



Agenda Item #:	4.B.
Meeting Date:	April 11, 2023
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REQUEST FOR PLANNING COMMISSION ACTION

SUBJECT: Healdsburg 6th Cycle Housing Element Update – Adoption Draft

RECOMMENDED ACTION:

It is recommended that the Planning Commission receive a staff presentation, obtain public input, and recommend City Council adoption of the Adoption Draft Housing Element.

OVERVIEW:

Following months of outreach and technical and policy analysis, including several Housing Element Work Group (HEWG) meetings, Planning Commission meetings in April and October 2022, a City Council meeting in June 2022 to review the draft Goals, Policies, and Programs, an Adoption Draft of the 6th Cycle Housing Element Update is available on the City’s website for download, public review, and comment along with HCD comments on the Initial Draft Submittal.

The Adoption Draft consists of three components:

- The Housing Element (includes the Introduction, the Housing Strategy, the Sites Inventory, and the Quantified Objectives)
- The Technical Background Report (includes the Fair Housing Assessment and the Constraints Analysis)
- Appendices

The Adoption Draft Housing Element is the third draft of Healdsburg’s 6th Cycle Housing Element that has been circulated for public review. The Public Review Draft was posted on Friday, September 30, 2022 for a statutorily-required 30-day public comment period. Following the close of the public review period on October 30, 2022, the Consultant Team and City staff incorporated feedback received and issued a Draft Housing Element submitted to the California Department of Housing and Community Development (HCD) on November 15, 2022. The City received informal comments back from HCD within 90-days of submittal of the Draft Housing Element and released a Revised Draft Housing Element to incorporate informal comments for the required 7 days prior to receiving formal comments from HCD on February 13, 2023. The Adoption Draft incorporates responses to HCD’s formal comments. HCD’s letter is included as **Attachment 3**, and a summary of the City’s responses is summarized in **Attachment 4**.

Public input was accepted and incorporated at each of the review points described above. In order to remain compliant with State Housing Element law, Healdsburg’s HCD-reviewed and

revised Housing Element must have been adopted by the City Council no later than January 31, 2023; thus, the City is out of compliance along with most jurisdictions in the Bay Area; as of February 23, 2023, 94% of Bay Area jurisdictions were out of compliance. At this time, the Planning Commission is being asked to review and recommend the attached Adoption Draft Housing Element (**Attachment 5**) for adoption by the City Council at its May 1, 2023 meeting.

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 Adoption Draft is an update of Healdsburg’s 2015-2023 Housing Element and covers the planning period between 2023 – 2031.

Most jurisdictions find themselves grappling with far higher RHNA assignments in the 6th Cycle than ever before, and at the same time, the Legislature has passed multiple housing bills creating laws that prescribe new requirements for Housing Elements and new by-right requirements for housing projects. Fortunately, the City of Healdsburg is well-positioned to meet these challenges given the scope and implementation of the 5th 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 6th 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 arose from outreach during the past several months 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.

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 previous (5th Cycle) RHNA. The table below illustrates how the RHNA is allocated across income levels for Healdsburg and how the 2023-2031 6th Cycle RHNA numbers compare to the 2015-2023 5th Cycle numbers.

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

Income Group	Number of Units 2015 - 2023	Number of Units 2023 - 2031	Percent Increase
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%
Total	157	476	203%

Housing Element Update Requirements

California’s Housing Element law requires that the Housing Element include the following discussion and analyses.

- 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.

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): 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 Work Group (HEWG) consisting of nine members was convened at the January 3rd City Council meeting to work through and provide guidance on Policies and Programs. The group met on January 19th, January 31st, February 28th, March 14th, and April 11th, July 11th, August 8th and November 14th of 2022. An informational update was also held on March 13, 2023. 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. 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).
- Stakeholder Survey: A survey was circulated to community-based organizations, affordable housing property managers, and housing developers to solicit input regarding opportunities and development/regulatory constraints.
- Planning Commission Meetings were held on April 26th and October 11th and focused on the emerging themes. Planning Commissioners indicated concern about vacancies in the existing housing stock due to second home ownership, support for higher density that is "livable" for families (with outdoor space), need for infrastructure (water, sewer, public safety) to support new housing, and concern around rising construction costs. Both meetings were noticed and open to the public.
- City Council Meeting was held on June 6th and focused on the emerging Goals, Policies, and Programs. The meeting was noticed and open to the public.
- Public Review Draft was circulated for 30-day public review on September 30, 2022 and distributed with residents, community stakeholders, and all other parties that had previously expressed interest throughout the Housing Element process. A second Planning Commission workshop on the Public Review Draft Housing Element was held on October 11, 2022, noticed and open to the public. Feedback from the public and commission was

incorporated into the document, and the Initial Draft was submitted to HCD on November 15, 2022.

