



MEMORANDUM

DATE: July 12, 2010

TO: Planning Commission

FROM: Barry Miller, Consultant
Kate Black, City Planner

SUBJECT: STAFF REPORT FOR JULY 12 PUBLIC HEARING ON
THE DRAFT HOUSING ELEMENT

RECOMMENDATION:

(A) Hold an initial public hearing on the Draft Housing Element; (B) Continue the public hearing to the August 9 meeting, at which time a resolution to forward the Element to the City Council will be considered; (C) Discuss any Commission issues or questions related to the Draft Element and CEQA document.

INTRODUCTION:

The City of Piedmont is in the process of updating the Housing Element of its General Plan. The Housing Element contains the City's policies regarding housing production, affordable housing, housing for people with special needs, housing conservation, and other housing-related issues. The content and organization of the Element are defined by the State of California, and the Element itself must be certified by the State Department of Housing and Community Development (HCD).

The Planning Commission held work sessions on the Housing Element in 2009 on May 7, June 8, August 31, October 12, and December 14. An Administrative Draft of the Element was submitted to the State Department of Housing and Community Development on March 22, 2010. Comments from the state were received on May 25, 2010. Minor revisions were made to the Administrative Draft in response to HCD comments, but the bulk of the revisions will be made later in July 2010 following consultation with HCD staff. An addendum to the Element will be prepared for consideration by the Planning Commission at its August 9 meeting. At the time, the Commission may recommend adoption of the Element to the City Council. A Council hearing will be held later in August or in September.

Because the Housing Element is an amendment to the Piedmont General Plan, it is defined as a "project" under the California Environmental Quality Act and is subject to environmental review. An Initial Study was completed, and a Draft Negative Declaration has been prepared.

BACKGROUND:

The City of Piedmont adopted its current Housing Element in November 2002. State law requires the City to prepare a new Housing Element every five to eight years, in response to changing housing needs and conditions.

The key driver behind the Housing Element Update is the Regional Housing Needs Allocation (RHNA). The RHNA is a process established by the State in which each city is “assigned” a number of housing units it must accommodate during a defined planning period. In this case, the planning period is 2007-2014 (since three years have already passed, the focus is on 2010-2014). Cities are not required to actually build the housing—rather, they must demonstrate to the State that the *opportunity* to build the housing has been created (based on zoning, etc).

The RHNA “assignments” are determined by the Association of Bay Area Governments (ABAG) using a formula that considers multiple factors, including land supply, job growth, the local housing market, income distribution, and proximity to transit. Piedmont’s assignment for 2007-2014 (the current planning period) is 40 units. This includes 13 very low income units, 10 low income units, 11 moderate income units, and 6 above moderate income units. As of December 2009, the City had already met its above moderate income assignment (through approval of new homes in 2007-2009). It also met a portion of its very low, low, and moderate income assignment (through the approval of second units in 2007-2009). This allowed the City to “adjust” its RHNA to focus on the remaining units to be accommodated in 2010-2014.

STATUS OF ELEMENT AND STATE HCD REVIEW:

The City of Piedmont submitted an Administrative Draft Housing Element to HCD on March 22, 2010 for a preliminary review. HCD is statutorily required to issue an opinion on Administrative Drafts within 60 days. The “preliminary review” allows communities to revise their Housing Elements before they are adopted, thereby improving the chances of a compliance determination by HCD. A second review will take place after the City Council adopts the Housing Element.

On May 20, the City received a phone call from HCD, indicating their review letter was forthcoming. The HCD reviewer conveyed some of the comments verbally, indicating that City staff could avoid having these comments listed in the official letter if they were made prior to May 24. Most of the comments pertained to Chapter 3 (Needs Assessment), and one comment pertained to Chapter 7 (a quantified objective was needed for extremely low income households). Staff complied and sent an addendum to HCD with minor revisions. The July 2010 Public Review Draft incorporates these revisions

The City of Piedmont received its official comment letter from HCD on May 25, 2010 (see **Appendix “A”**). **“Appendix B”** at the end of this Staff Report summarizes the HCD comments and indicates a strategy for responding. The attached Public Review Draft does not yet incorporate revisions related to the written HCD comments. These revisions are going to be completed during the next two weeks following consultation with HCD. Staff attempted to meet with HCD during June 2010 to clarify their comments so that the revisions could be made prior

to July 12. Requests for a meeting with state officials were made during the weeks of June 21, June 28, and July 5. Unfortunately, the State reviewers were not immediately responsive to the City's requests and scheduled the meeting for July 13.

