

TO: James L. App, City Manager

FROM: Robert A. Lata, Community Development Director

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

DATE: October 1, 2002

Needs: For the City Council to:

1. Establish a position on the State Department of Housing and Community Development's growth projections for the County of San Luis Obispo and on the San Luis Obispo Council of Governments (SLOCOG's) subsequent apportionment of the growth to each of its member agencies; and,
2. Authorize release of the attached draft letter to SLOCOG providing comments on the Countywide Draft Regional Housing Needs Plan (RHNP).

Facts:

1. The City is in the process of revising its Housing Element as part of the comprehensive General Plan Update that is currently under development.
2. 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."
3. 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.
4. 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.
5. 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.
6. This commitment has been cited as part of the City's Mission Statement and is reflected in the City's General Plan.
7. The General Plan envisions that in the Paso Robles of the future,

"Housing can be found in many forms, with multiple-family and affordable senior citizen housing close to the Downtown and neighborhood shopping centers, minimizing the need for residents to drive. The City has encouraged preservation and reuse of historic structures, and rehabilitation of older structures through the assistance of the Redevelopment Agency, State, and Federal Grants."
8. 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.

9. Further, the Land Use Element of the City's General Plan states that:
 - A. The City should take steps to maintain employment opportunities in balance with anticipated residential development, precluding the need for citizens to commute to remote locations to seek "head-of-household" jobs.
 - B. Land uses within the City and its environs should be arranged, developed, operated, and maintained such that there is a balance of supply of the various types of residential, commercial, industrial, public service, and open space land uses, in a manner consistent with the City's goals.
 - C. The City's residential policies and programs should provide for a variety of types of residential land use categories to serve the needs of households with different compositions (number of persons per household, age of residents, income, special needs, etc.).
 - D. Affordable housing, for both senior citizen and first-time/entry level homeowners, should be given priority. Programs should be developed to provide a quality living environment at an affordable price in locations that encourage use of existing facilities and services, and where possible, enhance revitalization efforts.
 - E. In cooperation with the Paso Robles Housing Authority, the City will strive to locate subsidized housing in a manner that will not adversely impact residential neighborhoods.
 - F. The City will investigate and implement, as appropriate, opportunities to increase the supply of owner-occupied housing.
 - G. The City will strive to improve the development standards for multi-family residential development projects with a particular emphasis on:
 - ✓ Allowing multi-family development on sites that can accommodate an increase in density.
 - ✓ Meeting the needs of persons seeking rental-housing units at various price levels.
 - ✓ Ensuring that housing is developed in close proximity to schools, shopping, and other services, including public transit.
 - ✓ Providing a transition zone between single-family residential neighborhoods and higher-intensity multi-family residential land uses.
10. The goal of the Housing Element of the City's General Plan is to provide and maintain an adequate supply of safe, decent, and affordable housing for all residents of Paso Robles and to encourage of a variety of housing types.

In order to meet this goal, the Housing Element states that the City should:

- A. Provide for a range of affordable housing types to meet the various needs of existing and future residents in all income categories, maintaining a balanced supply of ownership and rental units.

- B. Maintain a variety of types of housing and price ranges in the City's supply that promotes the availability of housing to all segments of the community, recognizing such factors as income, age, family size, and mobility.
 - C. Actively pursue business recruitment, enact business retention programs, and support retail commercial development in order to increase household incomes, thereby increasing housing opportunities to all income groups.
 - D. Encourage the construction of affordable owner and rental housing for very low, low, and moderate income households.
 - E. Encourage infill development.
 - F. Support the conversion of apartments to condominiums as a means of facilitating entry-level home ownership so long as the rental market and the needs of low and very low income households are not adversely affected.
 - G. Promote housing opportunities for the elderly and large families. Elderly housing should ideally be located in close proximity to transit routes and to commercial services.
 - H. Facilitate provision of housing for the homeless.
 - I. Protect housing designated for occupancy by moderate, low, and very low income households from premature conversion to market rate by the imposition of reasonable resale restrictions.
 - J. Preserve the City's housing stock and neighborhoods in a safe and decent condition and eliminate the causes and spread of blight.
 - K. Conserve the City's current inventory of affordable housing, particularly that for very low and low income households.
 - L. Strive to ensure that all units occupied by very low, low and moderate income households remain affordable to their respective income groups.
 - M. Provide relocation assistance and/or ensure replacement of removed units whenever housing occupied by very low, low and moderate income households is demolished.
11. 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.

