

TO: Jim App, City Manager

FROM: Bob Lata, Community Development Director

SUBJECT: San Luis Obispo Council of Government's Presentation on the Countywide Draft Regional Housing Needs Plan

DATE: September 17, 2002

Needs: For the City Council to:

1. Receive a presentation from Mr. Ron Di Carli, Director of San Luis Obispo Council of Governments (SLOCOG), on the Countywide Draft Regional Housing Needs Plan (RHNP).
2. Review and discuss the Draft RHNP.
3. Provide direction to City staff as to the focus of the City's response to SLOCOG on the Countywide Draft RHNP.
4. Schedule this matter for subsequent review, discussion, and consideration at the Council's October 1st meeting.

Facts:

1. When it comes to housing, there is no question that California faces an immense challenge. Demands for housing, most notably affordable housing, are on the rise.
2. The challenge for state and local leaders is to engage in a constructive, solution-oriented approach to addressing growth and to providing affordable housing within close proximity to jobs.
3. The City's commitment to providing a balanced community where the majority of its residents can live, work, and shop has been well established and has been a focus of City efforts over the past decade.
4. One of the basic tenants of the City's General Plan has been to ensure that there is diversity of housing available to serve all economic segments of the community.
5. A major emphasis of the City's Economic Strategy has been to meet the General Plan goal of providing a diverse housing stock for Paso Robles residents.
6. To that end, the City's Economic Strategy also includes a goal of maintaining a public policy that will encourage the consistent construction of housing to meet the needs of people at all income levels.
7. The City is required by State law to update its Housing Element every five years; this update is included as part of the General Plan Update currently under development.
8. In updating the Housing Element, the City is required to designate and zone enough land at appropriate densities (and with available infrastructure) to accommodate its fair share of the countywide housing "need."
9. SLOCOG has the authority for determining the City's fair share allocation of the countywide housing "need."

10. SLOCOG's distribution of the housing "need" to its member agencies is as follows:

Residential Housing Unit Distribution By Income Category					
Member Agency	Very Low	Low	Moderate	Above Moderate	Total Units (% of County Need)
Arroyo Grande	346	249	290	724	1,609 (9%)
Atascadero	344	254	303	737	1,637 (9%)
Grover Beach	232	176	207	393	1,008 (6%)
Morro Bay	206	136	144	292	778 (4%)
Paso Robles	647	482	537	1,087	2,752 (15%)
Pismo Beach	153	104	107	286	651 (4%)
San Luis Obispo	1,581	899	927	2,044	5,450 (30%)
San Luis Obispo County	851	643	768	1,889	4,151 (23%)
Countywide Total	4,359	2,944	3,281	7,452	18,035

11. SLOCOG is accepting comments on this distribution, and is expected to take action on the countywide Draft RHNP at its October 9, 2002 meeting (see attached Plan).
12. Over the past six months, SLOCOG has negotiated with the State Department of Housing and Community Development (HCD) in order to receive a lower housing unit allocation of "need." HCD sets the countywide "need" based on employment and population growth projections and changes in housing stock.
13. SLOCOG sought to lower the HCD total from 18,892 to 13,892 residential units for the 7½-year planning period from January, 2001, to July, 2008.
14. In an August 29, 2002 letter to SLOCOG, HCD agreed to lower the countywide total to 18,035 residential units.
15. HCD has advised SLOCOG that there will be no further negotiation of the HCD assigned regional housing "need" of 18,035 units. SLOCOG's appeal of the HCD "need" focused on the findings that:
- A. There is a disparate distribution of growth among the coastal counties.

HCD has relegated a disproportionate share of the affordable housing to San Luis Obispo County by giving the other coastal counties (that have higher home prices) less than their fair share of the State's housing needs. HCD's model assigns between two to four times as many units per capita to San Luis Obispo County (18,892) than other coastal counties of Santa Cruz (13,318), Monterey (9,812), and Santa Barbara (19,783).
 - B. The HCD growth projections do not consider local conditions and constraints.
 - C. The HCD growth projections are in direct conflict with other legal mandates governing land use decisions, including environmental quality, infrastructure planning, and congestion management.
 - D. The HCD growth rate is double that experienced during the last decade and is not likely to occur.
16. Once SLOCOG approves the countywide RHNP, each member agency is to update its Housing Element to incorporate the new growth allocations; these allocations are based on population, not household, growth. The Housing Element Update is to be completed by no later than December 31, 2003.

17. If SLOCOG's RHNP is approved as presented, the City of Paso Robles share of the regional housing needs would be as follows:

New Housing Construction Needs by Income Category For the Planning Period from January 2001 to July 2008		Housing Unit Construction Need	
Income Category			
Very Low	(0-50% County median income)	647	(23.5%)
Low	(50-80% County median income)	482	(17.5%)
Moderate	(80-120% County median income)	537	(19.5%)
Above Moderate	(Over 120% County median income)	1,087	(39.5%)
Total		2,752 new units	
County median income = \$50,200/year		<i>(Approximately 367 units per year)</i>	

18. At its August 27, 2002 meeting, the Planning Commission reviewed the Draft RHNA and provided comments. The Commission stressed the need for the Federal and State officials to take a more comprehensive approach to the provision of affordable housing. Such an approach would include, but not be limited to:
- A. Changing Federal tax laws to provide tax incentives for affordable housing projects;
 - B. Setting aside funding specifically earmarked for affordable housing projects;
 - C. Establishing an equitable distribution of affordable housing throughout the State without regard to property values; and,
 - D. Seeking a more creative approach than sole reliance on setting aside land to accommodate theoretical growth numbers.