Staff intends to prepare an addendum to the Public Review Draft Housing Element after its meeting with HCD. This will be circulated later in July, and will be considered at the Planning Commission's hearing on August 9. The Commission will also consider any comments from the public, including comments on the Initial Study/ Negative Declaration at that time.

Following Planning Commission action, the Housing Element (and Addendum) will be forwarded to the City Council for adoption. Following adoption, a Final document incorporating the Addendum will be published and resubmitted to HCD. HCD will then have 90 days to make a compliance determination. There is no immediate consequence to the City if the document is found to be out of compliance. However, such a decision could make the City ineligible for certain state and federal grants and more vulnerable to litigation. It is therefore in the best interest of the City to have a certified Element.

SUMMARY OF DOCUMENT

The Housing Element is organized into seven chapters, summarized below. The organization of the document is dictated by State requirements, and is the same in most California cities.

- The first chapter (Introduction) describes the requirements for the Housing Element, the Regional Housing Needs Allocation Process, and the process used to develop the Housing Element. It also includes a user's guide to the document.
- The second chapter (Evaluation of the 2002 Housing Element) corresponds to a state-mandated requirement to evaluate the effectiveness of the previous Housing Element and identify the steps needed to address any deficiencies. This chapter includes a series of tables that describe the progress that has been made in carrying out the 2002 Element.
- The third chapter (Demographics and Housing Needs) includes a state-mandated analysis of demographics, income, affordability, employment, special housing needs, housing stock characteristics, and energy conservation. This information is used to assess current and anticipated housing needs in the City.
- The fourth chapter (Analysis of Housing Capacity) describes the inventory of sites in Piedmont that could potentially support new housing in the next five years. It also includes an assessment of the potential for second units in the city, and for mixed use development on commercially zoned land.
- The fifth chapter (Constraints to Housing Production) identifies possible governmental and non-governmental constraints to housing development in the city. Among the governmental constraints analyzed are the zoning ordinance, standards for special housing types, design review requirements, building code and permit processing requirements, local fees, and site improvement requirements. The non-governmental constraints that are analyzed include

infrastructure, environmental hazards, land and construction costs, financing and interest rates, and public opinion.

- The sixth chapter (Housing Goals, Objectives, Policies, and Actions) presents the City’s official housing policies along with a series of measurable targets for 2010-2014.
- The seventh and final chapter (Five-Year Action Program) includes a “roll-up” of targeted objectives, accompanied by a summary table. The table indicates the responsible party and timing for each action.

MAJOR POLICY DIRECTIVES

The 2010 Piedmont Housing Element’s policies and actions are organized under seven major goal headings, summarized below:

1. *New Housing Construction.* Goal 1 supports the construction of new housing meeting the needs of all household types in the community. It sets the following objectives for 2010-2014:
 - 10 new market-rate single family homes on scattered vacant infill sites
 - 13 new market-rate second units
 - Redevelopment of the former PG&E site on Linda Avenue with 7-9 units of new housing

The Plan includes 10 policies and six action programs to help achieve these objectives. These include a commitment to maintaining zoning that allows multi-family housing, second units, mixed use development, manufactured housing, and other diverse housing types. A key program recommendation is to amend the zoning code to allow multi-family and mixed use development in the commercial zoning district.

2. *Housing Conservation.* Goal 2 promotes the conservation of the existing housing stock. The specified objectives are to:
 - Preserve all of the city’s existing rental apartments through 2014
 - Preserve the existing housing in the commercial zoning district through 2014
 - Provide financial assistance to 10 lower income Piedmont households (including five senior households) to rehabilitate their homes (through CDBG grants)

The Plan includes seven policies and five actions to help achieve these objectives. These include support for private reinvestment in the housing stock, application for CDBG grants, preservation of small homes (through parking standards and FAR requirements), continued code enforcement, and preservation of multi-family housing, including non-conforming units. Action programs call for continued limits on house size (through FAR requirements) and measures to expedite and reduce the cost of design review.

