CITY OF MERCED Planning & Permitting Division

STAFF REPORT: #11-03 AGENDA ITEM: 4.1

FROM: Kim Espinosa, PLANNING COMMISSION

Planning Manager **MEETING DATE:** Mar. 25, 2011

PREPARED BY: Julie Nelson, CITY COUNCIL

Planner **MEETING DATE:** (Tentative) May 2, 2011

SUBJECT: Housing Element for the City of Merced (General Plan Amendment #11-

02) initiated and prepared by the City of Merced. This application involves a recommendation for adoption of the revised Housing Element. The Housing Element is one of seven required elements of the General Plan. The Housing Element sets forth policies and programs for the provision of affordable housing throughout the community. Once the Planning Commission makes a recommendation on the draft element, it will be forwarded to the City Council for adoption and then to the State Department of Housing and Community

Development (HCD) for certification. *PUBLIC HEARING*

ACTION: PLANNING COMMISSION:

Recommendation to City Council

- 1) Environmental Review #09-03 (Negative Declaration)
- 2) Adoption of Draft Housing Element (*Revised*) (General Plan Amendment #11-02)

CITY COUNCIL:

Approve/Disapprove/Modify

- 1) Environmental Review #09-03 (Negative Declaration)
- 2) Adoption of Draft Housing Element (*Revised*) (General Plan Amendment #11-02)

SUMMARY

The City's current Housing Element, one of the seven required elements of the General Plan, was adopted in 2003. According to State Law, the revised Housing Element had to be submitted to the Department of Housing and Community Development (HCD) by August 31, 2009. After the Planning Commission's review of the document on August 5, 2009, it was submitted to HCD for their review. Subsequently, the City was notified of certain changes that needed to be addressed in order for HCD to certify the Housing Element. Staff has been working on the necessary revisions to address HCD's concerns and is now ready to re-submit the document. Prior to re-submittal, the Planning Commission needs to review the document and make a recommendation to the City Council as to the adoption of the revised Housing Element.

The Housing Element sets forth policies and programs for the provision of affordable housing throughout the community. Staff is recommending that the Planning Commission recommend adoption of the Draft Housing Element and its submittal to the State for review.

RECOMMENDATION

Planning staff recommends that the Planning Commission recommend approval of a Negative Declaration for Environmental Review #09-03 and adoption of the Draft Housing Element (General Plan Amendment #11-02) as enclosed with this staff report in accordance with the Draft Resolution at Attachment C.

BACKGROUND

The City's current Housing Element, one of the seven required elements of the General Plan, was adopted in 2003, and was incorporated into the *Merced Vision 2015 General Plan* as Chapter 9. Since State law requires updates of the housing element every 5 years, the Housing Element was scheduled to be updated in 2008. However, the State Legislature approved two extensions and issued a new update schedule in 2008. With the new schedule the City's Housing Element was due to be updated no later than August 31, 2009. The "Draft" Housing Element was submitted to HCD by the August deadline after being reviewed by the Planning Commission at their meeting on August 5, 2009.

Due to budget constraints, money was not included in the FY 08-09 budget to hire a consultant to complete the preparation of the Housing Element as had been done in the past. Therefore, City Staff did the preparation of this update. Budget constraints also prevented money from being available for FY 09-10 and FY 10-11 to complete the update process and respond to HCD's comments. Therefore, staff has been working intermittingly on completing the update and making the necessary revisions based on comments received from HCD. Because of other demands on staff time, it has taken longer than expected to complete the revisions and bring the document back before the Planning Commission for review. The table found at Attachment A contains the comments received from HCD and the location of the information in the revised Housing Element provided in response to those comments.

FINDINGS/CONSIDERATIONS:

Housing Element Requirements

A) The Housing Element is one of the seven required elements of the General Plan. State Housing Element Law (California Government Code Sections 65580 through 65589.8) is extremely complex with many specific requirements. A summary of those requirements can be seen at Attachment B. The enclosed revised draft Housing Element for the City of Merced addresses all the requirements of State law.

