

CITY OF MOUNTAIN VIEW

ENVIRONMENTAL PLANNING COMMISSION

STAFF REPORT

WEDNESDAY, MARCH 4, 2020

6. NEW BUSINESS

6.1 Annual Housing Element Progress Report (2015-2023 Housing Element)

RECOMMENDATION

That the Environmental Planning Commission review the 2019 Annual Housing Element Progress Report.

PUBLIC NOTIFICATION

The Commission's agenda is advertised on Channel 26, and the agenda and this report appear on the City's Internet website.

BACKGROUND

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.

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 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. The local jurisdiction is not required to construct these units; they are required to zone adequate developable land to build these units 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 2019 AMI for Santa Clara County for a household of four was \$131,400 (see Exhibit 1). The City’s current 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

ANALYSIS

As noted above, the annual progress report provides the State with information on the City’s yearly building permit activity between January 1, 2019 and December 31, 2019 for housing units (see Table 2 and Exhibit 2, Table A2). The progress report also includes Housing Element policy and program implementation status (see Exhibit 2, Table D).

Several Housing Element implementation items are summarized below.

1. Residential Building Permit Activity and RHNA Allocation

In 2019, the City issued building permits for 294 new residential units (see Table 2 and Exhibit 2, Tables A2 and B).

**Table 2 – Building Permits Issued for New Residential Units
 between 2015 and 2019**

Affordability by Household Income	2015	2016	2017	2018	2019	Total Units to Date	% of RHNA Allocation
Very-Low 0%-50% AMI	0	17	98	0	61	176	21.6%
Low 51%-80% AMI	9	109	39	10	0	167	33.9%
Moderate 81%-120% AMI	0	0	0	0	0	0	0%
Above- Moderate 121%+ AMI	237	285	1,312	320	233	2,387	218.3%
Total	246	411	1,449	330	294	2,730	93.3%

The City of Mountain View has continued to experience a very high level of residential development activity. Currently, there are 2,279 net new residential units under construction. In addition, approximately 2,081 net new residential units were recently approved but are not yet under construction, and 1,863 net new units are under entitlement review.

2. No Net Loss

BACKGROUND

Senate Bill 166, also known as the “No Net Loss” law, was codified on January 1, 2018 and, among other provisions, requires jurisdictions to maintain an inventory of sites zoned to accommodate their share of the region’s housing needs at all income levels. In 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 the shortfall.

The 2015-2023 Housing Element identified 18 sites to provide low-income units and five sites to provide moderate-income units. Nine of these sites were developed with fewer than the targeted Below-Market-Rate (BMR) units; however, other project sites provided additional BMR units, which results in a housing deficit of sites identified for **56 low-income units** and **308 moderate-income units** (see Exhibit 3).

ANALYSIS

In 2019, 575 North Shoreline Boulevard, a site identified in the Housing Element to provide 80 moderate-income units, was entitled to construct 75 market-rate units. However, two developments were also entitled, including 149 moderate-income units at 777 West Middlefield Road and 1411 West El Camino Real.

The amended North Bayshore Precise Plan was adopted in December 2017 and identified three residential neighborhoods with capacity for 9,850 units, including 1,970 BMR units. The East Whisman Precise Plan was adopted in November 2019 and identified residential neighborhoods with capacity for 5,000 units, including 1,000 BMR units. The available sites provided in these Precise Plan areas are significantly more than the City's RHNA shortfall noted above.

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 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 Exhibit 2 and below.

- Affordable Housing Production

- *BMR Housing Program:* In June 2019, the City Council approved amendments to the BMR Housing Program to increase the

construction of affordable units. The modifications include: increasing the percentage requirement of affordable ownership units from 10 percent to 15 percent and from 10 percent to 25 percent for townhomes and rowhomes. In-lieu fee rates were also increased for both rental and ownership residential projects.

- *Notice of Funding Availability (NOFA) Projects:* The City Council has continued to utilize City housing funds to support 100 percent affordable housing developments through the NOFA process. In 2016, the City committed \$36 million in housing funds to three projects with 233 units serving very low- and extremely low-income families, veterans, and special-needs households. This included the following affordable housing developments:
 - Two NOFA projects completed construction in 2019, including 1701 West El Camino Real (Palo Alto Housing), where the City reserved \$8 million for 67 studio units affordable to extremely low- and very-low-income households. Thirty-nine (39) of the units are for chronically homeless or formerly homeless veterans. The second NOFA project completed is at 779 East Evelyn Avenue (ROEM Development Corporation), where the City reserved \$21.7 million for 116 units of family housing targeting very low- and low-income households.
 - An addition at 460 North Shoreline Boulevard (MidPen Housing), where the City has reserved \$6.3 million for MidPen Housing to construct 50 net new low- and very-low-income apartments at the existing Shorebreeze Apartments, received a building permit in April 2019, and is under construction.