3. *Affordable Housing Opportunities.* Goal 3 supports the production of housing that is affordable to low and moderate income Piedmont households. It includes the following specific objectives for 2010-2014:

- Create at least nine second units that are rent-restricted to very low income households
- Create at least four second units that are rent-restricted to low income households

The Plan includes seven policies and two actions to help achieve these objectives. The policies create the framework for the City's rent-restricted second unit program, and support other means of helping lower income residents find suitable housing in Piedmont (such as shared housing). The programs call for a revision of the city's second unit ordinance to explore new incentives for producing low and very low income units, and to promote awareness of second units as a housing resource.

4. *Elimination of Housing Constraints.* Goal 4 seeks to minimize constraints to the development of housing, and sets the objective of processing 80 percent of all planning and building permits within 30 days of their receipt. The eight policies address public information about the planning process, the appropriateness of planning and design standards, the speed of permitting and flexibility of codes, infrastructure maintenance, and similar topics. The eight action programs include expanding the city planning website, sponsoring home improvement seminars, updating the building code, reviewing fees, and eliminating the two parking space per unit requirement for apartments in the multi-family zone that are less than 700 square feet.
5. *Special Needs Population.* Goal 5 calls for adequate housing for Piedmonters with special needs, including seniors and persons with disabilities. Quantified objectives include home rehabilitation assistance to five senior citizen households, and assistance to enable 10 senior homeowners to "age in place" The six policies support home retrofits for persons with diminished mobility, shared housing for seniors, reasonable accommodation for persons with disabilities, and provisions for persons with extremely low incomes, including those who are homeless. The eight action programs include participation in ECHO's shared housing program, allowances for temporary wheelchair ramps, collaboration with nonprofit developers, amending the zoning code to allow emergency shelter in Zone B by right, and working with the local faith community and non-profits to address homelessness in the East Bay.
6. *Sustainability and Energy.* Goal 6 calls for greener construction, including energy and water conserving measures, as a way to reduce household utility costs. Its objectives include energy efficiency retrofits of at least 20 Piedmont homes and alternative energy retrofits (e.g., solar or wind) of at least 25 Piedmont homes by 2014. Its seven policies support energy efficient design, the use of energy efficient materials, weatherization of existing homes, use of renewable energy, and use of bay friendly landscaping to reduce water costs. The four action programs include implementation of Title 24 energy standards, support for green building, and participation in the California FIRST program for solar energy financing.
7. *Equal Access to Housing.* Goal 7 supports equal access to housing for all Piedmont residents. Its four policies and two actions support full enforcement of federal fair housing laws, increased fair housing education, and implementation of Alameda County fair housing programs at the local level.

MAJOR DEPARTURES FROM THE 2002 HOUSING ELEMENT

The major changes between the 2002 Housing Element and the 2008 Element are highlighted below.

- The document has been reformatted to match the rest of the newly updated 2009 General Plan. This includes the use of color, text boxes, graphics, side bars, pull quotes, and other design features.
- Chapter 1 (Introduction) has been updated to describe the current (2007-2014) RHNA allocation and the process for updating the Housing Element.
- Chapter 2 has been updated to include an evaluation of the 2002 Element and a discussion of housing trends in Piedmont between 2002 and 2009. The 2002 Element had included an evaluation of the previous (1992) Housing Element. The format for the evaluation has been changed since there were many more actions in the 2002 Element than there were in the 1992 Element.
- Chapter 3 has been updated to incorporate the best available data on each of the topics covered. Because both the 2002 and 2010 elements fall during the same Census interval, the 2000 census remains the baseline for most demographic and income data. The American Community Survey has been cited in some instances to provide more current data. In other cases, sources such as the Department of Finance and the California Association of Realtors have been used. Virtually all of the tables in Chapter 3 also appeared in the 2002 Element, but the data has been updated wherever possible.
- Conclusions about the data in Chapter 3 have been updated to reflect new findings. This is particularly important on topics such as housing costs and the housing market, which changed significantly between 2002 and 2010.
- New text sections have been added on the growing incidence of foreclosures in the city and region.
- Additional detail has been provided on the housing needs of extremely low income persons (earning less than 30 percent of areawide median), consistent with state law. The discussion of homelessness has also been updated and expanded.
- Chapter 4 (Housing Sites) has been updated and reorganized to reflect current conditions and to better respond to state requirements. The number of vacant lots has been expanded due to the availability of better data from the County Assessor. The analysis of second unit potential has been expanded since this represents the city's best prospect for affordable housing.

