

AGENDA BILL

Agenda Item No. 7(A)

Date: August 15, 2017
To: El Cerrito City Council
From: Melanie Mintz, Community Development Director
Subject: Affordable Housing Strategy Adoption

ACTION REQUESTED

Consideration of a resolution adopting the draft Affordable Housing Strategy

BACKGROUND

In 2014, the City applied for and was awarded a Priority Development Area (PDA) Planning Assistant grant from the Metropolitan Transportation Commission (MTC) to advance the objectives of the San Pablo Avenue Specific Plan. The grant was applied for prior to adoption of the San Pablo Avenue Specific Plan, and in 2016 the grant was amended to support the City to focus on topics which were arising during the implementation of the Specific Plan. The amendment included funding the development of an Affordable Housing Strategy within the PDA. In January 2017, the City competitively selected Strategic Economics to prepare the Affordable Housing Strategy (Strategy). Council also augmented the grant budget to expand the Strategy to apply citywide. (Resolution 2017-01)

The City developed the Affordable Housing Strategy to proactively study the City's existing affordable housing programs and resources and to identify programs and policies that could be advanced in the near-term to meet the City's housing goals. The Strategy is particularly needed to help identify affordable housing strategies in the wake of the loss of the Redevelopment Agency, which had previously provided the financial and personnel resources to support and promote affordable housing. Furthermore, after many years of little-to-no development along San Pablo Avenue, the Specific Plan has helped facilitate new development and subsequent investment which will create a changed environment and economic profile within which to consider affordable housing.

California state law requires that every city and county adopt a Housing Element as part of its General Plan. The City's 2015 Housing Element articulates five major goals:

1. Conserve and improve El Cerrito's existing housing supply.
2. Facilitate and encourage the development of housing to meet regional housing needs allocations (RHNA).
3. Expand housing opportunities for the elderly, the disabled, households with very-low to moderate income, and for persons with special housing needs.
4. Promote housing opportunities for all persons regardless of race, age, marital status, ancestry, national origin, or color.

Agenda Item No. 7(A)

5. Promote energy efficiency in the location, construction, renovation and maintenance of housing units.

The Affordable Housing Strategy is primarily focused on helping the City meet Goals 1, 2 and 3 of the Housing Element. The Strategy provides an analysis of the City's current housing supply, evaluates progress made in developing new housing to meet the City's RHNA and proposes strategies to continue to expand housing opportunities for households with very-low to moderate income and for persons with special housing needs. The Strategy provides a toolbox and work plan, largely for the Community Development Department which is currently recruiting to fill two vacant Community Development Analyst positions, one in Economic Development and one in Housing.

The Affordable Housing Strategy was presented to the Planning Commission on July 19, 2017 and was unanimously recommended to the City Council for adoption. The Planning Commission also asked that the City move forward quickly with considering and adopting Inclusionary Zoning and Affordable Housing Impact fees, as is described further below in discussing implementation. The attached Draft Affordable Housing Strategy (Revised August 7, 2017) also indicates other areas where the Planning Commission made additions or changes.

ANALYSIS

The majority of the City's opportunities for expanding its housing supply and the majority of multifamily units are concentrated in the City's Priority Development Area (PDA)¹. The San Pablo Avenue Specific Plan (SPASP) was developed and adopted by the City Council in late 2014 to achieve numerous City goals within the City's PDA, including providing opportunities for living, working and community life². The Plan aims, amongst other goals, to attract investment and add housing and commercial space. In the 2+ years since the City adopted the Specific Plan, 673 new market rate and 77 new below-market rate (affordable) residential units have been proposed (e.g. submitted development applications). To date, 196 new residential units, including 67 below-market rate ("affordable") units have been entitled within the Specific Plan area. (Attachment 2) Staff continues to anticipate additional projects to be proposed in the next several months. As a result of both recent and proposed development, the City is well on its way to meeting its current RHNA for very-low and low income households and exceeding it for above-moderate incomes. There continues to be a shortage in the Moderate Income category (81-120% of Area Median Income). This is largely due to the availability of subsidy for low and very low income serving projects (i.e. Tax Credits) and that serving the low and very low income populations matches the mission of affordable housing developers. Figures 1 and 2 below illustrate the City's current RHNA

¹ Priority Development Areas are places identified by Bay Area communities as areas for investment, new homes and job growth. PDAs must be within an existing community; within walking distance of frequent transit service; designated for more housing in a locally adopted plan and nominated through a resolution adopted by a City Council. PDAs are supported by regional agencies through a variety of programs, including through technical assistance and grants.

