

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF HOUSING POLICY DEVELOPMENT**

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August 20, 2009

Mr. Steve Flint, Director
Planning Department
City of Half Moon Bay
501 Main Street
Half Moon Bay, CA 94019

Dear Mr. Flint:

RE: Review of the City of Half Moon Bay's Draft Housing Element

Thank you for submitting Half Moon Bay's draft housing element received for the Department's review on June 22, 2009. The Department is required to review draft housing elements and report the findings to the locality pursuant to Government Code Section 65585(b). A telephone conversation on August 18, 2009 with you and Ms. Beth Thompson, of the De Novo Planning Group, facilitated the review.

The Department commends Half Moon Bay's efforts in encouraging the development of affordable second units by including a program to prepare a prototype handbook designed to expedite planning and building review. The draft element addresses many statutory requirements; however, revisions will be necessary to comply with State housing element law (Article 10.6 of the Government Code). In particular, the element must include analyses of the adequacy of identified sites to accommodate the regional housing need for lower-income households and potential governmental constraints. These and other revisions are described in the enclosed Appendix.

The Department is available to assist the City in revising the element to comply with housing element law. If you have any questions, please contact Brett Arriaga, of our staff, at (916) 445-5888.

Sincerely,

Cathy E. Creswell
Deputy Director

Enclosure

APPENDIX

CITY OF HALF MOON BAY

The following changes would bring Half Moon Bay's housing element into compliance with Article 10.6 of the Government Code. Accompanying each recommended change, we cite the supporting section of the Government Code.

Housing element technical assistance information is available on the Department's website at www.hcd.ca.gov/hpd. Refer to the Division of Housing Policy Development and the section pertaining to State Housing Planning. Among other resources, the Housing Element section contains the Department's latest technical assistance tool *Building Blocks for Effective Housing Elements (Building Blocks)* available at www.hcd.ca.gov/hpd/housing_element2/index.php, the Government Code addressing State housing element law and other resources.

A. Housing needs, Resources, and Constraints

1. *Include an inventory of land suitable for residential development, including vacant sites and sites having the potential for redevelopment, and an analysis of the relationship of zoning and public facilities and services to these sites (Section 65583(a)(3) and 65583.2).*

Accounting for unaccommodated housing need from the prior planning period pursuant to Government Code Section 65584.09, Half Moon Bay has a remaining regional housing need of 403 housing units, of which 161 are for lower-income households. To address this need, the element relies on vacant land and underutilized sites within "multiple use" and "residential only" zones. To demonstrate the adequacy of the sites and strategies to accommodate the remaining regional housing need, particularly for lower-income households, the element must address the following:

Site Inventory and Analysis

Realistic Capacity: The element estimates development capacity of sites listed in Appendix A at 90 percent of maximum allowable density, but only provides a general description of how this estimate was determined. Given the capacity estimate is assumed at an upper end of maximum allowable densities, the element must demonstrate this density is realistic and achievable including, among other things, consideration of land-use and site map requirements. For example, the City may include examples of recent multifamily developments and their built densities such as the projects described in Table 3-2.

Small Sites: Most of the high- and medium-density sites listed in Appendix A are small (less than half acre) with a maximum theoretical capacity of 1-4 units. While it may be possible to build housing on a very small parcel, the nature and conditions necessary to construct the units often render the provision of affordable housing infeasible. For example, assisted housing developments utilizing State or federal financial resources typically include 50-80 units. The element must include a complete analysis that demonstrates these sites can realistically accommodate new residential development, particularly new multifamily rental development affordable to lower-income households. The analysis should describe existing and/or proposed policies or incentives the City will offer to facilitate small lot development, especially lot consolidation opportunities, and include an evaluation of the feasibility of development for lower-income households on smaller sites, given necessary economies of scale. Depending on the outcome of the

analysis, the element may need to identify additional, appropriately sized, sites that facilitate the development of housing for lower-income households. For example, the element may need to demonstrate adequacy of Planned Unit Development (PUD) zoned sites or identify other larger sites with appropriate zoning and densities.

Zoning to Encourage and Facilitate Housing for Lower-Income Households: The element indicates housing affordable to lower-income households can be accommodated on sites zoned R-2 with densities of approximately 14-16 dwelling units per acre. While the element describes an example of subsidized projects built in the R-2 zone, it does not otherwise analyze the appropriateness of this zone to encourage and facilitate the development of housing affordable to lower-income households. Given sites in the R-2 zone are crucial to accommodate the regional housing need for lower-income households, the element must include an analysis to demonstrate the adequacy of this zone based on market demand and trends; financial feasibility; and information based on residential project experience within the zone(s) where the densities facilitated the development of housing for lower-income households. It is recognized that housing affordable to lower-income households requires significant subsidies and financial assistance. However, for the purpose of the adequate sites analysis and the appropriateness of zoning, identifying examples of lower density subsidized housing projects alone, is not sufficient or appropriate to demonstrate the adequacy of a zone and/or density to accommodate housing affordable to lower-income households.

