



COUNCIL REPORT

DATE: April 3, 2023
CATEGORY: Consent
DEPT.: Community Development
TITLE: **2022 Annual Housing Element Progress Report: 2015-2023 Housing Element (Revised)**

RECOMMENDATION

Review the 2022 Annual Progress Report for the 2015-2023 Housing Element submitted to the California Department of Housing and Community Development (Attachment 1 to the Council report).

BACKGROUND

This staff report has been modified from the version originally published on March 23, 2023 (previous version is Attachment 3 to the Council report).

Housing Element and Annual Progress Report

The Housing Element is one of the seven mandated General Plan elements. It is the only General Plan element subject to mandatory review by a State agency, the California Department of Housing and Community Development (HCD). The Housing Element's purpose is to examine the housing needs of residents, create and guide City housing policy and programs, and identify locations to accommodate the City's Regional Housing Need Allocation (RHNA). Upon review and certification of a Housing Element by HCD, local jurisdictions qualify for State and Federal housing aid and grants.

Housing Element updates are required every eight years. The City is currently preparing a Housing Element Update for the 2023-2031 period. More information is provided below regarding that process. The subject of this report is the 2015-2023 Housing Element.

Government Code Section 65400 requires cities to prepare an annual progress report on Housing Element implementation, using forms and definitions adopted by HCD. These reports are submitted to HCD and the Governor's Office of Planning and Research. They provide data on annual building permit activity, overall progress in meeting the City's RHNA, and status of Housing Element program implementation.

RHNA

State law requires local jurisdictions to provide for their fair share of regional housing needs. Per Government Code Section 65584, HCD is mandated to determine the Statewide housing needs and provides this data to the Association of Bay Area Governments (ABAG). ABAG is the Bay Area’s metropolitan planning organization and is responsible for assigning the Bay Area’s RHNA to each city and county in the nine-county Bay Area. Housing Element law acknowledges that, in order for the private market to adequately address the housing needs of California, local governments must adopt plans and regulatory systems that provide opportunities for (and do not unduly constrain) housing development. The local jurisdictions are, therefore, required to zone adequate developable land for these units to be built and to implement other Housing Element requirements to facilitate housing production across incomes.

The RHNA allocation methodology assigns units by income category—specifically, units serving very-low-, low-, moderate-, and above-moderate-income households. Households are categorized in these income groups based on household size and percentages of the Area Median Income (AMI). These income limits are established annually by HCD. The 2022 AMI for Santa Clara County for a household of four was \$168,500. The range of income limits at the various levels of affordability noted below are provided in Attachment 2. The City’s RHNA allocation for 2015-2023 is shown in Table 1 below.

Table 1: RHNA Allocation

Affordability by Household Income	Units
Very Low 0%-50% AMI	814
Low 51%-80% AMI	492
Moderate 81%-120% AMI	527
Above Moderate 120%+ AMI	1,093
Total	2,926

Environmental Planning Commission Recommendation

The 2022 Housing Element Annual Progress Report was presented to the Environmental Planning Commission (EPC) for review on March 1, 2023, and the EPC recommended that the City Council accept the 2022 Annual Progress Report.

The EPC had questions regarding several items in Table D, which summarizes progress against identified Housing Element objectives set at the beginning of the current cycle (in 2015). The questions were related to clarifying how the accomplishments relate to the objectives. Based on EPC questions and subsequent discussion, staff made a few revisions to Table D to provide additional context to the program objective and the status of program implementation. Additional information was provided to expand on the status of program implementation for providing units for larger households and priorities for affordable units. Staff updated the table to add the requirement that City-owned sites and sites in the pipeline provide a minimum of 25% of the total units as two- and three-bedroom units. Projects that have recently received City funding have met this minimum. In addition, staff clarified that the City of Mountain View requires that, to the extent feasible, given legal and funding considerations, households that live and/or work in Mountain View be given preference for units. These edits are included in Attachment 1 to the Council report.

HCD Submission Deadline

The 2022 Annual Progress Report for the 2015-2023 Housing Element is due to HCD on April 1, 2023. To meet this deadline, staff submitted the report before the Council meeting, which was rescheduled from March 28, 2023 to April 3, 2023. HCD continues to accept new or revised annual progress reports for previous reporting years; therefore, if there are changes to this report, staff can resubmit at any time.

ANALYSIS

As noted above, the annual progress report provides the State with information on the City's yearly building permit activity between January 1, 2022 and December 31, 2022 for net new housing units (see Table 2 below and Attachment 1, Table A2). The progress report also includes Housing Element policy and program implementation status (see Attachment 1, Table D).