² San Pablo Avenue Specific Plan, pg 01-1

Agenda Item No. 7(A)

figures (based upon permitted or built units) and anticipated figures based upon approved and proposed projects as of June 30, 2017. Additional projects have been proposed and entitled since that time. The policies and programs proposed in the Affordable Housing Strategy aim to set the City up to continue to make progress in the next RHNA cycle at all income levels as well as to address issues related to improving the existing multifamily housing stock, displacement and creating additional options for affordability citywide.

Due to the complexity involved, addressing housing affordability requires a number of tools be employed and not every tool is equally viable in every community. Depending upon a city's size, resources and the particular needs and economics of a community, differing tools may be available and appropriate and expected to achieve different outcomes. The proposed Strategy aims to identify programs and propose activities appropriate to El Cerrito. The Strategy also identifies growing available resources as a key strategy to continue to achieve affordable housing goals in the future.

Figure 1: Regional Housing Needs Allocation for 2015-2022, and Remaining Need (based upon permitted and/or built units) (June 30, 2017)

	Very Low (0-50% of AMI)	Low (51-80% of AMI)	Moderate (81-120% of AMI)	Above Moderate (over 120% of AMI)	Total
2015 - 2022 RHNA	100	63	69	166	398
Permitted and/or Built Units	62	6	13	131	212
Percent of Need Achieved	62.00%	9.50%	18.80%	78.90%	53.30%
Remaining Need	38	57	56	35	122

Figure 2: Regional Housing Needs Allocation for 2015-2022, Anticipated Housing Development, June 30, 2017

	Very Low (0-50% of AMI)	Low (51-80% of AMI)	Moderate (81-120% of AMI)	Above Moderate (over 120% of AMI)	Total
Housing Development					
Proposed	30	47	0	583	660
Entitled	0	0	0	57	57
Remaining Need if Permitted/Built	8	20	56	-548	-538

Affordable Housing Strategy Overview

Agenda Item No. 7(A)

Below is a brief outline of the proposed Strategy:

Chapter I provides a brief introduction to the process utilized for development of the Strategy and an overview of how the Strategy is organized.

Chapter II describes the supply of existing housing, including affordable housing in the City of El Cerrito. It also outlines existing City policies and programs and the funding resources that are currently available.

Chapter III proposes and describes four policy pillars and identifies and evaluates fifteen strategies to support them. (See Figure 3 below). Each strategy is accompanied by a discussion of implementation considerations

Chapter IV of the Plan organizes the proposed strategies into an Implementation Plan that identifies a timeline and resources required for implementation.

Three appendices provide:

1. An assessment of current housing market conditions
2. A summary of the 2016-17 Contra Costa Civil Grand Jury report recommendations: *Where Will We Live? The Affordable Housing Waiting List is Closed*
3. A summary of public input received during two community workshops regarding the Affordable Housing Strategy

Implementation

The Implementation Plan (Chapter IV) provides a framework for implementing the strategies and action items described in Chapter III, based upon four recommended policy pillars summarized in Figure 3, below. Furthermore, the Implementation Plan identifies lead agency, potential partners, proposes a timeline and identifies staff and financial resources required. In regards to timeline, strategies are listed as either "Ongoing", "Immediate (Less than 1 year)", "Short (1-2 years); and "Medium (3-5 years)". These timelines were selected based upon anticipated staff capacity and program readiness.

