now classified as a "suburban jurisdiction" and, consequently, the County's density standard is defined as "sites allowing at least 20 units per acre." HCD is required to accept sites that meet this density standard as appropriate for accommodating Placer County's share of the regional housing need for lower-income households.

As part of this Draft Housing Element, sites with a land use designation with an allowable density ranging from 15 to 19 units per acre were inventoried as being available for low-income residential development. In the future, if these sites were developed with affordable housing, the developers would be entitled to a density bonus of up to 35 percent which would change the maximum allowed density to 20 to 25 units per acre.

The Draft Housing Element Background Report also provides an inventory of the residential projects built or planned since the start of the Housing Element planning period that have an affordable housing component (January 1, 2006). As shown in the table below, there are a total of 2,882 planned and/or built affordable units: 725 Very Low Income housing units; 1,582 Low Income housing units, and 575 Moderate Income housing units.

AFFORDABLE RESIDENTIAL HOLDING CAPACITY COMPARED TO RHNA BY INCOME

Unincorporated Placer County January 1, 2006 to June 30, 2013				
	Very Low	Low	Moderate	TOTAL AFFORDABLE
Regional Housing Needs Allocation (RHNA)	1,538	1,178	1,231	3,947
Affordable Residential Holding Capacity	3,213	2,170	670	6,053
Built and Planned Projects with an Affordability Component	725	1,582	575	2,882
Residential Holding Capacity on Vacant Land w/ Residential Designations	348	196	80	624
Residential Holding Capacity on Vacant Land w/ Non-Residential Designations	2,140	0	0	2,140

Source: Placer County, TRPA. Mintier & Associates

15

392

Total number of Affordable Units: 6,053 (RHNA: 3,947)

407

According to the analysis summarized in the table above, Placer County has 2,882 affordable housing units either built or planned, plus a holding capacity on vacant land with residential and non-residential designations available to accommodate 3,171 affordable housing units. This 6,053 unit holding capacity is 53 percent above the RHNA number assigned to Placer County.

PROPOSED POLICIES AND PROGRAMS

California housing law mandates that for the private market to adequately address housing needs and demand, local governments must adopt land use plans and regulatory systems which provide opportunities for, and do not unduly constrain, housing development. In drafting the proposed housing policy, staff has tried to strike a balance between protecting the existing housing stock and allowing for the development and production of new housing for all income groups, while at the same time protecting the quality of life within the County.

A number of the policies and programs contained in the proposed draft Housing Element have been carried forward from the current Housing Element. Other programs have been modified to comply with new State laws or changed local conditions.

The following describes the staff outreach to solicit input to the Draft Housing Element process.

Stakeholders Group

Consistent with the direction provided by the Board of Supervisors, a stakeholder group has been working to reach a consensus on affordable housing issues and towards the development of an affordable housing program. As set forth by the Board, the stakeholders for this group includes representatives from the Building Industry Association (BIA), local real estate interests and affordable housing advocacy groups. Based upon the initial work of this group, the Draft Housing Element incorporates several of the ideas the stakeholder group has suggested to help facilitate the development of affordable housing.

The stakeholder group's effort, to date, has focused on the development of a broad-based affordable housing program. The premise of the program is to spread the burden of responsibility for the production of affordable housing and to provide adequate flexibility in the permitting and development of affordable housing. The stakeholder group has not met since the last update to the Board of Supervisors in November 2007. The County's staff resources available for Housing Element implementation have been temporarily re-assigned to complete the Draft Housing Element. Once the Housing Element is certified by the State and adopted by the Board of Supervisors, the stakeholder's group efforts will be resumed.

Public Outreach

This 2006-2013 Draft Housing Element update was initiated in July 2007. In recognition of the different housing problems faced by Tahoe Basin area residents and residents of western Placer County, kick-off workshops were held in Kings Beach and Auburn in early November. Housing Element announcements and documents have been made available on the Placer County website.

County staff and consultants distributed announcements of the community/stakeholder workshops to a mailing list of various stakeholders including local residents, housing developers, social service providers, neighborhood associations, and the business community. Furthermore, the County publicized the workshops in local newspapers and on the County website.

The Housing Element Draft Background Report was released for public review and comment in March 2008. Follow-up workshops in Auburn and Tahoe were held in April. Issues raised at the workshops, each of which was attended by 20 to 35 members of the public and stakeholders, have been summarized in the Introduction section of the Draft Housing Element.

In May 2008, the Program and Policy Document public review draft was released. Public workshops were held June 5 and 10, 2008 to receive public input and to foster a discussion on the housing issues and policies on the County.

To date, staff has conducted eight meetings and workshops with stakeholders and has made presentations to the Wiemar/Applegate/Colfax and Rural Lincoln MACs. A significant amount of public comment has been provided at the various meetings that have been held, and many of these comments have been included and addressed in the Draft Housing Element.