Suitability of Non-Vacant Sites: The element must describe the existing uses of non-vacant sites sufficiently to demonstrate the potential for redevelopment and evaluate the extent to which existing uses may impede additional residential development. The evaluation could include a description, relative to identified sites, of development trends, market conditions and regulatory incentives and standards to facilitate redevelopment or reuse. For sites with residential uses, the inventory should generally describe structural conditions or other circumstances and trends demonstrating the redevelopment potential to more intense residential uses. For non-residential sites, the inventory should generally describe whether the use is operating, marginal or discontinued, and the condition of the structure or could describe any expressed interest in redevelopment.

Additionally, as mentioned during the Department's discussion with you and the City's consultant, many of the identified sites are non-vacant and have existing residential uses and appear to assume a unit capacity for each parcel that does not account for existing residential units. The element must list existing residential unit capacity on each site to calculate a net residential increase for each parcel.

2. *Analyze potential and actual governmental constraints upon the maintenance, improvement, or development of housing for all income levels, including the types of housing identified in paragraph (1) of subdivision (c), and for persons with disabilities as identified in the analysis pursuant to paragraph (7), including land use controls, building codes and their enforcement, site improvements, fees and other exactions required of developers, and local processing and permit procedures. The analysis shall also demonstrate local efforts to remove governmental constraints that hinder the locality from meeting its share of the regional housing need in accordance with Section 65584 and from meeting the need for housing for persons with disabilities, supportive housing, transitional housing, and emergency shelters identified pursuant to paragraph (7) (Section 65583(a)(5)).*

Processing and Permit Procedures: While the element briefly describes permit processing times, it must specifically describe and analyze the City's permit processing and approval procedures by zone and housing type. To address this requirement, the element should discuss processing procedures and time for typical single- and multi-family projects, including type of permit, level of review, and any discretionary approval procedures or design review requirements. For assistance with this requirement, see the *Building Blocks*' website at http://www.hcd.ca.gov/hpd/housing_element2/CON_permits.php.

Additionally, given the reliance on the PUD process to approve housing to accommodate the regional housing need, particularly for multifamily development, the element must include a description and analysis of the PUD process. While the element provides a general description of the PUD process, it must also identify impacts as they relate to certainty, predictability, timing and cost of development. For example, the element could indicate whether the City utilizes tools such as default development standards providing a minimal threshold for approvable heights and parking to promote approval certainty and could describe timing, approval rates and the impacts of any conditions on approval.

Land-Use Controls: The element identifies various residential development standards and generally concludes the standards are not viewed as a constraint. However, the element must include a complete analysis of their potential impacts on the cost and supply of housing. The analysis should specifically address parking requirements of 2.25 spaces for studio and one-bedroom units and height limits which may constrain development of these housing units. The element may need to include programs to address and remove or modify requirements. For help with this requirement, see the *Building Blocks*' website at http://www.hcd.ca.gov/hpd/housing_element2/CON_landuse.php.

Measure D: While the element provides a general overview of Measure D, it must include a complete description of the requirements, how permits are allocated and analysis of the impact of the measure on the cost and timing of development and supply of housing. This is particularly important given the current market conditions and the cumulative impact of local regulations. The element should address the actual process (procedural and policy requirements) for allocating only the number of dwelling units that would result in an increase of one percent of the City's population. For example, the analysis should:

- identify and analyze criteria for considering applications;
- discuss the impacts of any project size limits on economies of scale and financial feasibility of development, including opportunities for dividing allocations among multiple years for the phasing of larger projects; and
- given current market conditions and the cumulative impact of local regulations, evaluate the absence of rollover opportunities of unused allocations to subsequent years.

Inclusionary Housing: While the element generally discusses the City's adopted inclusionary ordinance, it must also analyze this ordinance as a potential governmental constraint for its impacts on the cost and supply of housing. In particular, the element should include a specific description and analysis of the Program's implementation framework, what specific economic incentives or regulatory concessions the City will offer to ensure the overall housing production and supply is not unduly impacted. This is particularly important given current market conditions and the cumulative impact of local regulations. The City could engage the development community to facilitate this analysis.

On- and Off-Site Improvements: While the element generally mentions site improvements such as curbs, gutters and sidewalks and other improvements are required (page 2-18), it should identify the actual standard (i.e., 40 foot minimum street width) and analyze potential impacts on the cost and supply of housing. For help with this requirement, please see the *Building Blocks'* website at http://www.hcd.ca.gov/hpd/housing_element2/CON_offsite.php.