Several Housing Element implementation items are summarized below.

1. Residential Building Permit Activity and RHNA Allocation

In 2022, the City issued building permits for 974 net new residential units,¹ 10 of which are very-low-income units; 46 are low-income units; 118 are moderate-income units; and 800 are above-moderate income units (see Table 2 below and Attachment 1, Tables A2 and B).

**Table 2: Building Permits Issued for New Residential Units
Between 2015 and 2022**

Affordability by Household Income	2015-2021	2022	Total Units to Date	Percent of RHNA Allocation
Very Low 0%-50% AMI	218	10	228	28%
Low 51%-80% AMI	212	46	258	52.4%
Moderate 81%-120% AMI	18	118	136	25.8%
Above Moderate 121%+ AMI	3,882	800	4,682	100% (428.0%) ²
Total	4,330	974	5,304	58.6% ³

2. No Net Loss

Senate Bill (SB) 166, also known as the No Net Loss Law, was codified on January 1, 2018 and, among other provisions, requires local jurisdictions to maintain an inventory of sites zoned to accommodate their share of the region's housing needs at all income levels. In

¹ In the latest Annual Progress Report Instructions provided by HCD, units should be reported based on total project new units, while demolished units are listed separately. Since this is the last Annual Progress Report (APR) for the Fifth-Cycle RHNA, we continue to report on net new units to maintain consistency with the previous APRs and reporting instructions. In HCD's example, a 100-unit project with 10 demolished units would report 90 net new units; however, the new instructions indicate reporting 100 units and 10 demolished units separately. This report is more conservative (fewer units) than the latest APR instructions since the demolished units are subtracted.

² Cities can only take credit for 100% of the RHNA requirement in the total RHNA percentage (58.6%). Since the City issued more units than the RHNA requirement for above-moderate units, the actual percentage (428%) is shown in parentheses for reference.

³ The total percentage of RHNA presented in the table is found by calculating the total building permits issued for units in the very-low- to moderate-income levels (228 + 258 + 136) and the RHNA requirement for the above-moderate-income level (1,093) since the above-moderate units already exceed the requirement for that income level. The percentage shows the true percentage of the remaining RHNA requirement.

other words, if a site is developed with fewer units at the specified income level than identified in the Housing Element, the jurisdiction must identify (and rezone, if necessary) additional sites to make up for the shortfall. In 2022, two development projects were approved on Fifth-Cycle Housing Element sites:

Project	Inventory Capacity Removed	Project Units
<u>Site 3a</u> 1057 El Monte Avenue <i>Approved February 2022</i>	36 lower-income units	90-room senior-care facility with assisted living and memory care rooms
<u>Site 7a and 2b</u> Lot 12 (Bryant Street) <i>Approved April 2022</i>	6 lower-income and 52 moderate-income units	119 lower-income units

These two projects together provide 77 more units in the low-income (and very-low-income) categories than what was expected in the Housing Element, though they reduce the moderate-income units by 52. However, there were also building permits this year for 118 moderate-income units that were not previously identified in the sites inventory. Therefore, the City does not have a shortfall in its RHNA capacity and is in compliance with the No Net Loss Law.

3. Housing Policies and Programs

The Housing Element addresses several key community housing issues, including the lack of affordable housing and loss of older affordable units to redevelopment. The City has been proactive in addressing these issues through adoption of increased affordable housing fees; the creation of, and updates to, the Tenant Relocation Assistance Ordinance; creating partnerships with affordable housing developers; implementation of the Community Stabilization and Fair Rent Act; and other activities discussed in Attachment 1, Table D, and below.

- Affordable Housing Production

- *Notice of Funding Availability (NOFA) Projects:* The City Council has continued to utilize City housing funds to support 100% affordable housing developments through the NOFA process. This included the following affordable housing development:
 - i. In 2022, the City reserved \$13.5 million for 108 units of affordable housing at 1020 Terra Bella Avenue, including housing for low, very-low, and

extremely low income households and households experiencing homelessness.