Housing Element Organization

B) The draft Housing Element (enclosed) is organized as follows:

Section ES: Executive Summary

Section 9.1: Introduction and Overview (including state requirements, relationship

to other General Plan Elements, etc.)

Section 9.2: Evaluation of the 2003 Housing Element and its Effectiveness

Section 9.3: Population and Housing Data

Section 9.4: Land for Housing

Section 9.5: Constraints to Housing

Section 9.6: Goals, Policies, and Programs (2009)

Section 9.7: Public Participation

Appendices: A – Vacant Lot Inventory

B - LAFCO Policies

C - Merced City and County 2009 Continuum of Care Plan

D – Environmental Documentation

Goals, Policies, & Programs

C) The primary focus of the Housing Element are the goals, policies, and programs as outlined in Section 9.6 of the enclosed Draft. The City of Merced's goals from the previous Housing Element remain in tact as follows:

- 1) New Affordable Housing Construction
- 2) Housing Conservation and Rehabilitation
- 3) Housing Affordability
- 4) City Coordination
- 5) Quantified Objectives

The majority of Action Programs are also maintained. Some of them have been modified or omitted, and new programs have been added. Some of the new programs and modifications to existing programs added to the revised Housing Element are as follows:

- Action Program 1.1.a plans an effort to help educate the public and Decision-makers about affordable housing, especially multi-family developments, to help alleviate "NIMBYism" when developments are proposed.
- Action Program 1.1.b includes plans to evaluate the use of incentives to encourage the construction of child care centers within new developments.
- Action Program 1.1.f encourages the use of the Density Bonus provision to allow a 50% increase in the number of units allowed in medium and high density zones dedicated exclusively for senior Housing, if at least 50% of the units are affordable to very low-income households. It also calls for the City to consider reducing the parking requirements for senior housing to 0.67 spaces per unit.
- Action Program 1.1.g includes a plan for City staff to work with UC Merced staff to develop a Student Housing Plan.
- Action Program 1.3.b includes a plan to include the use of development agreements to encourage construction of child care centers in new developments.
- <u>Action Program 1.8.b</u> requires the City to develop an in-fill strategy to encourage infill development, especially within the City's Core Area.
- Action Program 2.1.g requires the City to use funds obtained through the Federal Stimulus Program or other funding sources to initiate a weatherization program for low to moderate-income families.

The funding resources identified in the Plan include competitive grants, entitlements and

Redevelopment Set Aside funds. Although the grant amounts quantified are competitive, the purpose of including them in the Action Plan is to establish a commitment to apply for these grant funds when they may become available. Other funds such as Redevelopment Set Aside and CDBG funds are based on an estimate of previous years' allocations.

State Review

D) Unlike other General Plan elements, the Housing Element must be submitted to the State for review. At least 60 days prior to adoption, a Housing Element must be submitted to the California Department of Housing and Community Development (HCD) for review. HCD then conducts a review and issues written findings determining whether the element "substantially complies" with State housing law. This review can take up to 90 days. Staff submitted the Housing Element to HCD on August 28, 2009. Comments were received from HCD on October 30, 2009. If HCD finds that the element is substantially out of compliance, the legislative body is required to either change the element to comply or adopt the draft housing element without changes and include written findings explaining why the legislative body believes it does substantially comply.

Upon adoption, the final housing element must be submitted back to HCD for a 90-day review, after which HCD will report its final written findings.

After the Planning Commission public hearing, City staff will incorporate any changes in the document as required by the Commission. The Housing Element will then be submitted to the City Council for final adoption and then forwarded to HCD for final review.

Housing Task Force

E) In March 2009, the Housing Element Task Force was formed. The Task Force was made up of 18 individuals representing various housing interests in the City. A membership roster of the Task Force can be seen at Attachment C. Two Planning Commissioners, Carole McCoy and Mary Ward, were part of the Task Force. From April to July 2009, four meetings of the Task Force were held, covering the following topics:

Meeting #1: Review and Revision of 2003 Housing Element Goals & Programs Meeting #2: Review and Revision of 2003 Housing Element Goals & Programs

Meeting #3: Housing Resources and Constraints

Meeting #4: New/Revised Policies, Objectives, and Programs

All comments from the Task Force were included in the preparation of the document.