- Revised Draft was circulated for 7-day public review following informal feedback from HCD at the close of the 90-day review period concluding February 13, 2023.
- Planning Commission and City Council adoption hearings of April 11, 2023 and May 1, 2023.

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 draws 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.

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 5th Cycle Housing Element period, the City of Healdsburg not only constructed housing that meets the 5th Cycle RHNA requirement but engaged in planning, entitlement, public site disposition, and partnership agreements that have resulted in pending projects that largely meet the 6th Cycle RHNA sites requirement.

The City plans to accommodate its RHNA through a combination of the methods listed below, as summarized in **Table 2**.

- **Pending, approved, or permitted residential projects.** There are seven (7) projects in various stages of planning and development, consisting of 810 units (307 of which are affordable).
- **Accessory dwelling unit (ADU) and junior accessory dwelling unit (JADU) development projections consistent with ABAG’s “safe harbor” assumptions.** 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 2018-2022. In Healdsburg, there were a total of 69 ADUs in 2018, 2019, 2020, 2021, and 2022, resulting in an average of 13.75 per year. During the 8-year Housing Element cycle, the City may reasonably expect the development of 110 ADUs. The presumed 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. Using the safe harbor assumptions described above, the 110 ADUs will be allocated as follows: 16 Extremely Low-Income, 17 Very Low-Income, 33 Low-Income, 33 Moderate-Income, and 11 Above Moderate-Income.
- **Acquisition of non-deed restricted units and conversion to 55-year deed restricted, affordable units.** HCD allows that up to 25% of each RHNA category may be met through this approach. In Healdsburg, we are using two actual in-progress projects: The Scattered Sites Project and L&M Village. Together these two projects, represent 61 affordable units.

Table 2 Comparison of RHNA and Identified Residential Sites

Income Group	2023 - 2031 RHNA Allocation	Pending, Approved, or Permitted Units	Adequate Sites		Projected ADUs	Total Credits	% of RHNA
			Market Rate Units Converted to Affordable	Hotel, Motel, or Hostel Conversion			
Lower							
Extremely Low	83	16	0	22	17	55	
Very Low	107	119	39	0	16	174	
Low	<u>109</u>	<u>129</u>	<u>0</u>	<u>0</u>	<u>33</u>	<u>162</u>	
Lower, Subtotal	299	264	39	22	66	391	131%
Moderate	49	43			33	76	155%
Above Moderate	<u>128</u>	<u>503</u>			11	<u>514</u>	402%
Total	476	810	39	22	110	981	206%

Sources: City of Healdsburg; ABAG.

The sites and projects are ‘backed-up’ with an ‘Administrative List’ of additional sites should any of the primary sites or projects fail to move forward as planned. This Administrative List will not be shared with HCD but will serve as a buffer throughout the 6th Cycle planning period.

Quantified Objectives

The Housing Element is required by State statute to include ‘quantified objectives’ that estimate and set targets for the number of units likely to be constructed, rehabilitated, and conserved/preserved by income level during the planning period. Beyond addressing RHNA site capacity requirements, quantified objectives can include targets for actual construction of housing units, specifying the types of housing units, objectives for preserving and conserving existing affordable housing units, and objectives for meeting other housing needs. The quantified objectives do not represent a ceiling, but rather set numerical objectives for the City to achieve.

Table 3 Summary of Quantified Objectives

Income Category	New Construction [1]	Rehabilitation [2]	Conservation/ Preservation [3]	Total
Extremely Low	33	22	20	75
Very Low	135	39	25	199
Low	162		25	187
Moderate	76			76
Above Moderate	564			564
Total	970	61	70	1,101

[1] New construction includes pending, approved, and permitted units (810 units), projected ADUs (110 units), and above-and-beyond objectives (50 units) for middle-income ownership housing, and small-lot infill and second housing units.

[2] Rehabilitation includes the L&M Village (22 units) and the Scattered Sites Project (39 units).

[3] Conservation/Preservation includes conserving 70 existing, affordable mobile home units in the City that are not part of the City’s RHNA strategy but are included as a Quantified Objective.

Sources: City of Healdsburg; ABAG.

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.

The Housing Strategy includes seven goals and a number of related policies and nine implementation programs, each with subprograms, which will guide City actions over the 2023-2031 Housing Element cycle. A summary of the programs and subprograms is attached as **Attachment 2**. The seven proposed Housing Element Goals are presented below and continue the direction set by the current Housing Element, with modifications made to address new state law

and incorporate feedback from the community, stakeholders, the HEWG, and the Planning Commission.

