

CITY OF MOUNTAIN VIEW

ENVIRONMENTAL PLANNING COMMISSION

STAFF REPORT

WEDNESDAY, MARCH 3, 2021

6. NEW BUSINESS

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

RECOMMENDATION

That the Environmental Planning Commission review the 2020 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 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 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 2020 AMI for Santa Clara County for a household of four was \$141,600 (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, 2020 and December 31, 2020 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 2020, the City issued building permits for 1,588 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 2020**

Affordability by Household Income	2015- 2019	2020	Total Units to Date	Percent of RHNA Allocation
Very Low 0%-50% AMI	176	141	317	38.9%
Low 51%-80% AMI	167	45	212	43.0%
Moderate 81%-120% AMI	-0-	18	18	3.4%
Above Moderate 121%+ AMI	2,387	1,384	3,771	345.0%
Total	2,730	1,588	4,318	56.0%

The City of Mountain View has continued to experience a very high level of residential development activity. Currently, there are 1,639 net new residential units under construction. In addition, approximately 2,145 net new residential units were recently approved but are not yet under construction, and 1,714 net new units are under entitlement review (not including approximately 8,000 to 9,000 units in recently proposed Google Master Plans in North Bayshore and East Whisman).

2. **No Net Loss**

Senate Bill 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 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.

The 2015-2023 Housing Element (Housing Element) identified 18 sites to provide low-income units and five sites to provide moderate-income units. While nine of these sites were developed with fewer than the targeted Below-Market-Rate (BMR) units, other project sites provided additional BMR units. For example, 676 West Dana Street, a site identified for low-income units in the Housing Element, was approved in 2020 without any low-income units. Meanwhile, three developments were also approved in 2020 (355 East Middlefield Road, 2645 Fayette Drive, and 1001 North Shoreline Boulevard) with new low-income units.

However, even with the additional BMR units, the combination of developed projects and the capacity of remaining Housing Element sites result in 47 fewer low-income units and 257 fewer moderate-income units than the RHNA (see Exhibit 3). Consistent with the Government Code Section 65863, No Net Loss Law, the City has zoned additional sites for affordable housing since the Housing Element was adopted, which more than makes up for the shortfall. 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, bringing the City into 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 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.
 - In 2020, a NOFA project at 950 El Camino Real began construction and will be completed within 24 months of building permit issuance. The City has reserved approximately \$22 million for Alta Housing, formerly Palo Alto Housing, to construct a total of 71 units: 42 very-low-income units and 28 low-income units, with 15 of the very-low-income units for adults with developmental disabilities.

- The City has reserved \$15 million funds for La Avenida Apartments in the North Bayshore Precise Plan Area, which will include 99 units affordable to households with income at 60 percent AMI or below.
- 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, completed construction in 2020.
- On May 19, 2020, Council selected Related/Palo Alto Housing, as the preferred development team (Developer) to redevelop Lot 12, currently a City-owned parking lot with 160 public parking spaces. The project will include 120 affordable units that will be deed-restricted to households earning 80 percent of Area Median Income (AMI) or less.

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 2020, the City worked with market-rate developers to include 40 BMR units at 1001 North Shoreline Boulevard and 68 BMR units at 355 East Middlefield Road.
- *Density Bonus:* The Density Bonus Law allows an increase of up to 50 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 certain type of housing specified in the law, including a senior citizen housing development or a mobile home park for seniors. Between 2013 and 2020, the following nine projects, totaling 209 affordable units, were approved utilizing 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 (Alta Housing, formerly 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 (Alta Housing, formerly Palo Alto Housing) – a 71-unit affordable studio apartment development, including a 5 percent State Density Bonus that will accommodate 42 very-low-income and 28 low-income with

15 of the very-low-income units for adults with developmental disabilities.

- 2645 Fayette (Octane) – a 44-unit condominium development, including a 30 percent density bonus in exchange for four very-low-income and one low-income units.
- Tenant Relocation Assistance – In June 2020, 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 120 percent of AMI plus \$5,000 are now eligible to receive an unlimited subscription to a rental agency, the cash equivalent of three months’ median market-rate rent, and \$8,000 plus Consumer Price Index (CPI) percentage for special-circumstances households. During the 2020 planning period, the City received applications for assistance from 55 tenants associated with nine different development projects, including the one development project that was initiated in 2020.
- 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 and 2020, 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. Since the 2017 adoption, 28 new accessory dwelling units have been built in the City in the past four years, where previously the City averaged one new accessory dwelling unit a year.
- Project Homekey – In 2020, the City partnered with the agency LifeMoves to build interim housing for people experiencing homelessness. The site is located at 2566 Leghorn Street and will provide modular units for 100 households. The site is expected to be completed by early 2021.
- 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.

2023-2031 RHNA

ABAG adopted the Draft RHNA methodology for the 2023-2031 period on January 21, 2021. ABAG was assigned a regional total from the State, which was the basis for the draft allocation. The regional total for the next cycle is 441,176 units. This is much greater than the previous regional total (2015-2023) of 187,990 units.

Mountain View's Draft RHNA allocation at 11,135 units is about 3.8 times its last allocation (shown in Table 3) and amount to approximately 32 percent of the City's current households. While the City has already zoned for this amount and more, City staff will continue to work with ABAG staff to understand ABAG's assumptions and determine if there were inaccuracies in assumptions for Mountain View within any of the RHNA inputs. The RHNA appeals process is expected to take place in summer 2021. The City may be able to pursue an appeal if technical or factual issues with ABAG's assumptions are identified. The Final RHNA allocation is expected to be adopted by ABAG at the end of 2021.

Cities have about one year to complete their Housing Elements, which are due by January 2023. This includes a review of the draft by HCD, which takes time. In order to ensure there is adequate time for analysis and community input, staff has already begun work on the Housing Element, which is the process by which the City identifies zoning capacity for the RHNA.

Table 3 – Draft 2023-2031 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%+ AMI	4,880
Total	11,135

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 2020 Annual Housing Element Progress Report to the City Council, HCD, and Office of Planning and Research.

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- Exhibits:
1. 2020 AMI for Santa Clara County
 2. 2020 Annual Housing Element Progress Report
 3. Housing Element Sites for RHNA Requirement
 4. Measure A Information Sheet