- Chapter 5 (Constraints) was part of Chapter 4 in the 2002 Element—that chapter was previously called “Opportunities and Constraints”. The discussion of constraints has been elevated to its own chapter to better respond to State requirements.
- The Constraints discussion has been updated to reflect current conditions. Thus, the zoning discussion reflects changes to the zoning regulations and new zoning districts that were adopted between 2002 and 2009, the design review discussion reflects new requirements that were enacted after 2002, and the discussion of fees reflect current fees rather than those from eight years ago.
- Additional detail has been added to the Constraints discussion to comply with state law, particularly SB2 (which requires cities to allow homeless shelters, transitional, and supportive housing by right in at least one zoning district).
- The Housing Objectives have all been updated to reflect the new RHNA figures. The biggest difference between the 2007-2014 RHNA and the 1999-2006 RHNA is not the total number of units, but rather the income distribution of the units. The prior period allocation was 49 units—this allocation is 40 units. But just 9 of the units were low/very low income in the prior allocation, compared to 23 in this allocation. Meeting the RHNA in the 1999-2006 Element required accommodating the construction of nearly 30 new single family homes. By contrast, the City has already met its RHNA obligation for single family homes (i.e., above moderate income homes) in the 2007-2014 period, enabling the new Housing Element to focus on affordable units (e.g., second units).
- Housing Goals have been reorganized. Goal 1 now focuses on housing production in general, and Goal 3 focuses specifically on affordable housing. Previously, Goal 3 was to increase second unit occupancy, and it did not reference affordability.
- The goal in the 2002 Element which dealt with energy conservation has been replaced with a broader goal relating to “green” construction. Expanding this goal is consistent with the sustainability themes in the recently adopted Climate Action Plan and General Plan. It recognizes that green building can reduce other costs besides energy (for example, water). The link between conservation and housing costs is recognized.
- Most of the policies in the 2002 Element have been carried forward. A few policies have been edited, a few (such as the policy on foreclosures) are new, and a few have been deleted, replaced, or moved to a different goal.
- Actions relating to second units have been updated and overhauled to reflect the fact that the City’s new ordinance has been effect for several years. Measures to strengthen the ordinance and increase second unit production are suggested for further study.
- New actions have been added, including:
 - A proposal to collect and monitor data on second unit rents
 - A proposal to hold a study session on design review changes

- A proposal to amend the parking standards for small units in the multi-family zone
 - A proposal to study the effects of the City’s bonding requirements on development
 - A proposal to allow emergency shelter by right in Zone B (Public Facilities)
 - A proposal to participate in the Countywide Everyone Home Program
 - A proposal to engage the faith community in addressing homelessness
 - A proposal to incentivize green construction
 - A proposal to promote water conservation as a way to reduce housing costs
 - A proposal to support financial assistance for renewable energy systems.
- The Implementation Chapter (Chapter 7) has been updated for consistency with Chapter 6.

Despite the large number of text changes, the substantive direction provided by the 2002 Housing Element will not change. The goals are fully consistent with the other elements of the Piedmont General Plan.

CEQA COMPLIANCE

The Housing Element Update is considered a General Plan Amendment, and is therefore subject to the California Environmental Quality Act (CEQA). Accordingly, the City conducted a CEQA Initial Study (IS) for the document and determined that its adoption would have no significant impact. A Negative Declaration (ND) has been prepared, and the City has filed a Notice of Intent (NOI) to adopt the IS/ND. Fifteen copies of the IS/ND have been submitted to the State for distribution to interested State agencies. The IS/ND has also been posted to the City’s website. Notice of the availability of these documents has been sent to the City’s “interested party” email list.

