



DISCUSSION ITEMS

Agenda Item # 6

AGENDA REPORT SUMMARY

Meeting Date: May 9, 2017

Subject: Identification of Affordable Housing Opportunities

Prepared by: Jon Biggs, Community Development Director

Attachment(s):
None.

Initiated by:
City Council

Fiscal Impact:
None Anticipated

Environmental Review:
Not applicable

Policy Question(s) for Council Consideration:

- What opportunities would the City Council like to pursue to expand affordable housing in Los Altos?

Summary:

- At its regular meeting on February 28, 2017, the City Council identified highest priority items for the 2017 calendar year. One of those priorities was to review opportunities to expand affordable housing in Los Altos. This is a report on opportunities provided through Housing Element that can assist in accomplishing this priority.

Staff Recommendation:

Review and concur with staff that the starting point for identifying affordable housing opportunities should be the goals, policies, and programs of the Housing Element of the City's General Plan.



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Purpose

Identifying affordable housing opportunities.

Background

Among the priorities for the 2017 calendar year, the City Council elected to include a review of opportunities to expand affordable housing in Los Altos. This report provides information on the Housing Element of the City's General Plan.

Discussion/Analysis

A good place to start the review of opportunities to expand affordable housing in Los Altos is in the City's General Plan, specifically, the Housing Element. General plans serve as a local government's "blueprint" for how the City will grow and change in the future. Decisions on policies, laws, and development application should be supported by the goals, policies, and programs found in its General Plan. There are seven mandatory elements of a General Plan and a city can elect to include others.

One of the mandatory elements of a General Plan is the Housing Element. A Housing Element is required by State law and must be periodically reviewed and updated, typically every five to eight years. According to the Department of Housing and Community Development (HCD) since 1969 the State of California has required that all local governments (cities and counties) adequately plan to meet the housing needs of everyone in the community. The current Los Altos Housing Element was adopted in May of 2015 and covers the 2015-2023 period. It has been reviewed and certified by the State of California. The Housing Element is a comprehensive statement by the City of Los Altos of its current and future housing needs and proposed actions to facilitate the provision of housing to meet those needs at all income levels.

A link to the current Housing Element can be found on the following web page:

<http://www.losaltosca.gov/communitydevelopment/page/los-altos-housing-element-update>

Staff is suggesting that the Housing Element serve as the starting point in the identification of opportunities to expand affordable housing. Goals 2 and 4 of the Housing Element state:

Goal 2

Strive to maintain a variety of housing opportunities by location and housing type.

Goal 4

Allow a variety of housing densities and types in appropriate locations to accommodate housing needs at all income categories.



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To achieve these Goals – the Housing Element includes the following policies and programs intended to support the creation of affordable housing:

Policy 2.1: The City will maintain zoning that provides for a range of housing sizes and residential densities.

Program 2.1.1 – Encourage diversity of housing.

Require diversity in the size of units for projects in mixed-use or multifamily zones to accommodate the varied housing needs of families, couples, and individuals. Affordable housing units proposed within projects shall reflect the mix of community housing needs.

Program 2.1.2 – Implement multifamily district development standards.

Continue to implement the multifamily district development standards to ensure that the maximum densities established can be achieved and that the maximum number of units is required to be built.

Program 2.1.3 – Allow employee housing.

The City shall amend the Zoning Ordinance to specifically allow employee housing for six or fewer residents as a permitted use in residential zoning districts, in compliance with Health and Safety Code Section 17021.5 and 17021.6.

Policy 2.2: The City will encourage mixed-use development in designated zones.

Program 2.2.1 – Provide development incentives for mixed-use projects in commercial districts.

Continue to implement the affordable housing mixed-use policies developed for the Commercial Thoroughfare (CT) district, and expand development incentives to other commercial districts in the city, including CN (Commercial Neighborhood), CS (Commercial Service), CD (Commercial Downtown), CD/R-3 (Commercial Downtown/Multiple Family), and CRS (Commercial Retail Service). Development incentives will be included for these districts that will encourage the development of affordable housing in these identified commercial areas.

