



STAFF REPORT

DATE: March 22, 2022

TO: Joshua McMurray, City Manager Approved and Forwarded to the City Council

FROM: Kenneth W. Strelow, Planning Manager with Ascent Environmental, Inc. (Housing Element Update Consultants)

SUBJECT: **Work Session on the 2023-2031 6th Cycle Housing Element Update**

Summary

This is the first City Council Work Session on the City of Oakley 2023-2031 6th Cycle Housing Element Update. The State of California requires cities to identify specific sites where affordable housing may be built. As part of the State-Mandated Housing Element Update, Oakley will have to identify where and how approximately 440 affordable homes could be built to meet the State requirement.

Background

On January 5, 2022, the City of Oakley entered into a services agreement with Ascent Environmental, Inc. ("Ascent") to prepare the City of Oakley 2023-2031 6th Cycle Housing Element Update. It was jointly decided by Staff and Ascent that a City Council Work Session would be beneficial early in the process of selecting potential sites for the City's Affordable Housing Overlay ("AHO") District. The sites being presented to the City Council in this report are meant to encourage feedback and discussion. The following sites will be included in the initial discussions:

- APN: 033-100-004 (E. side of Main St. between Hill Ave. and Brownstone Rd.)
- APN: 033-110-003 (E. side of Main St. and south of Monte Linda St.)
- APN: 034-080-031 (S/W corner of Laurel Rd. and O'Hara Ave.)
- APNs: 034-130-003 and 004 (E. side of O'Hara Ave. and north of Brownstone Rd.)
- APN: 034-200-022 (S/W corner of Main St. and Brownstone Rd.)
- APNs: 051-210-016 and 022 (North of Oakley Rd. east of SR 160)
- APN: 053-071-046 (S/W corner of Empire Ave. and Neroly Rd.)

Housing Element Overview

The Housing Element is one of the mandatory elements that must be included in City's General Plan. State law mandates that local governments adequately plan to meet the existing and projected housing needs of all economic segments of the community. Unlike

other mandatory general plan elements, the Housing Element is required to be updated every eight years according to a State-mandated schedule and must be reviewed and certified by the California Department of Housing and Community Development (“HCD”) for compliance with State law.

The Housing Element includes the following major components:

- Housing Needs Assessment: Provides demographic and housing need information.
- Constraints Analysis: Analyzes existing and potential constraints to the development of housing and how those will be addressed.
- Housing Sites Inventory and Analysis: Identifies sites available for development or redevelopment and that are appropriately zoned to support housing development to accommodate the City’s Regional Housing Needs Allocation (“RHNA”).
- Fair Housing Assessment: A new requirement to analyze fair housing issues and include strategies to affirmatively further fair housing (“AFFH”).
- Housing Resources: Identifies financial and other resources available to support housing development, especially affordable housing.
- Evaluation of Past Performance: Assesses progress in implementing the policies and programs set forth in the prior Housing Element.
- Policies and Programs: Establishes new policies and programs designed to address the housing needs identified in the City.

HCD Review Process

HCD conducts a thorough review of the Housing Element for compliance with State law. The City must submit the draft Housing Element to HCD for an initial 90-day review. At the end of the 90-day review periods, HCD will issue a comment letter with findings of revisions that are needed to satisfy requirements of State law. HCD then has 60 days to review each subsequent draft of the Housing Element. Once HCD comments have been satisfied, the City can adopt the Housing Element. Once adopted, the City must submit the adopted Housing Element to HCD for final review and certification with State law.

Regional Housing Needs Allocation

The Regional Housing Needs Allocation (“RHNA”) is part of a statewide statutory mandate for every city and county in California to address a portion of the projected statewide housing needs. Every region in the state is given a Regional Housing Needs Determination from the California Department of Housing and Community Development (“HCD”). This is the number of housing units the region must plan for. The total RHNA allocation is broken down into four income categories: above moderate, moderate, low, and very low-income. The two lower income categories (“Low Income” and “Very Low Income”) must be accommodated on sites zoned for higher density residential development.

State law mandates that the Association of Bay Area Governments (“ABAG”) develop and approve a Regional Housing Needs Plan that contains a RHNA methodology for allocating

these units by income category to each city and county in the region. On December 16, 2021, the ABAG Board adopted the final RHNA Plan. The Plan allocates a total of 1,058 housing units to the City of Oakley as shown in Table 1 below. The City of Oakley must ensure that the appropriate zoning is in place to accommodate its RHNA.

Table 1. City of Oakley, Sixth Cycle Housing Element Regional Housing Needs Allocation (2023-2031)

	Very Low	Low	Moderate	Above Moderate	TOTAL
2023-2031 RHNA	279	161	172	446	1,058
Percent of Total	26%	15%	16%	42%	100%

Housing Element Sites Inventory Findings

Based on a preliminary review of entitled projects and available sites in the inventory, City staff and the consultants have identified adequate capacity to meet the moderate and above moderate income RHNA. However, the City needs to identify additional sites to meet the lower-income RHNA.