Public Comments on the Draft Housing Element

At the Planning Commission hearing on June 12, 2008, comments were received by three individuals representing organizations with interest in affordable housing. John Falk spoke to the Commission representing The Tahoe Sierra Board of Realtors; Herb Whitaker spoke representing Legal Services of Northern California; and Darin Gale spoke for the Building Industry Association.

Additional comment letters from the Tahoe Sierra Board of Realtors, Legal Services of Northern California, and others were received prior to the July 10, 2008 Planning Commission meeting. The Tahoe Sierra Board of Realtors is encouraging the County to place an emphasis on utilizing developer incentives to spur construction of affordable housing rather than using mandatory requirements. Staff has recognized the merit of this approach, along with other comments and feedback received at the public workshops, and has incorporated incentives into several Housing Element programs. The Legal Services representative, on the other hand, suggests that mandatory requirements to develop affordable housing are needed to ensure that affordable units are constructed.

KEY ISSUES RAISED IN THE DRAFT HOUSING ELEMENT

Mandatory vs. Voluntary Policies

The two opposing recommendations suggested by the Tahoe Sierra Board of Realtors and Legal Services of Northern California represent opposite ends of the spectrum of possible approaches to providing affordable housing in Placer County. Staff has attempted to balance these opposing views through a combination of strategies that attempt not to unduly impose upon any single entity or group. Through discussions with the affordable housing stakeholders group, staff recognizes that a modified approach that includes incentives to the extent available and allows flexibility in the way in which an affordable housing requirement might be met may represent a more balance approach. (This is reflected in the Draft Housing Element Update.)

Incentives are viewed favorably by development interests. However, there appear to be limitations. The most obvious is the limited ability of local government to fund incentive programs. Mr. Falk's letter dated May 8, 2008 points to King County, Washington's incentive-based program as an example. However, King County works with a consortium of a large number of cities and, by combining efforts have been not only better able to efficiently use locally available funds, but have also been very successful at leveraging those funds to obtain state and federal dollars. King County is also home to some of the largest and financially successful "high-tech" industries in the country (e.g., Microsoft). These industries have a large stake in providing affordable housing for their workers and donate generously to funds for affordable housing.

An example of an incentive-based Housing Element in California, cited by Mr. Falk, is the City of Pleasanton. Anxious to review an effective voluntary, incentive-based program that has been certified by HCD, staff looked at the Pleasanton housing program. However, Pleasanton has not been able to successfully implement its incentive-based programs, and the city currently has an inclusionary housing program in place, requiring 20 percent of the units be affordable in perpetuity and including a non-residential in-lieu fee component of in excess of two dollars a square foot.

Comments on Specific Policies and Programs

While the Draft Housing Element has generally been well received by the public, there are certain programs and policies identified in the document that have raised concerns with some members of the public. Those programs and policies are highlighted below.

Program A-7 - Minimum Density Standard: A comment was received stating that Program A-7, addressing the need to ensure that multiple-family zoned land is not developed at substantially lower densities, is too limiting with regard to land use options, alternatives, and property owner rights. It was suggested that staff develop a monitoring program that tracks the density allowed by existing zoning on a parcel and the density at which the parcel was actually developed. At such time as the disparity between the zoned density and the density at which a parcel develops is identified, the County would "up-zone" suitable lands to offset the imbalance.

Discussion: In conjunction with the preparation of the Draft Housing Element, staff is proposing changes to the development standards for multi-family (RM) zoning districts. The supply of RM-zoned land in Placer County is very limited. California General Plan law requires each city and county to have land zoned to accommodate its fair share of the regional housing need (Govt. Code §65583.2). Therefore, staff is recommending that the County consider requiring a minimum density requirement to preserve this inventory.

Currently, the County has no regulations to dictate minimum densities for properties. Accordingly, a property zoned for 20 dwelling units per acre could be developed with one single-family residence, resulting in the under-utilization of the parcel. To address this concern, many agencies throughout California have adopted minimum density requirements for their multiple-family zoning districts (i.e., developments must be within 80 percent of the minimum/base density).

Another challenge facing Placer County is that the County is now considered a "suburban" jurisdiction under AB 2348, whereby the minimum density requirement is 20 units per acre for land eligible to count toward meeting the sites requirement for housing affordable to low and very low income households. In the past, Placer County was considered a "rural" jurisdiction and was only required to provide sites zoned for a density of 15 dwelling units per acre.

To minimize the need for the County to rezone additional parcels to higher densities, staff has concluded that the existing high-density housing sites must be preserved. Staff is not proposing the prohibition of detached single family dwellings on multiple-family zoned parcels but, if constructed, the overall density would need to be within 80 percent of the minimum/base density. Staff will, however, investigate possible exceptions to any mandated minimum density requirement on a parcel that may be appropriate. Such exceptions may include parcels that have proven physical or environmental constraints and other additional exceptions as appropriate.