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| A. Leverage Private Development to Address Affordable Housing Needs | <ol style="list-style-type: none">1. Establish a new inclusionary zoning policy and/or enact new housing impact fees for affordable housing.2. Monitor the effectiveness of the City's existing incentive programs in delivering affordable housing units. |
| B. Explore and Implement Policy Options to Reduce the Risk of Displacement | <ol style="list-style-type: none">3. Partner with local affordable housing developers and property owners/managers to preserve existing deed-restricted units.4. Implement policies to preserve the low-cost housing stock.5. Consider implementing new short-term rental restrictions.6. Explore potential tenant protection policies. |
| C. Encourage Development of "Missing Middle" Housing Types | <ol style="list-style-type: none">7. Encourage the development of accessory dwelling units.8. Review the General Plan to identify and remove barriers to missing middle housing types.9. Partner with private groups interested in creating co-housing communities. |
| D. Increase Local Funding to Continue Support of Low Income and Special Needs Housing Development | <ol style="list-style-type: none">10. Work with BART to develop affordable and mixed-income housing projects on BART property.11. Coordinate transportation projects with affordable housing proposals to attract state funding through the AHSC program.12. Provide land use incentives to developers that build a higher share of accessible units than required by law.13. Explore new local taxes or fees to fund affordable housing in El Cerrito.14. Work with other jurisdictions in Contra Costa County to place a countywide affordable housing bond on the ballot.15. Monitor proposed state legislation that would create new funding sources for affordable housing. |
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In the "Immediate" timeframe, staff is recommending four key strategies be pursued, and this is due to the timing of development projects currently under consideration and the rapid pace at which development projects are being proposed. These include:

Pillar A: Leverage Private Development to Address Affordable Housing Needs

Agenda Item No. 7(A)

Strategy 1: Establish a New Inclusionary Zoning Policy and/or Enact New Housing Impact Fees for Affordable Housing

1-1 Conduct a nexus study and financial feasibility analysis to establish recommended affordable housing impact fees on new residential development

1-2 Consider implementing and inclusionary housing policy on ownership housing as an alternative to the affordable housing impact fee

Pillar B: Explore and Implement Policy Options to Reduce the Risk of Displacement

Strategy 3: Partner with Local Affordable Housing Developers and Property Owners/Manager to Preserve Existing Deed-Restricted Housing

3-1: Continue monitoring assisted units and partner with local affordable housing providers to maintain the affordability of expiring units

Strategy 4: Implement Policies to Preserve the Low Cost Housing Stock

4-2 Consider enacting an ordinance to regulate the demolition of existing housing units, including requiring tenant relocation assistance

Staff is requesting with the proposed action tonight direction to move forward with issuing a Request for Proposals and proceeding with conducting a nexus study and financial feasibility analysis to establish new affordable housing impact fees on new residential development and the necessary analysis to development recommended inclusionary zoning levels on new ownership housing and to proceed with developing a Residential Demolition Ordinance.

In the "Short" term category staff is recommending several strategies be pursued including:

4-1: Explore possible funding sources or programs to minimize the financial impact of retrofits on low- and moderate-income residents

5-1 Update the short-term rental ordinance

6-1: Continue to study potential tenant protection options and evaluate the success of existing programs in peer cities

8-1: Provide technical assistance to encourage the construction of accessory dwelling units

9-1: (Short to Medium) Undertake a review of the General Plan to determine if district boundaries and requirements should be modified to be more permissive of missing middle housing types, especially in areas in proximity to commercial and/or transit resources.

Agenda Item No. 7(A)

12-1: Review capital improvement program and identify transportation projects that could be coordinated with affordable housing development for AHSC funding.

13-1: Modify the City's Incentive Zoning and San Pablo Avenue Specific Plan Tier IV processes to include the provision of accessible units as a community benefit

15-1: Attend meetings with advocates, staff and elected leaders of various jurisdictions in Contra Costa County (to place a countywide affordable housing bond on the ballot)

17-1: Consider deferring or waiving city fees for affordable housing and development

Implementation of these strategies will be pursued by existing City staff, including the soon-to-be filled Community Development-Housing Analyst.

FINANCIAL CONSIDERATIONS

The cost of implementation of this set of strategies is discussed within the Affordable Housing Strategy. Currently, staff is asking to proceed with development of the Nexus Analysis, Affordable Housing Impact Fee, Inclusionary Zoning and Residential Demolition Ordinance in the immediate timeframe. This combined set of tasks would require consultant support estimated at approximately \$70,000. Staff is currently evaluating the grant budget, and negotiating with MTC staff to shift funds into these tasks, and anticipates that within the Department's current adopted Operating Budget and with additional grant funds that this set of tasks could be completed. With direction from Council, Staff would return to Council with a recommended consultant award at an upcoming Council meeting and request additional funds as needed.

LEGAL CONSIDERATIONS

The proposed Affordable Housing Strategy and recommended action has been reviewed by the City Attorney and all legal considerations are discussed within the document.

Reviewed by:



Scott Hanin
City Manager

Attachments:

1. Resolution
2. SPASP Development Map (8/2/17)
3. Draft Affordable Housing Strategy (Revised August 7, 2017)