Regional Housing Needs

F) In 2008, the Merced County Association of Governments (MCAG), as required by State law, determined existing and projected regional housing needs or "share" for each jurisdiction in Merced County for the period of January 2007 through July 2014, based on the statewide and regional needs as determined by HCD. Each jurisdiction was to then determine how it would address this need through the process of updating its Housing Element. The City of Merced's share of the regional housing needs was

determined to be 3,076 units.

It is important to note that the resulting numbers do <u>not</u> imply that each jurisdiction must produce the identified amount of very low, low, moderate, and above moderate income housing. Each jurisdiction <u>is</u> required, however, to demonstrate that it has an adequate number of available sites for single-family and multi-family housing to accommodate its share of the Regional Housing Needs (3,076 units for the City of Merced) within its General Plan and to identify strategies for promoting additional housing opportunities for all income levels. The City's draft Housing Element addresses this requirement and it has been determined that Merced has adequate sites to accommodate our share of the regional housing needs. Appendix A includes a parcel by parcel inventory as required by State Law.

Environmental Clearance

G) The Planning staff has conducted an environmental review (Initial Study # 09-03) of the project in accordance with the requirements of the California Environmental Quality Act (CEQA), and a *Draft Negative Declaration* (i.e., no significant adverse environmental effects have been found) is being recommended (see Appendix C of the enclosed Housing Element).

Attachments:

- A) Comments from HCD
- B) Housing Element Requirements
- C) Housing Task Force Membership
- D) Draft Planning Commission Resolution

Enclosures:

- 1) Revised Administrative Draft City of Merced Housing Element (March 2011)
- 2) Appendix A Vacant Lot Inventory
- 3) Appendix B Merced City and County 2009 Continuum of Care Plan
- 4) Appendix C Initial Study #09-03

JN: N:Shared/Planning/HousingElement/StaffReports/SR#11-03

Housing Needs, Resources, & Constraints

Requirement:

Include a quantification of the locality's existing and projected needs for all income levels, including extremely low-income households.

Required Correction:

Quantify existing and projected extremely low-income (ELI) households and analyze overpayment for ELI households by Tenure.

Correction Made:

Pages 9-44 to 9-45

Requirement:

Include an analysis and documentation of household characteristics, including level of payment compared to ability to pay, housing characteristics, including overcrowding, and housing stock conditions.

Required Correction:

Identify total overpayment by tenure for all households.

Correction Made:

Pages 9-60 to 9-64

Requirement:

Merced has a RHNA of 3,076 units, of which 1,492 are for lower-income households. To address this need, the element relies on vacant sites including sites in planned development and multifamily districts. However, to demonstrate the adequacy of these sites and strategies to accommodate the City's RHNA, the element must include complete analysis as follows:

Site Inventory and Analysis

Realistic Capacity

The element estimates realistic unit capacity of vacant sites listed in Appendix B at average densities, but provides no analysis to support this determination. To demonstrate the realistic capacity of identified sites, the analysis must consider land use and site improvement requirements. In addition, given that many of the identified sites are in P-D districts, the element should explain the P-D process and identify development trends in P-D districts to support the element's density assumptions. As mentioned in the conversation with staff, P-D districts revert to those of the R-4 zone, unless proposals to relax standards are requested. The element should explain this process and typically built densities.

Large Sites

The inventory includes many large sites with residential capacities exceeding 250 units for each parcel; however, it lacks information on how these sites facilitate development of housing affordable to lower-income households. For example, most assisted development utilizing State or federal financial resources are developments of 50 to 150 units. To utilize larger sites to accommodate the regional housing need for lower-income households, the element should include an analysis of their appropriateness such as a discussion of opportunities for specific plan development, further subdivision or other methods to facilitate development of housing for lower-income households.