A new NOFA project at 950 West El Camino Real was approved in April 2019. The City has reserved approximately \$22 million for Palo Alto Housing to construct a total of 71 units: 42 very-low-income and 28 low-income with 15 of the very-low-income units for adults with developmental disabilities.

Staff continues to work with the County and affordable housing developers to access Measure A funding (see Exhibit 4). Two (2) applications have been submitted to the County for consideration of Measure A funding, and they are currently under review. If funded,

these projects would include much-needed housing for the chronically homeless and the developmentally disabled.

The City's funding leveraged nearly \$100 million in 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.

Throughout the 2015-2023 planning period, the City will continue to consider opportunities and provide financial support to local subsidized housing developments using local funds such as BMR In-Lieu fees and Housing Impact fees.

- *Other Developments:* In addition to collecting housing fees to support affordable housing development in 2019, the City worked with market-rate developers to include 144 BMR units at 777 West Middlefield Road and five units at 1411 West El Camino Real through community benefit provisions.
- *Density Bonus:* The Density Bonus Law allows an increase of up to 35 percent greater density for projects that include either a percentage of units for affordable housing, donate an acre of land for affordable housing, is a senior citizen housing development, or is a mobile home park for seniors. Between 2013 and 2019, the following eight projects, totaling 205 affordable units, were approved with the State's Density Bonus Law:
 - 2700 West El Camino Real (Summerhill Homes) – a 211-unit residential rental development, including a 22.5 percent State Density Bonus in exchange for 11 very-low-income units.
 - 1101 West El Camino Real (Regis Homes Bay Area) – a 52-unit condominium development, including a 35 percent State Density Bonus in exchange for five very-low-income units.
 - 1998 Montecito Avenue (EID Architects) – a 17-unit residential development, including a two-unit State Density Bonus in exchange for one very-low-income unit.
 - 1701 West El Camino Real (Palo Alto Housing) – a 67-unit affordable studio apartment development, including a

25 percent State Density Bonus that will accommodate 49 very-low-income units and 18 low-income units, including one low-income manager unit.

- 400 San Antonio Road (Prometheus Real Estate Group) – a 583-unit mixed-use development, including a 35 percent State Density Bonus in exchange for 48 very-low-income units.
 - 828 Sierra Vista Avenue (D & C Development Inc.) – a 20-unit rowhouse development, including a 20 percent State Density Bonus in exchange for one very-low-income unit.
 - 1313 West El Camino Real (William Maston Architect) – a 24-unit mixed-use development, including a 35 percent State Density Bonus in exchange for two very-low-income units.
 - 950 West El Camino Real (Palo Alto Housing) – a 71-unit affordable studio apartment development, including a 5 percent State Density Bonus that will accommodate 42 very-low and 28 low-income with 15 of the very-low-income units for adults with developmental disabilities.
- Tenant Relocation Assistance – In April 2018, the City Council amended the City’s Tenant Relocation Assistance Ordinance to increase the amount of tenant relocation assistance required of developers and made more households eligible for assistance. Households with an income of less than 120 percent of AMI are now eligible for the cash equivalent of three months’ median market-rate rent and \$3,000 plus Consumer Price Index (CPI) percentage for special-circumstances households. During the 2019 planning period, the City received applications for assistance from 69 tenants associated with 14 different development projects, including the five development projects that were initiated in 2019. In 2020, the City Council will review updates to the Tenant Relocation Assistance Ordinance to increase requirements for tenant relocation.
 - Updated Zoning Regulations – In November 2019, the City adopted the East Whisman Precise Plan, which allows 5,000 new residential units, 1,000 of which will be below-market-rate. In 2017, the City also updated the Accessory Dwelling Unit Ordinance to reduce development standard restrictions, lower fees to encourage the development of second dwelling units, and increase housing opportunities within the

City. Staff will be presenting new updates to the Accessory Dwelling Unit Ordinance to the City Council in March 2020 to comply with new State laws. Since the 2017 adoption, 16 new accessory dwelling units have been built in the City in the past three years, where previously the City averaged one new accessory dwelling unit a year.

- 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.

ENVIRONMENTAL REVIEW

This is an informational report on the Housing Element implementation, which is not a project under CEQA and does not require environmental review.

NEXT STEPS

Staff will forward the 2019 Annual Housing Element Progress Report to the City Council, HCD, and Office of Planning and Research.

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837-03-04-20SR
200149

- Exhibits:
1. 2019 AMI for Santa Clara County
 2. 2019 Annual Housing Element Progress Report
 3. Housing Element Sites for RHNA Requirement
 4. Measure A Information Sheet