Housing Goal 1 -- Maintain affordable housing sites and expand housing development capacity as needed to accommodate the City's regional housing need throughout the eight-year Planning Period and beyond.

Housing Goal 2 -- Remove or mitigate impediments to housing production including both governmental constraints and non-governmental constraints.

Housing Goal 3 -- Preserve and improve the City's existing housing stock and community character in residential neighborhoods, while allowing greater density (e.g., ADUs/JADUs, SB 9, multiplexes).

Housing Goal 4 -- Support and promote housing production during the Planning Period, emphasizing affordable and middle-income housing needs.

Housing Goal 5 -- Support and promote housing for homeless, special needs, farmworkers, and elderly individuals.

Housing Goal 6 -- Affirmatively further fair housing and promote environmental justice for all residents by ensuring fair and equal housing opportunities for all Healdsburg residents regardless of race, color, religion, sex, sexual orientation, age, marital status, national origin, ancestry, familial status, disability, or source of income, and promoting fair housing practices and prohibiting discrimination.

Housing Goal 7 -- Achieve a high standard of energy efficiency, water conservation, and 'net-zero' carbon footprint throughout the City, including existing and new development.

Conclusion

As noted in the Housing Element Update, the City performed well during the 5th Cycle period (2015-2023), not only meeting the RHNA requirements and completing key implementation efforts, but also setting the stage for this current 6th Cycle Update such that the City is able to demonstrate that housing projects currently in the planning or production phases meet the much more demanding 6th Cycle RHNA requirements. This accomplishment occurred because of coordinated and continuing Planning Commission and City Council leadership, City investment and pursuit of housing projects across the income categories, and related technical efforts by City staff.

Because of these accomplishments the City's is positioned during the 6th Cycle (2023-2031) to continue the implementation programs currently underway while at the same 'going beyond' the statutory requirements in a variety of ways that will further expand housing development capacity and housing supply, affirmatively further fair housing, and address the needs of the City's 'missing middle' income working families. It is expected that the Housing Element Working Group (HEWG) will be re-commissioned as a part of this effort, providing recommendations on the scope and objectives for these efforts. Planning Commission and City Council will provide policy guidance and priorities for these implementation programs and City staff will need to redouble efforts building upon past performance.

Next Steps

Following City Council adoption of the Housing Element, an Adoption Draft Housing Element will be submitted to HCD for its 60-day review.

ENVIRONMENTAL ANALYSIS

Pursuant to Section 15301 of the CEQA Guidelines, the proposed plan would have no possibility for causing a significant effect on the environment. The Guidelines state in that section that “A project is exempt from CEQA if the activity is covered by the common-sense exemption that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.” In addition, exceptions to the applicability of a Categorical Exemption, as specified in Section 15300.2(a) through (f) of the CEQA Guidelines, do not apply to the proposed plan. As such, the proposed plan meets all criteria for an exemption under CEQA Guidelines Section 15061(b)(3) and, pursuant to this exemption, “it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.” See CEQA Exemption Report **Attachment 8**.

CONFORMANCE WITH CITY’S GENERAL PLAN:

The current Housing Element adopted in 2015 will be rescinded and replaced with the draft Housing Element if approved by the City Council. The element is internally consistent with the remainder of the General Plan. The Housing Element will not require additional changes to the General Plan, beyond minor text and formatting amendments.

STATE LAW - CA GOVERNMENT CODE TITLE 7, DIVISION 1, CHAPTER 3, ARTICLE 10.6 [65580 – 65589.11]:

To be in substantial compliance with State law, a Housing Element must contain all of the elements mandated by State Housing Element law. The City response to HCD’s Initial Draft Review (**Attachment 4**) supporting the proposed resolution recommending City Council approval of the Housing Element Update demonstrates that the City’s Housing Element contains each of the elements mandated by State law in response to HCD’s findings on the Initial Draft Housing Element sent on February 13, 2023 (**Attachment 3**).

STAFF RECOMMENDATION

Based on the analysis and findings in the staff report and the attached resolution, staff recommends that the Planning Commission adopt Resolution No. 2023-XX recommending the City Council adopt the 2023-2031 Housing Element Update. The Housing Element Update statutory deadline for certification was January 31, 2023. A certified Housing Element is required for a variety of funding sources, including funding for affordable housing and infrastructure.

ATTACHMENTS

1. Resolution
2. Healdsburg Housing Strategy Programs Table
3. HCD Initial Draft Letter (February 13, 2023)
4. City Response to HCD Comments
5. Adoption Draft Housing Element

6. Adoption Draft Technical Background Report
7. Adoption Draft Appendices
8. Healdsburg 2023-2031 Housing Element CEQA Exemption Report