Correction Made:

Pages 9-107 to 9-110

Requirement:

Zoning for a variety of Housing Types

Specifically identify the zone(s) or potential zone(s) and demonstrate sufficient capacity to accommodate the need for emergency shelters. Describe the characteristics and suitability of the zone(s) for emergency shelters.

Correction Made:

Page 9-79 (first paragraph)

Requirement:

Second Units – the element does not identify whether zoning for second units is a permitted.

Required Correction:

Clarify if second units are a permitted use and the zone(s) in which they are permitted or include a program to ministerially permit second units.

Correction Made:

Pages 9-50 to 9-51

Requirement:

Housing for Agricultural Employees – the element did not address this requirement.

Required Correction:

The element must include an analysis of zoning to encourage and facilitate a variety of housing types for farmworkers including permanent and seasonal farmworkers. The element should describe zoning available to accommodate various housing types to address the needs of farmworkers.

Correction Made:

Pages 9-69 to 9-73

Requirement:

Analyze potential and actual governmental constraints upon the maintenance, improvement, or development of housing for all income levels, including the types of housing identified in paragraph (1) of subdivision (c), and for persons with disabilities as identified in the analysis pursuant to paragraph (7), including land use controls, building codes and their enforcement, site improvements, fees and other exactions required of developers, and local processing and permit procedures.

Required Correction:

1) Processing and Permit Procedures

Specifically describe and analyze the City's permit processing and approval procedures by zone and housing type.

2) Given the reliance on the planned development zone and process to accommodate the regional housing need, particularly for lower-income households and multifamily development, the element must include a complete description and analysis of the PD process. Describe all required steps and processes and identify impacts as they relate to certainty, predictability, timing and cost of development. For example, the element could indicate whether the City utilizes tools such as default development standards providing a minimal threshold for approvable heights and parking to promote approval certainty and could describe timing, approval rates and the impacts of any conditions on approval.

Correction Made:

- 1) 9-118 to 9-119
- 2) 9-107 to 9-11 and 9-118 to 9-119

Quantified Objectives

Requirement:

Establish the number of housing units that can be constructed, rehabilitated, and conserved over a five-year time frame.

Required Correction:

The element must include objectives for extremely low-income (ELI) households.

Correction Made:

Page 9-167

Housing Program

Requirement:

Identify adequate sites which will be made available through appropriate zoning and development standards and with public services and facilities needed to facilitate and encourage the development of a variety of types of housing for all income levels, including rental housing, factory-built housing, mobile homes, and emergency shelters, and transitional housing.

Required Correction:

The element does not include a complete site analysis and, therefore, the adequacy of sites and zoning were not established. Based on the results of a complete site inventory and analysis, the City may need to add or strengthen programs to address a shortfall of sites or zoning available to encourage a variety of housing types.

Correction Made:

Pages 100 to 101 – sufficient sites provided

Requirement:

Emergency Shelters

Required Correction:

Identify the specific zone(s) for permitting emergency shelters (see Finding A-3)

Correction Made:

Page 9-160 (Program 1.1.d)

Requirement:

Transitional & Supportive Housing

Pursuant to SB 2, transitional and supportive housing must be permitted in all residential zones and only subject to those restrictions that apply to other residential uses of the same type in the same zone.

Required Correction:

The element should include programs to modify zoning as appropriate.

Correction Made:

Page 9-160 (Program 1.1.d)

Requirement:

- 1) Describe the amount and uses of funds in the redevelopment agency's low and moderate Income Housing Fund.
- 2) The housing element shall contain programs which "assist in the development of adequate housing to meet the needs of extremely low-, low- and moderate-income households.