Policy B-15 – Requirement for Affordable Housing with General Plan Amendments: A comment was submitted that suggests that increasing the number of residential units on a given site through a rezoning should be rewarded and not punished. Policy B-15 was viewed as a backdoor attempt by staff to establish a mandatory inclusionary housing program and is more an anti-zoning change policy than an affordable housing development policy.

Discussion: Using the entitlement process to generate or produce new sources of housing, affordable to low and middle income groups, is one of several tools within the direct control of the County. As the members of the Board of Supervisors are aware, increasing the density on a parcel adds great value to the land. Staff believes there is merit to, in exchange for the increased value derived from rezoning for higher density residential purposes, requiring the property owner to include an affordable housing component. It is important to note that the policy does not apply to projects that simply increase residential density to provide an affordable housing component.

Similar Policy has been applied to Future Study Areas in the Placer County General Plan:

Section 5 in the Placer County General Plan's Standard for Consideration of General Plan Amendments specify that new development is "expected to provide a balanced complement of land use types, including residential (very low, low, and moderate cost)…"

In Section 6, "New development areas shall provide a range of housing types to serve all income groups in the county, and shall stage development such that a balance of housing types is maintained over time, consistent with the housing goals, objectives, policies and programs of the General Plan."

Program B-10: Affordable Housing Program: A comment was made that the program described in Policy B-10 represents a mandatory inclusionary provision. Concerns were raised that this is out-of-step with current market conditions, fails to recognize or acknowledge the unproductive and highly contentious nature of such proposals, and should be deleted from the Draft Housing Element.

Discussion: The language set forth in Program B-10 reiterates the direction previously set by the Board of Supervisors to study the merits of an affordable housing program. The Affordable Housing Program is an implementation measure currently under discussion by the County's Stakeholders Working Group. The details of such a program have not been determined, however the general goals of the program are consistent with SACOG's ten percent affordable housing goal as supported by the Board of Supervisors on May 25, 2004. The proposed program language set forth in B-10 does not commit the County to adopting an inclusionary ordinance but affirms the discussions currently underway. Also, it should be noted that the time frame for the Housing Element is 2006 to 2013. Since current market conditions can and do change quickly, Housing Element policy must not assume any particular current market condition.

Policy C-2, Program C-2 – Provision of Employee Housing at Tahoe: Policy C-2 requires new development in the Sierra Nevada and Lake Tahoe to provide employee housing equal to at least 50 percent of the increased housing demand generated by the project. A concern was raised that the requirement is infeasible and damages economic expansion and diversification.

Discussion: Stakeholders at the Kings Beach workshops expressed their growing concerns over the availability and affordability of homes in the Tahoe Basin and surrounding areas. Homeownership for working families has become an increasingly challenging prospect in the Tahoe area. Reasonably priced housing for such families to enable them to live in the communities in which they are employed is essential.

The imbalance between the income of the average worker and the cost of housing is growing and that the challenges of the availability of workforce housing are complicated. The lack of moderately priced and accessible housing affects a broad cross section of government, the business community and working class citizens.

In their deliberations on the Housing Element in 1993, the Board of Supervisors recognized that a requirement for workforce housing in the Tahoe area is needed. The prior adoption of the workforce housing requirement recognized the unique circumstances of the Tahoe area.

SCHEDULE FOR THE COMPLETION OF HOUSING ELEMENT

Once the Board of Supervisors takes action to authorize the Planning Department to submit the Draft Housing Element to HCD, the State is required by California law to review the draft Housing Element and report its findings to the County within 60 days. Revisions may be needed to the document, based upon comments from HCD.

Staff will present HCD's comments and any corresponding changes to the Housing Element at public workshops and at Planning Commission and Board of Supervisors hearings expected in early fall.

Housing Element certification is important for several reasons: to maintain eligibility for certain grant funding programs, to ensure the legal adequacy of the General Plan, and to preserve local control of land use decisions.

PLANNING COMMISSION RECOMMENDATION On July 10, 2008, the Planning Commission unanimously adopted a motion to recommend the Draft Housing Element to the Board of Supervisors with no changes.

CEQA COMPLIANCE Authorization of submission of the Draft Housing Element to HCD does not trigger the requirement for environmental review. After HCD certifies the Draft Housing Element, the document will be returned to the Planning Department and Board of Supervisors for formal action, which will require environmental review. A Mitigated Negative Declaration is currently being prepared by staff and will be circulated for public review prior to subsequent hearings.

RECOMMENDATION

Authorize the Director of Planning to submit the Draft Housing Element to the California Department of Housing and Community Development for review and certification.

Respectfully submitted,

MICHAEL J. JOHNSON, AICP Director of Planning

Attachments:

Exhibit A: Draft Housing Element Background Report and Policy Document

Exhibit B: California Government Code Article 10.6

Exhibit C: Correspondence

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