The IS/ND relies heavily on a similar document that was prepared in 2009 for the Piedmont General Plan Update. A Mitigated Negative Declaration (MND) for the General Plan was adopted in April 2009. Much of the “background” text in that MND remains relevant and was used in the Housing Element IS/ND. In general, the impacts of adopting the Housing Element are not environmentally significant because the project would not change the General Plan Map or Zoning Map. Adoption of the Element by itself would not result in any physical development. The Housing Element is a policy document rather than a plan to build structures on any particular site. Any future housing development in Piedmont will be subject to subsequent environmental review, and remains subject to the requirements of CEQA.

PLANNING COMMISSION ACTION:

The Planning Commission will be asked to open the public hearing, take public testimony, and continue the public hearing to August 9. Additional public testimony may be heard in August.

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
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**APPENDIX A:
State Comment Letter**

May 25, 2010

Mr. Lawrence A. Rosenberg
Director of Public Works
City of Piedmont
120 Vista Avenue
Piedmont, CA 94611

Dear Mr. Rosenberg:

RE: Review of the City of Piedmont's Draft Housing Element

Thank you for submitting Piedmont's draft housing element received for review on March 26, 2010. 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 May 20, 2010 with Mr. Barry Miller, the City's consultant, and Ms. Kate Black, City Planner, facilitated the review.

The Department commends Piedmont for its achievements and continuing efforts to preserve the City's housing stock, particularly housing affordable to lower-income households. 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 potential governmental constraints. The enclosed Appendix describes this and other revisions needed to comply with State housing element law.

The Department is committed to assist Piedmont in addressing all statutory requirements of housing element law. If you have any questions or need additional technical assistance, please contact Brett Arriaga, of our staff, at (916) 445-5888.

Sincerely,

A handwritten signature in cursive script that reads "Cathy E. Creswell".

Cathy E. Creswell
Deputy Director

Enclosure

APPENDIX

CITY OF PIEDMONT

The following changes would bring Piedmont'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)). The inventory of land suitable for residential development shall be used to identify sites that can be developed for housing within the planning period (Section 65583.2).*

To demonstrate the adequacy of identified sites and strategies to accommodate the City's regional housing needs allocation (RHNA), the element must include complete analyses, as follows:

Sites Inventory: While the element lists sites by address, parcel size and zoning, it must also include the General Plan designation of each site.

Second Units: As indicated in the element, the City relies on second units to accommodate the City's share of housing needs for lower-income households. While the City assumes 10-20 percent of identified single-family lots will develop with second units (page 4-5), the analysis must consider the capacity of second units based on the number of second units developed in the prior housing element planning period whether or not the units are permitted by-right, the need for second units in the community, the resources or incentives available for their development and any other relevant factors. As mentioned in the conversation with the Department, the City diligently monitors second-unit applications and has recently experienced higher levels of applications due to improved streamlining efforts. The element could utilize this information to complete a thorough analysis to demonstrate the realistic capacity of second units in the planning period.

Emergency Shelters: While the element generally states there is sufficient capacity in Zone B of the City's residential zones to accommodate the need for emergency shelters (page 5-10), it should include an analysis demonstrating this capacity including available parcels, sizes of parcels and other characteristics that make the available parcels conducive for the development of emergency shelters. Further information describing these requirements can be found in the Department's Chapter 633, Statutes of 2007 (SB 2), technical assistance memo at http://www.hcd.ca.gov/hpd/housing_element2/SHN_shelters.php.

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)).*

Land-Use Controls: The element identifies and discusses various residential development standards. However, the element must include a complete analysis of their potential impacts on the cost and supply of housing and add implementation actions, as appropriate, to address constraints on development. This analysis must also demonstrate the cumulative impacts of development standards on the ability to achieve maximum densities. In addition, the analysis should specifically address lot coverage and off-street parking requirements for multifamily units.