Required Correction:

- 1) The element must include an estimate of the moneys expected to accrue to the Low and Moderate Income Fund through the end of the planning period, and the planned use of these funds. Where possible, the element should relate redevelopment funding to programs in the element. H & S Code Section 3341(b)(4) requires a redevelopment implementation plan to be consistent with a community's housing element. The integration of applicable information from the redevelopment agency's current housing implementation plan into the housing element will assist in the development of an effective housing element.
- 2) <u>ELI Households</u>: Pursuant to AB 2634, existing programs should either be expanded or new programs added to specifically assist in the development of a variety of housing types to meet the housing needs of ELI households. To address this requirement, the element could revise programs to prioritize some funding for the development of housing affordable to ELI households, and/or offer financial incentives or regulatory concessions to encourage the development of housing types, such as SRO units and supportive housing.

Correction Made:

- 1) Pages 9-92 to 9-95
- 2) Programs 1.3.a, 1.6.a, 2.1.a, 1.2.b, 1.6.b, and 1.7.b (begins on page 9-165)

Requirement:

Program H-1.6a – Funding Applications for new housing

Required Correction:

Include specific actions the City will undertake, such as which funding sources it will apply for and a schedule of application dates.

Correction Made:

Pages 9-151 to 9-152

Requirement:

Program H-1.7.b 3.1.a – Special Needs and Affordable Housing

Required Correction:

Describe when the City will develop and coordinate with private, non-profit and other agencies to assist in the development of special needs housing and housing affordable to lower-income households.

Correction Made:

Programs 3.1.a and 3.1.b (pages 9-173 to 9-174)

Requirement:

The housing element shall contain programs which "address, and where appropriate and legally possible, remove governmental constraints to the maintenance, improvement, and development of housing."

Required Correction:

As noted in Finding A-4, the element requires a complete analysis of potential governmental constraints. Depending upon the results of that analysis, the City may need to revise or add programs and address and remove or mitigate any identified constraints.

Correction Made:

Program 3.1.c (page 174) and Pages 9-115 to 9-145

Requirement:

The housing program shall promote equal housing opportunities for all persons regardless of race, religion, sex, marital status, ancestry, national origin or color.

Required Correction:

While Program H-4.1.b describes the City will sponsor Fair Housing and Tenant/landlord relationships and rights workshops, it should include commitment to disseminate fair housing information through the City in a variety of public locations and commit to continue and/or establish a process to refer or resolve fair housing complaints.

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Program 6.1 (page 179)

Requirement:

<u>Consistency with General Plan</u> The housing element shall describe the means by which consistency will be achieved with other general plan elements and community goals.

Required Correction:

Government Code 65302.1 requires cities and counties in the San Joaquin Valley to amend appropriate elements of general plans to include detailed analysis, comprehensive goals, policies, and feasible implementation strategies to improve air quality within one year of new housing element planning period. Please note, should the resulting amendments to the general plan affect or be inconsistent with the housing element policies and programs, the City must amend the element to address any potential conflicts or constraints and resubmit the housing element to the Department. Of particular concern is that additional constraints not be imposed to reduce the development potential of the sites identified to accommodate the regional housing need. To the extent feasible, the pending housing element update is encouraged to incorporate policies consistent with the air quality objectives.

Correction Made:

Page 9-184

Housing Element Requirements

The Housing Element is one of the seven required elements of the General Plan. State Housing Element Law (California Government Code Sections 65580 through 65589.8) is extremely complex with many specific requirements. In general, a Housing Element must contain the following:

- (a) An assessment of housing needs and an inventory of resources and constraints relevant to the meeting of these needs, to include all of the following:
 - (1) An analysis of population and employment trends and documentation of projections and a quantification of the locality's existing and projected housing needs for all income levels. These existing and projected needs shall include the locality's share of the regional housing needs.
 - (2) An analysis and documentation of household characteristics, including level of payment compared to ability to pay, housing characteristics, including overcrowding, and housing stock condition.
 - (3) An inventory of land suitable for residential development, including vacant sites and sites having potential for redevelopment, and an analysis of the relationship of zoning and public facilities and services to these sites.
 - (4) An analysis of potential and actual governmental constraints upon the maintenance, improvement, or development of housing for all income levels and for persons with disabilities, including land use controls, building codes and their enforcement, site improvements, fees and other exactions required of developers, and local processing and permit procedures. The analysis shall also demonstrate local efforts to remove governmental constraints that hinder the locality from meeting its share of the regional housing need and from meeting the need for housing for persons with disabilities.
 - (5) An analysis of potential and actual nongovernmental constraints upon the maintenance, improvement, or development of housing for all income levels, including the availability of financing, the price of land, and the cost of construction.
 - (6) An analysis of any special housing needs, such as those of the elderly, persons with disabilities, large families, farm workers, families with female heads of households, and families and persons in need of emergency shelter.
 - (7) An analysis of opportunities for energy conservation with respect to residential development.
 - (8) An analysis of existing assisted housing developments that are eligible to change from low-income housing uses during the next 10 years due to termination of subsidy contracts, mortgage prepayment, or expiration of restrictions on use.
 - (b) Housing program requirements call for development of a local housing program strategy consisting of two primary components; a statement of goals, policies and priorities, and a plan for implementation. This program must reflect the commitment of the locality to address a range of housing needs, including those for affordable housing.

HOUSING ELEMENT TASK FORCE MEMBERSHIP

Name	Title	Organization
Brenda Callahan-Johnson	CEO	Merced County Community Action Agency
Brett Baker		Building Industry Association
Carole McCoy	Planning Commissioner	City of Merced Planning Commission
Christie Hendricks	Coordinator	MCOE, Child Care Support Services
Chris Alley	CEO	Central Valley Coalition for Affordable Housing
Freya Foley	Asst Vice Chancellor of HR	UC Merced
Gina Thexton	Director of Housing Programs	Housing Authority
Greg Bradford	Developer	Envision Homes
Leslie Santos	Dir. Of Hsg & Res Life	UC Merced
Lila McIver	Research & Communications Specialist	Great Valley Center
Maria Nava	Program Director	Merced County Agency on Aging
Mary Ward	Planning Commissioner	City of Merced Planning Commission
Michele Woodburn	CEO	The Independence Resource
Milt Mc Dowell	citizen	
Paul Thao		Merced Lao Family Community
Rennise Ferrario	Executive Dirctor	Housing Authority
Tamala Fields	Manager	Center for Independent Living
Theresa Langford	Alternate for Greg Bradford	Envision Homes

CITY OF MERCED Planning Commission

Resolution #2984

WHEREAS, the Merced City Planning Commission at its regular meeting of March 23, 2011, held a public hearing and considered Housing Element for the City of Merced (General Plan Amendment #11-02), initiated and prepared by the City of Merced. This application involves a recommendation for adoption of the revised Housing Element. The Housing Element is one of seven required elements of the General Plan. The Housing Element sets forth policies and programs for the provision of affordable housing throughout the community. Once the Planning Commission makes a recommendation on the draft element, it will be forwarded to the City Council for adoption and then to the State Department of Housing and Community Development (HCD) for certification; and,

WHEREAS, the Merced City Planning Commission concurs with Findings A through G of Staff Report #11-03; and,

WHEREAS, after reviewing the City's Environmental Determination, and fully discussing all the issues, the Merced City Planning Commission does resolve to hereby recommend to City Council adoption of a Negative Declaration regarding Environmental Review #09-03 and adoption of the Draft Housing Element (*Revised*) (Enclosure 1 of Staff Report #11-03).

Upon motion by Commissioner		, seconded by, and carried by the following vote:
AYES:	Commissioner(s)	
NOES:	Commissioner(s)	
ABSENT:	Commissioner(s)	

ABSTAIN: Commissioner(s)

PLANNING COMMISSION RESOL Page 2 March 23, 2011	UTION #2984
Adopted this 23 rd day of March 2011	
	Chairperson, Planning Commission of the City of Merced, California
ATTEST:	
Secretary	_

n:shared:planning:PC Resolutions:#2958 Housing Element