Affordable Housing Overlay (AHO) and Current Sites

The City uses the Affordable Housing Overlay (“AHO”) to meet the lower-income RHNA. The AHO currently allows for a density of up to 24 units per acre. The City currently has nine parcels in the AHO. Two of the parcels are being developed by St. Anton with the Elm Lane Oakley project. This development is expected to pull building permits prior to the start of the Sixth Cycle Housing Element and will therefore be counted in the 5th Cycle Housing Element RHNA. The remaining seven parcels total 10.2 acres and will be included in the Sixth Cycle Housing Element. At a density of 24 units per acre, the sites can accommodate up to 244 units. If all seven of the AHO parcels are included in the inventory at their full capacity of 244 units, the City’s remaining lower-income RHNA would be 196 units.

All of the remaining sites are currently developed with single-family homes and are considered “non-vacant.” Recent state law (AB 1397) established new requirements that make it more challenging to count capacity on non-vacant sites. Staff and the consultants will be studying each of the sites for feasibility of development during the 6th Cycle Housing Element. It’s possible that one or all the sites could be determined infeasible for development in the eight-year planning period of the 6th Cycle Housing Element.

Realistic Capacity Requirements

AB 1397 also added more stringent requirements for sites allowing uses other than residential, such as an overlay zone where the base zoning allows for non-residential or single-family residential. Staff and the consultants will be analyzing the realistic capacity to determine the likelihood that the sites will develop as high-density residential rather than the uses allowed under the base zoning. Staff does not know what HCD expectations will be for demonstrating realistic capacity, but staff and the consultants anticipate not being able to

count the full capacity of the AHO sites. To reflect a more realistic “likelihood” of residential development, staff and the consultants will likely count only 50-75% of the capacity on the AHO sites.

No Net Loss Requirements

It is critical that the City not only meet the lower-income RHNA but also provide a “buffer” of additional capacity to address requirements for “no net loss.” Government Code Section 65863 (No Net Loss Law) requires the City to maintain adequate sites for lower-income households throughout the entire eight-year planning period of the Housing Element. If a jurisdiction approves a development of a parcel identified in its Housing Element sites inventory with fewer units than shown in the Housing Element, it must either make findings that the Housing Element’s remaining sites have sufficient capacity to accommodate the remaining unmet lower-income RHNA or identify and make available sufficient sites to accommodate the remaining unmet RHNA within 180 days. A jurisdiction may not disapprove a housing project on the basis that approval of the development would trigger the identification or zoning of additional adequate sites to accommodate the remaining RHNA.

To account for the potential loss of lower-income sites from the Housing Element inventory, the recommendation is to include at least a 30 percent buffer of additional capacity in the lower-income sites inventory.

State Density Standard for Lower Income Sites

To identify sites that can accommodate the City’s lower-income RHNA, the Housing Element must include an analysis that demonstrates that the projections can realistically be achieved. Government Code Section 65583.2(c)(3)(B) contains “default” density standards deemed appropriate to meet the lower-income RHNA. Oakley is considered a “metropolitan” jurisdiction because the city has a population of more than 25,000 (i.e., Oakley population was 43,991 in 2020) and is located in a Metropolitan Statistical Area (MSA) with a population of more than 2 million. For metropolitan jurisdictions, the default density is 30 units per acre. Therefore, for a site to be counted toward meeting the lower-income RHNA, the zoning must allow for development at 30 units per acre.

To comply with Government Code Section 65583.2, staff will be proposing to increase the maximum allowed density of the AHO to 30 units per acre as part of this Housing Element Update.

Strategy to Meet RHNA - Rezone

At a minimum, the City will need to identify sites to accommodate at least 196 units to meet the RHNA. At an average density of 24 units per acre, this is the equivalent of 8 acres of land that would need to be rezoned with the AHO. To provide a 30 percent buffer, the City would need to rezone an additional 5.5 acres. However, given the uncertainty in whether the current AHO sites will be considered feasible given their non-vacant status and what HCD

expectations will be regarding the realistic capacity assumptions associated with the overlay zoning approach, City staff recommends identifying at least 25 acres of land where the AHO would be applied. Staff has identified seven potential sites for consideration to rezone with the AHO.

Notice of Work Session Distribution

The attached Notice of Work Session was mailed and posted in the same manner as the City of Oakley circulates Notices of Public Hearing. At least 10 days prior to the meeting date, it was posted outside City Hall, outside the public library at Freedom High School, and outside the gym at Delta Vista Middle School. The notice was also mailed directly to all known mailing address of current property owners of the subject sites, to all mailing addresses of owners of properties within 500 feet of each project site, and to a list of approximately 60 agencies (mailed and emailed as requested).

Fiscal Impact

The contract for the 2023-2031 6th Cycle Housing Element Update is being funded through a combination of SB 2 Planning Grant, Local Early Action Planning (“LEAP”) Grant, and Regional Early Action Planning (“REAP”) Grant monies, all administered by the California Department of Housing and Community Development (“HCD”).

Staff Recommendation

City Council receive report and presentation from consultant, hold a work session open to public comments, and provide discussion and feedback on potential Affordable Housing Overlay (“AHO”) sites.

Attachments

1. Notice of Work Session
2. Potential Sites for Affordable Housing Overlay (AHO) District
3. Citywide Map of Existing and Potential Sites for Affordable Housing Overlay (AHO) District