Fees and Exaction: While the element lists fees and considers their total effect on a typical single-family home (page 5-15), it should also describe and analyze the effects on development costs for multifamily development. For assistance with this requirement, see the *Building Blocks'* website at http://www.hcd.ca.gov/hpd/housing_element2/CON_fees.php.

Local Processing and Permit Procedures: While the element includes some information on some development permits, it must also specifically describe and analyze the City's permit processing and approval procedures for impacts on cost, supply, timing and approval certainty. To address this requirement, the element should discuss processing procedures and review steps for typical single- and multi-family projects, including type of permit, level of review, and decision making criteria such as approval findings.

City Charter for Rezoning of Parcels: The element briefly mentions the City charter requiring a citywide election for the rezoning of any parcel of land to a use other than single-family residential (page 2-4). The element must include a complete description of the requirements, how elections are processed and an analysis of the impact of the charter on the cost, timing and supply of housing. Should the analysis identify the charter as a constraint to residential development, programs must be added to address and remove or modify the charter requirements.

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-3, the element does not include a complete site analysis and therefore, the adequacy of sites and zoning were not 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. In addition:

Multifamily Opportunities: Given the requirement to encourage a variety of housing types to assist in addressing the need for housing for families suitable in size, the element should include programs to facilitate multifamily development. For example, programs could be added to offer incentives assisting in the development of multifamily projects such as expedited permit processing, modifying development standards, fee deferral and/or other incentives encouraging multifamily development. This is particularly important given the lack of multifamily development in the prior planning period and some sites zoned for multifamily with existing operating uses.

Second Units: Given the City's reliance on second unit development to meet the needs of housing for lower-income households, a program should be added that specifically monitors second unit development opportunities available to meet the needs of lower-income families.

Emergency Shelters: As noted in Finding A-3, the City must provide an analysis demonstrating sufficient capacity in Zone B to accommodate the City's need for emergency shelters. Depending on the outcome of that analysis, the City may need to revise Program 5.E to identify alternate zones that can adequately facilitate the City's need for emergency shelters.

Transitional and Supportive Housing: While Program 5.E indicates the City will amend Zone B to allow transitional housing by-right, pursuant to SB 2, transitional and supportive housing must be permitted as a residential use and only subject to those restrictions that apply to other residential uses of the same type in the same zone. As a result, the element must amend Program 5.E or add another program to amend zoning for transitional and supportive housing consistent with SB 2.

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), programs should specifically assist in the development of a variety of housing types to meet the housing needs of extremely low-income (ELI) households. While the element includes Programs 5.G and 5.E to assist in the development of housing for ELI households for the City's homeless, additional programs should be added to address the needs of ELI households that are not homeless. To address this requirement, the element could revise or add programs to prioritize some funding for the development of housing affordable to ELI households, and/or offer financial incentives or regulatory concessions to encourage the development of housing types, such as multifamily, single-room occupancy (SRO) units, and supportive housing, which address some of the needs of this income group.

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-4, the element requires a complete 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.

Design Review (Program 2.E): The Program commits to conduct planning commission study sessions to assess and identify steps that might be taken to expedite and improve the City's design review process. However, given that many Piedmont residents believe the City's design review requirements are too restricting and do not provide clarity in decision-making (page 5-12), the Program should commit to actions beyond identifying steps that "might be taken" to address the constraint. For example, the Program could commit to developing a handbook, by a date certain, outlining different design schemes that provide certainty to applicants.

C. Consistency with General Plan

The housing element shall describe the means by which consistency will be achieved with other general plan elements and community goals (Section 65583(c)(7)).

The City should also note recent statutory changes to Government Code Section 65302 (Chapter 369, Statutes 2007 [AB 162]) which requires amendment of the safety and conservation elements of the General Plan to include analysis and policies regarding flood hazard and management information upon the next revision of the housing element on, or after, January 1, 2009. For additional information, refer to Department's website at http://www.hcd.ca.gov/hpd/hrc/plan/he/ab_162_stat07.pdf.

D. Public Participation

Local governments shall make a diligent effort to achieve public participation of all economic segments of the community in the development of the housing element, and the element shall describe this effort (Section 65583(c)(7)).