Policy 2.3: The City will encourage the development of new rental units in the existing multifamily districts.

Program 2.3.1 – Implement density bonuses.

Continue to implement density bonuses and other incentives as provided by state law and the City's Zoning Ordinance.



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Policy 4.1: The City will encourage the conservation of existing affordable housing, including the present rental stock represented by units in the City’s existing multifamily districts, particularly rental housing affordable to low- or moderate-income households.

Program 4.1.1 – Monitor condominium conversion.

Continue to implement the Condominium Conversion Ordinance to protect against the conversion or demolition of rental units. It shall require buildings in multifamily zoning districts initially built as rental units which have not been converted to condominiums to be reconstructed as rental units unless there is greater than a 5 percent vacancy rate.

Program 4.1.2 - Conserve small houses in areas of small lot sizes.

Continue to conserve the stock of small houses in areas of small lot sizes.

Policy 4.2: The City will encourage the development of affordable second dwelling units that conform to zoning regulations.

Program 4.2.1 – Facilitate new construction of second dwelling units.

Chapter 14.14 (Second Living Units in R1 Districts) of the Municipal Code allows a detached second dwelling unit to be permitted on a lot or parcel within a single-family residential district that has a minimum of the greater of 150 percent of the lot area required in the residential zoning district in which the second living unit is proposed to be located, or 15,000 square feet of lot area. A lesser lot size is required if a second unit is attached to the main residence. Findings for approval include that a public benefit will result because the proposed second living unit will be maintained as affordable for very low- and low-income households. A second living unit may be established through the conversion of existing floor space in a single-family structure, the addition to a single-family structure, conversion of a conforming accessory structure, or the construction of a new accessory structure.

The City will continue to implement the following actions annually:

- *Continue to implement second dwelling unit regulations to provide increased opportunities for the development of affordable second units.*
- *Promote awareness of regulations which allow the construction of new second units consistent with City regulations through public information at the Community Development Department public counter and inclusion on the City’s website.*
- *Annually review the number of second dwelling unit permits issued.*
- *Continue to require a verification and quantification procedure regarding rent and occupancy as a condition of the permit.*



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Program 4.2.2 – Study the feasibility of reducing minimum lot sizes for second living units.

Study the feasibility of reducing minimum lot sizes for second living units and amend, as appropriate, the Zoning Ordinance to a reduce the minimum lot size for second dwelling units.

Policy 4.3: The City will facilitate the development of new units of affordable housing.

Program 4.3.1 – Assist in the development of affordable housing.

If necessary for the development of affordable housing projects, and when requested by the project sponsor, consider assisting in securing funding for low- and moderate-income housing developments through one or more of the following actions:

- *Transfer the City’s annual CDBG allocation to the County for projects that serve the Los Altos community.*
- *Provide funding to participate in a multi-jurisdictional housing finance program (such as a Mortgage Revenue Bond or Mortgage Credit Certification Program).*
- *Apply for state and federal funding on behalf of a nonprofit, under a specific program to construct affordable housing including persons with physical disabilities or developmental disabilities.*

**As transferred to the County and applied to the City program.*

Program 4.3.2 – Implement Chapter 14.28 of the Municipal Code, which defines the number of required below-market-rate (BMR) units by development size and type, and requires on larger projects (greater than 10 market-rate units) that the BMR units generally reflect the size and number of bedrooms of the market rate units.

Continue to implement the City’s Multi-Family Affordable Housing Ordinance (Chapter 14, Section 28), which includes a series of unit thresholds at which affordable housing units will be required. The ordinance establishes the following thresholds and requirements:

- *1–4 units: Affordable housing units are not required.*
- *5–9 units: Affordable housing units are required. In the event that the developer can demonstrate to the satisfaction of the City Council that providing affordable housing units in a project will be financially infeasible, the City Council may waive the requirement to provide affordable housing units.*
- *10 or more units: Affordable housing units are required as follows:*
 - *For rental units – 15 percent low income or 10 percent very low-income housing*
 - *For owner units – 10 percent moderate-income housing*

Chapter 14.28 also notes that unless otherwise approved by the City Council, all affordable units in a project shall be constructed concurrently with market-rate units, shall be dispersed throughout the project, and shall not be significantly distinguishable by design, construction, or materials.