3. *Analyze the opportunities for energy conservation with respect to residential development (Section 65583(a)(7)).*

While the element commits to adopt green building design standards, encourage *Land Environment Economics and Development* (LEED) certification and energy-conserving subdivision design features (Program 5-1), it should also describe how the City will encourage these energy conservation measures. Given the importance of promoting strategies to address climate change and energy conservation, the element could revise or add programs. For example, the element could revise Program 5-1 to commit to grant incentives to encourage weatherization retrofits, mixed-uses in the downtown area and higher density residential near services and transit. For further assistance, see the prior review and the *Building Blocks'* website at http://www.hcd.ca.gov/hpd/housing_element2/SIA_conservation.php. Additionally, see the Department's *Housing Element Policies and Programs Addressing Climate Change* at http://www.hcd.ca.gov/hpd/HE_PoliciesProgramsAddressingClimateChange.pdf.

B. Housing Programs

1. *Identify adequate sites which will be made available through appropriate zoning and development standards and with public services and facilities needed to facilitate and encourage the development of a variety of types of housing for all income levels, including rental housing, factory-built housing, mobilehomes, and emergency shelters and transitional housing. Where the inventory of sites, pursuant to paragraph (3) of subdivision (a), does not identify adequate sites to accommodate the need for groups of all household income levels pursuant to Section 65584, the program shall provide for sufficient sites with zoning that permits owner-occupied and rental multifamily residential use by right, including density and development standards that could accommodate and facilitate the feasibility of housing for very low- and low-income households (Section 65583(c)(1)).*

As noted in Finding A-1, the element does not include a complete sites inventory and analysis; therefore, the adequacy of sites cannot be established. Based on the results of a complete sites inventory and analysis, the City may need to add or revise programs to address a shortfall of sites or zoning available to encourage a variety of housing types. Programs to address a shortfall of sites must meet requirements pursuant to Government Code Sections 65583(a)(3) and 65583.2 (h) and (i) to permit owner-occupied and rental multifamily uses by-right. Sites must be allowed without a conditional use permit (CUP), planned unit development or other discretionary review or approval and allow a minimum of 16 units per site. In addition, at least 50 percent of the regional housing need for lower-income households must be accommodated on sites designated for residential use only. In addition:

Small Sites: As noted in Finding A-1, the nature and conditions associated with residential development on small lots often render the provision of affordable housing infeasible. As a result, the element may need to identify additional, appropriately sized, sites to facilitate the development of housing for lower-income households. For example, the element identifies additional acreage, particularly in the PUD zone, that may be better suited for the development of higher density multifamily uses especially for housing affordable to lower-income households.

Program 2-4 (Substandard and Severely Substandard Lots): As noted in Finding A-1, most of the identified sites in the inventory to accommodate the housing needs for lower-income households are very small sites. The Program states the City will develop a handbook of preferred designs of substandard lots that can be approved with minimal planning and building review. The Program also describes incentives, such as expedited processing, (i.e., flexible development standards, expedited processing, etc.) the City will provide for the development of affordable units. However, given the dependency on small lot development to meet the City's share of the regional housing need, the Program should be revised to clearly indicate additional incentives to be made available exclusively for the development of substandard and severely substandard lots.

Lot Consolidation: As noted above and in Finding A-1, most identified sites accommodating lower-income households are small. While it may be possible to build housing on a very small parcel, the nature and conditions necessary to construct the units often render the provision of affordable housing infeasible. Given the importance of utilizing small sites for the development of affordable housing as a component of the City's overall strategy to accommodate the housing needs of lower-income households, a program should be added to facilitate lot consolidation. For example, the program could include: (1) a description of the City's role in facilitating partnerships between property owners and prospective developers, including a list of financial and regulatory incentives; (2) a timeline for "making sites available" and ready for development; and, (3) a description of how the City will promote the available sites to the local development community.

2. *The housing element shall contain programs which "assist in the development of adequate housing to meet the needs of extremely low-, very low-, low-, and moderate-income households (Section 65583(c)(2)).*

Pursuant to Chapter 891, Statutes of 2006 (AB 2634), existing programs must specifically assist in the development of a variety of housing types to meet the housing needs of extremely low-income (ELI) households. While the City allows the development of single-room occupancy (SRO) units, by-right, in the C-G zone, the element should add or revise programs to specifically encourage the development of SROs to meet the housing needs of ELI households, such as prioritizing some funding and/or offering financial incentives or regulatory concessions. Additionally, Program 2-7 could be revised to add specific commitments to apply for funding (i.e., specific sources, application schedules) to promote the development of housing affordable to ELI households.

3. *The housing element shall contain programs which "address, and where appropriate and legally possible, remove governmental constraints to the maintenance, improvement, and development of housing" (Section 65583(c)(3)).*

As noted in Finding A-2, the element requires an analysis of potential governmental constraints. Depending upon the results of that analysis, the City may need to revise or add programs and address and remove or mitigate any identified constraints.

C. Coastal Zone Localities

In housing element updates, coastal localities shall document the number of low- and moderate-income units converted or demolished, and the number of replacement units provided (Section 65588).

To determine whether the City's affordable housing stock in the coastal zone is being protected and provided as required by Government Code Section 65590, the element must be expanded to identify/inventory the number of low- and moderate-income dwelling units that have been replaced, demolished, and/or converted, within the coastal zone, since January 1, 1982.