**Analysis
and
Conclusion:**

- The City's commitment to providing a balanced community where the majority of its residents can live, work, and shop has been well established in its General Plan and in the actions taken by the City over the past decade.
- One of the basic tenants of the City's General Plan has been to ensure that there is diversity of housing available to serve all economic segments of the community.
- A major emphasis of the City's Economic Strategy has been to meet the General Plan goal of providing a diverse housing stock for Paso Robles residents.
- To that end, the City's Economic Strategy also includes a goal of maintaining a public policy that will encourage the consistent construction of housing to meet the needs of people at all income levels.
- Per the U.S. Census Bureau - Census 2000, the median household income in the City is \$39,217 per year (1999), whereas the county median income is \$50,200 per year (2001).
- The Federal government has established the commonly used definition of affordable housing. For a house to be affordable, no more than 30% of the total household income is to be spent on its rental or ownership. So defining affordable housing requires consideration of both income and housing costs.

- In Paso Robles, an affordable rent or home purchase for the median income of \$39,217 would be \$1,010 as a monthly rent on a three-bedroom unit and would be \$159,000 as a purchase price.
- In Paso Robles, approximately 63% of the existing households are at or below the county median income and would benefit from an increase in the available affordable housing stock.
- Currently in Paso Robles, there is little to no affordable housing available for sale. In fact, there are only 8 affordable units for sale on the market according to the Multiple Listing Service (see attached Housing Purchase Affordability Chart).
- SLOCOG's proposed allocation of a portion of the countywide "need" to the City appears to be reasonable. The percentage of affordable housing appears to properly reflect the needs of the community when viewed in relation to the City's overall growth.
- Each of the new General Plan Alternatives (with the exception of the existing General Plan) accommodates the City's share of the regional housing needs.
- If market conditions are favorable, the new numbers could result in private sector development of approximately 367 units per year through 2008 with 220 of these units potentially qualifying as affordable housing.
- The State's affordable housing mandates do not require the City to ensure the construction of these units, rather it requires that land be designated and zoned to accommodate the growth.
- One of the main tasks associated with the General Plan Update will be for the City to identify and prioritize the actions to be taken in furtherance of affordable housing goals.
- Preparation of the City's housing program goals will involve much discussion and debate on the types of actions that can be taken by Paso Robles. The available actions are limited given the private sector's role in providing affordable housing
- The lack of affordable housing has widespread implications for families, communities, and the vitality of the State and local economy. High housing costs make it difficult for businesses to attract and retain workers. The search for affordable housing is driving many metropolitan-area workers farther and farther from their jobs, creating ever-greater suburban sprawl and leading to growing traffic congestion and greater air pollution.
- The challenge for the City is to craft a housing program that is uniquely tailored to our needs and that will result in a balanced and diverse community with a high quality of life.
- The State legislature continues to pursue greater oversight of local governmental actions concerning affordable housing.

AB 2292, if signed by the Governor, would prohibit the City from reducing residential density on any parcel if such action would result in the remaining vacant land inventory not being able to accommodate the City's share of the regional housing need. It would also mandate that the City "replace" the residential units lost from the inventory as a result of a property-owner/developer decision to build fewer units than the maximum needed to meet the City's share of the regional housing need.

- The City Council may want to:
 - ✓ Discuss how best to address the City’s need for affordable housing, particularly as it relates to the General Plan Update currently under preparation;
 - ✓ Consider establishing a position as to the appropriate focus of SLOCOG’s resources and responsibilities concerning the countywide Draft RHNP;
 - ✓ Ask SLOCOG to clarify how the countywide need was distributed to each member agency since City staff has been unable to replicate the distribution based on percentage share by population growth. It is unclear if the City is being burdened with more than its fair share of the growth; and,
 - ✓ Recommend that SLOCOG use household growth (not population growth) to establish each member agency’s share of the regional housing “needs.”

If this approach were used, the City’s share of the need would be reduced from 15% to 13% for a total of 2,372 new units in lieu of 2,572 units since it takes fewer dwelling units to house 1,000 persons in Paso Robles than it does in other cities (see attached Comparison of Regional Housing Need Allocation Model). As a result, SLOCOG’s model does not appear to have equitably distributed the regional housing need.

Policy

Reference: Paso Robles General Plan, State Planning and Zoning Law

Fiscal

Impact: None.

Options:

- a. Receive a presentation on the countywide Draft RHNP, and afterwards:
 - i. Review/discuss the RHNP;
 - ii. Provide direction to City staff for inclusion in the City’s response to SLOCOG;
 - iii. Schedule this item for consideration at the Council’s October 1, 2002 meeting at which time the Council will be asked to review a draft response letter to SLOCOG on the Draft RHNP; and, authorize its release to SLOCOG.
- b. Request additional information and analysis.
- c. Amend, modify, or reject the above options.

Attachments:

1. Affordable Housing Income Limits, Rents, and Sales Prices
2. City’s 07/09/02 Response Letter to SLOCOG on the Regional Housing Needs Determination
3. Home Purchase Affordability in Paso Robles
5. U.S. Census Bureau Demographic Profile of the City of Paso Robles
6. Comparison of Regional Housing Need Allocation Model
7. SLOCOG’s Draft Regional Housing Needs Plan
8. HCD’s Methodology for Projection of Regional Housing Need