“Simply stated, the mission of the City Council of the City of Paso Robles is to develop a balanced community where the great majority of the population can live, work, and shop. Critical to this mission is the development and support of a healthy economic environment for the citizens of Paso Robles. This includes the creation of an employment base which has a balance of entry-level, semi-skilled and skilled jobs for residents, development of the tourism/visitor market, expanded retail/commercial development, provision of housing options for all income levels, and improvement of the City's development process. The economic vitality must come without reducing the quality of the community's environment.”

12. To that end, the City's Economic Strategy also includes the following goals:
 - A. Maintaining a public policy that will encourage the consistent construction of housing to meet the needs of people at all income levels.
 - B. Providing a housing stock that will accommodate both affordable and higher priced units.
 - C. Establishing incentives to create sufficient rental housing production needed to meet anticipated demand of growth in the agriculture industry, manufacturing, tourism, and Cuesta College North Community College.
 - D. Giving priority to multi-family rental housing development projects that provide after-school programs, daycare facilities and other on-site services when allocating City Community Development Block Grants, Redevelopment Agency, Home Investment Partnership Program, and other funding sources.
 - E. Preparing draft guidelines for City Council consideration that would require developers who propose using low-income tax credit financing or other financing (which will have property tax exemptions) to have a local non-profit or public entity with a proven track record in ownership or management be the managing general partner of controlling ownership interest in the project.
 - F. Requiring multi-family development projects to provide adequate recreation, childcare facilities, and after-school programs with the guarantee for their long-term financial viability.
 - G. Provide fast-track processing, fee waivers, and other City incentives for affordable housing projects.
 - H. Obtain State certification of the Housing Element as soon as possible to finalize density required to accommodate projected rental housing needs. State certification should ensure consistency with the desired quality of neighborhoods of the City.
 - I. Encourage the County to provide adequate housing for the agricultural labor force.
 - J. Ensure that the next General Plan Update sets aside sufficient sites with adequate zoning if an adequate number of sites suitable for affordable housing projects are not currently available.
 - K. Encourage investment in renovating or replacing substandard housing and commercial structures by utilizing density bonuses, fee waivers, and assistance with off-site improvement requirements.
 - L. Encourage development of vacant commercial or residential zoned property by utilizing density bonuses, fee waivers, and assistance with off-site improvement requirements.
 - M. Create both smaller lots and larger acreage parcels with rural standards within the City that are suitable for higher priced housing.
13. At its September 17th meeting, the City Council received a presentation from City staff and Mr. Steve Devencenzi, Deputy Director of SLOCOG, on affordable housing matters and SLOCOG's Countywide Draft RHNP.

14. The focus of the presentation to the City Council was two-fold:
- A. First, the City Council was provided with a synopsis of the City’s existing goals and policies regarding affordable housing; and,
 - B. Secondly, the City Council was given background information on the process undertaken in developing SLOCOG’s Countywide Draft RHNP.
15. The State Department of Housing and Community Development (HCD) has advised SLOCOG that they will not be recommending any further reduction of its assignment of 18,035 units to the region.
- A. Over the past six months, SLOCOG has been in active negotiations with HCD in order to receive a lower housing unit allocation of “need.” SLOCOG’s appeal of the HCD “need” focused on the findings that:
 - There is a disparate distribution of growth among the coastal counties.
 - The HCD growth projections do not consider local conditions and constraints.
 - The HCD growth projections are in direct conflict with other legal mandates governing land use decisions, including environmental quality, infrastructure planning, and congestion management.
 - The HCD growth rate is double that experienced during the last decade and is not likely to occur.
 - B. SLOCOG sought to lower the HCD total from 18,892 to 13,892 residential units for the 7 ½-year planning period from January, 2001, to July, 2008.
 - C. In an August 29, 2002 letter to SLOCOG, HCD agreed to lower the countywide total to 18,035 residential units.
 - D. SLOCOG has the authority for determining the fair share allocation of the countywide housing “need” to each of its member agencies.
16. SLOCOG’s distribution of the countywide 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