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Program 4.3.3 – Consider reduced parking requirements for certain housing types and affordable housing units.

For affordable housing units and small housing units including senior housing, studios and SROs, the City will consider allowing just one parking space per unit.

The City will continue to monitor the underground parking requirement to ensure this requirement is not a constraint to the production of housing or a constraint to meeting maximum densities.

Program 4.3.4 – Continue to encourage maximum densities.

Continue to ensure that the City is meeting maximum densities in the zones that allow multifamily housing. The City will monitor the lot coverage requirement and the height requirements. Most recently, the City removed the “stories requirement” from the commercial and multiple-family districts to allow more flexibility in development and to facilitate greater potential densities. The City also codified a maximum density development requirement, which notes that the maximum density permitted shall be constructed unless it is determined by the City Council that a less dense project would be in the best interests of the community. In addition, the City will monitor the underground parking requirements as stated in Program 4.3.3 to ensure that they do not cause a significant constraint to meeting the maximum densities required by all of Los Altos’ multiple family zoning districts.

Program 4.3.5 – Initiate an affordable housing administration contract review and renewal.

Initiate a Request for Project for the contract administration of the City’s affordable housing programs including an emphasis on an appropriate contract duration, administration responsibilities, enforcement, outreach and marketing.

Program 4.3.6 – Improve the City’s BMR program priority ranking process.

Review and amend, as necessary, the City’s BMR program application ranking process.

Program 4.3.7 – Consider a commercial development linkage fee for affordable housing.

Study and explore the option of a commercial development linkage fee for affordable housing. If appropriate, consider adopting a local fee.

HOUSING PRODUCTION

One measure of whether the City’s goals, policies, and programs have been successful is a comparison to its regional housing needs allocation number, referred to as RHNA. The state determines each jurisdiction’s RHNA, which coincides with the housing element period that covers the eight-year period from 2015 to 2023. The City’s current RHNA is 477 total housing units across all income levels, which includes:

- 97 above moderate income units;



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- 112 moderate income units;
- 99 low income units;
- 85 very-low income units; and
- 84 extremely-low income units.

Since 2014 the City has permitted 210 housing units. A substantial amount of the development was the rebuilding of 140 single-family dwellings at above-moderate levels. Secondly, 44 multiple-family dwellings were permitted at the above moderate level. Regarding affordable housing, the City permitted two (2) moderate income units, 20 low income units, and four (4) very-low income units. In terms of accessory dwelling units (ADU or second living units) the previously stated low and very-low income figures included one (1) low income ADU and four (4) very-low income ADUs.

CONCLUSION

California's housing-element law acknowledges that, for the private market to adequately address the housing needs and demand of Californians, local governments must adopt plans and regulatory systems that provide opportunities for (and do not unduly constrain), housing development. Thus, housing policy in California rests largely upon the effective implementation of general plans and local housing elements at the local level. The Los Altos Housing Element provides key measures that if diligently applied can result in the production of more affordable housing within the City, and it is for this reason staff is recommending that the policies and programs of the Housing Element be the starting point in the effort to identify opportunities to expand affordable housing in the City.

Options

- 1) Concur that the policies and programs listed in the General Plan serve as the basis for opportunities to expand affordable housing in Los Altos

Advantages: This list has gone through a review process, has been adopted, and provides immediate direction on steps the City should take.

Disadvantages: There may be other opportunities the Council seeks to explore.

- 2) Identify other avenues that will expand affordable housing in Los Altos.

Advantages: May identify new ideas or opportunities to expand affordable housing in Los Altos

Disadvantages: Will require time to evaluate and may result in the need to amend current policies and codes.

Recommendation

The staff recommends Option 1.