- Measure A Funding: Staff continues to work with the County and affordable housing developers to access Measure A funding. In 2022, the City entered into a Memorandum of Understanding with the County to set aside \$80 million for current and pipeline projects in the City. These projects would provide a total of 200 supportive housing units.
- Other Funding: The City’s funding leveraged other funding sources, primarily tax credits and bond financing. It is likely that these funding sources will continue to be used to produce subsidized rental units to help meet RHNA requirements.
 - i. All of the City-funded affordable housing developments also leverage significant outside funding, including County, State, and Federal funds.
 - ii. In 2022, the City Council reserved an additional \$1.5 million (for a total of \$5.2 million in 2021 and 2022) in Community Development Block Grant (CDBG) and Home Investment Partnership Program (HOME) funds to support the conversion of the Crestview Hotel into multi-family affordable housing serving largely families and individuals at risk of homelessness or experiencing homelessness. The City also supported the County’s application for State funds for this project. The hotel conversion will make it possible to make units available more quickly and affordably.
 - iii. The City started its competitive process to select a developer partner to build affordable housing at 87 East Evelyn Avenue, a site the City is purchasing from the Valley Transportation Authority (VTA).
- Density Bonus: The Density Bonus Law allows an increase of up to 50% greater density for projects that include either a percentage of units for affordable housing, donate an acre of land for affordable housing, or are a certain type of housing specified in the law, including a senior citizen housing development or a mobile home park for seniors. Between 2013 and 2022, 17 projects totaling 468 affordable units were approved utilizing the State’s Density Bonus Law. Most recently:
 - i. 334 San Antonio Road (Mircea Voskerician for 334 San Antonio LLC)—A 62-unit condominium development with 2,000 square feet of ground-floor commercial space, including a 50% State Density Bonus, where 10 units are deed-restricted for low-income households earning up to 80% AMI.

- ii. 730 Central Avenue (Zachary Trailer)—A 21-unit apartment development replacing an existing commercial building, including a 42.5% State Density Bonus, where three units are deed-restricted consisting of two units for very-low-income households earning up to 50% AMI and one unit for moderate-income households earning up to 95% AMI.
 - iii. 870 East El Camino Real (Equity Residential)—A 233-apartment unit addition to an existing apartment complex, including a 35% State Density Bonus, where 33 units are deed-restricted for very-low-income households earning less than 50% AMI and nine units for moderate-income households.
 - iv. Lot 12 (Alta Housing)—A 120-apartment unit affordable housing development with 2,900 square feet of ground-floor commercial space, including a 54% State Density Bonus, where 80 units are deed-restricted for very-low income and 39 units are deed-restricted for low income.
 - v. 1057 El Monte Avenue (Mitra Malek of El Monte LLC)—A 90-room senior care facility with a 20% State Density Bonus that set aside 100% of the housing for senior citizens where there is no income or rent restrictions.
 - vi. 1265 Montecito Avenue (Charities Housing)—An 86-unit affordable apartment development, including a 1.2% State Density Bonus, with all units, except the manager’s unit, designated for households earning 60% AMI or less.
- Homebuyer Assistance Program—The City continues to support the Housing Trust Fund’s homebuyer program. In 2022, the City applied for Permanent Local Housing Allocation (PLHA) funds to support a homebuyer program.
 - Updated Zoning Regulations—In 2022, the City updated the Zoning Code to include provisions that would result in the potential for up to four units on eligible R1-zoned properties to be consistent with SB 9.
 - Other Programs—The City provides services and/or funding to support a variety of programs targeting rehabilitation and maintenance of existing affordable housing complexes, home-buying assistance, outreach to residents/workers who may be eligible for subsidized housing and programs, emergency resources, and mediation and fair-housing services through Project Sentinel.

2023-31 RHNA

The Association of Bay Area Governments (ABAG) was assigned a regional total from the State totaling 441,176 units for the Sixth-Cycle Housing Element. This is much greater than the previous regional total (2015 through 2023) of 187,990 units. On December 16, 2021, ABAG adopted the Final RHNA Plan for the 2023-31 period, and Mountain View's Final RHNA allocation is 11,135 units. The Sixth-Cycle RHNA is about 3.8 times its last allocation (shown in Table 3) and amounts to approximately 32% of the City's current households. The Housing Element Update for the Sixth Cycle is under way. More information is available at www.mvhousingelement.org.

Table 3: Draft 2023-31 RHNA

Affordability by Household Income	Units
Very Low 0%-50% AMI	2,773
Low 51%-80% AMI	1,597
Moderate 81%-120% AMI	1,885
Above Moderate 120% plus AMI	4,880
TOTAL	11,135

FISCAL IMPACT

There is no fiscal impact associated with accepting the 2022 Annual Progress Report for the 2015-2023 Housing Element.

PUBLIC NOTICING—Agenda posting.

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810-04-03-23CR
202656

- Attachments:
1. 2022 Annual Housing Element Progress Report
 2. 2022 AMI for Santa Clara County
 3. March 28, 2023 Council Report (Superseded)