17. SLOCOG’s distribution of the countywide housing “need” is based on population growth.

18. At its September 17, 2002 meeting, the City Council reached consensus to:
- A. Oppose the State’s intrusion in local land use decisions;
 - B. Reluctantly and in protest endorse SLOCOG’s Regional Housing Needs Plan adopting the State’s countywide housing allocation;
 - C. Encourage SLOCOG to modify its distribution model so that the countywide housing “need” would be apportioned according to household growth.
- If this approach were used, the City’s share of the countywide housing “need” would be reduced from 15% to 13% for a total of 2,372 new units instead of 2,572 units. This reduction is due to the fact that 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).
- D. Suggest to SLOCOG that incentives be developed for those communities that address their allocated share of the regional housing need.
19. SLOCOG is accepting comments on its distribution of the countywide housing “need,” and is expected to take action on the Countywide Draft RHNP at its October 9, 2002 meeting.
20. SLOCOG staff has advised the City Council that proceeding with a Countywide Draft RHNP that does not recognize HCD’s allocation of the countywide housing “need” of 18,035 units would jeopardize the ability of its member jurisdiction to comply with State law.
21. State law requires that each of SLOCOG’s member agencies update their Housing Elements on or before December 31, 2003; each Update is to incorporate SLOCOG’s distribution of the countywide housing “need.”
22. If SLOCOG’s Countywide Draft 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>	

23. At its August 27, 2002 meeting, the Planning Commission reviewed the Countywide 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.
- The U.C.S.B. Economic Forecast projects a Median Sales of \$252,000 in Paso Robles in 2002. This Sales Price is affordable to 23% of Paso Robles residents.
- 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.

Policy

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

Fiscal

Impact: None.

Options:

- a. Review the attached draft response letter to SLOCOG on the Countywide Draft RHNP and authorize its release.
- b. Suggest revisions to be incorporated into the City's draft response letter.
- c. Request additional information and analysis.
- d. Amend, modify, or reject the above options.

Attachments:

1. Draft Response Letter to SLOCOG on the Countywide Draft RHNP
2. Affordable Housing Income Limits, Rents, and Sales Prices
3. City's 07/09/02 Response Letter to SLOCOG on the Regional Housing Needs Determination
4. 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

DRAFT

October 1, 2002

Mr. Dave Elliott, President
San Luis Obispo Council of Governments
1150 Osos Street, Suite 202
San Luis Obispo, CA 93401

SUBJECT: SLOCOG's Draft Regional Housing Needs Plan (July 2002)

Dear Mr. Elliot:

The City of Paso Robles would like to re-iterate its support of SLOCOG's efforts to implement the State's affordable housing program mandates. In doing so, SLOCOG should continue to communicate our concerns with the State's growth targets. The target for San Luis Obispo County is greater than that established for the other coastal counties and is not reflective of local conditions and constraints.

While the growth projections are merely "targets," we do not want their purpose to be misconstrued. Much legislative debate has centered on imposing penalties for non-compliance with these targets. Such an approach is improper. It does not recognize the other variables affecting the provision of affordable housing. It would diminish the City's ability to address growth in a responsible and fiscally prudent manner, thereby limiting residents' control of land use decisions.

In its deliberations on this matter, the City Council has reached a consensus to:

- Oppose the State's intrusion in local land use decisions;
- Reluctantly and in protest endorse SLOCOG's Regional Housing Needs Plan adopting the State's countywide housing allocation;
- Encourage SLOCOG to modify its allocation model so that household growth is used to equitably distribute the regional housing need amongst its member agencies; and,
- Suggest SLOCOG develop incentives for those communities that address their allocated share of the regional housing needs.

The City Council believes it is important for SLOCOG to continue its lobbying efforts for legislative reform. A more comprehensive approach to providing affordable housing is needed. In closing, we would like to formally express our continued commitment to working together in developing a countywide program for addressing growth and affordable housing needs.

Sincerely, and on Behalf of the City Council,

Frank Mecham, Mayor

cc: City Council