While the element includes a general summary of the public participation process, it should also include descriptions of how input was solicited, considered and incorporated. For example, the element could describe the success of the outreach efforts, summarize public comments and describe how public input was eventually incorporated into the element. For assistance in meeting this requirement, see the *Building Blocks'* website at http://www.hcd.ca.gov/hpd/housing_element2/GS_publicparticipation.php.

APPENDIX B:

Staff Strategy for Responding to HCD Comments

City Staff has prepared the following interpretations of HCD Comments and will be meeting with HCD staff on July 13, 2010 to review proposed responses. State comments appear in the text boxes, and staff interpretations appear in *(red) Arial font* below.

1. Sites Inventory: While the element lists sites by address, parcel size and zoning, it must also include the General Plan designation of each site.

This will be added through the addendum. Most of the sites are designated Low Density Residential.

2. Second Units: As indicated in the element, the City relies on second units to accommodate the City's share of housing needs for lower-income households. While the City assumes 10-20 percent of identified single-family lots will develop with second units (page 4-5); the analysis must consider the capacity of second units based on the number of second units developed in the prior housing element planning period whether or not the units are permitted by-right, the need for second units in the community, the resources or incentives available for their development and any other relevant factors.

As mentioned in the conversation with the Department, the City diligently monitors second-unit applications and has recently experienced higher levels of applications due to improved streamlining efforts. The element could utilize this information to complete a thorough analysis to demonstrate the realistic capacity of second units in the planning period.

We are seeking clarification from HCD on how the City should respond to this comment. Staff is adding data to Chapter 4 on the number of second units included in new homes built between 2000 and 2010 (the figure exceeds 10 percent). Staff is also adding data on second unit approvals since December 2009 (several new units have been approved in the last six months, bolstering the City's claim that this is a viable strategy for meeting the RHNA).

3. *Emergency Shelters:* While the element generally states there is sufficient capacity in Zone B of the City's residential zones to accommodate the need for emergency shelters. (page 5-10), it should include an analysis demonstrating this capacity including available parcels, sizes of parcels and other characteristics that make the available parcels conducive for the development of emergency shelters.

Staff is adding an analysis of the Public Facilities zone, indicating that there are available "sites" for these uses (e.g. the former Christian Scientist Church, the Corp Yard, other sites in the Civic Center, etc.)

4. *Analyze potential and actual governmental constraints: Land-Use Controls.* The element identifies and discusses various residential development standards. However, the element must include a complete analysis of their potential impacts on the cost and supply of housing and add implementation actions, as appropriate, to address constraints on development. This analysis must also demonstrate the cumulative impacts of development standards on the ability to achieve maximum densities. In addition, the analysis should specifically address lot coverage and off-street parking requirements for multifamily units.

Staff is seeking clarification from HCD on why they believe the existing analysis is incomplete, and what could be done to remedy this. Staff proposes to prepare additional text on the "cumulative impacts of development standards on the ability to achieve maximum density" (i.e., after considering setbacks, lot coverage, FAR, and height limits on a multi-family site, what is the buildable envelope and is it adequate to achieve 20 units per acre?). Staff will also expand the discussion of lot coverage and off-street parking requirements for multi-family units.

5. *Fees and Exaction:* While the element lists fees and considers their total effect on a typical single-family home (page 5-15), it should also describe and analyze the effects on development costs for multifamily development.

We are adding this information through the Addendum.

6. *Local Processing and Permit Procedures:* While the element includes some information on some development permits, it must also specifically describe and analyze the City's permit processing and approval procedures for impacts on cost, supply, timing and approval certainty. To address this requirement, the element should discuss processing procedures and review steps for typical single- and multi-family projects, including type of permit, level of review, and decision making criteria such as approval findings.

Since staff has already presented this information in the Administrative Draft, it is unclear what the State reviewers believe is deficient. This will be covered during our upcoming meeting with HCD.

7. *City Charter for Rezoning of Parcels:* The element briefly mentions the City charter requiring a citywide election for the rezoning of any parcel of land to a use other than single-family residential (page 2-4). The element must include a complete description of the requirements, how elections are processed and an analysis of the impact of the charter on the cost, timing and supply of housing. Should the analysis identify the charter as a constraint to residential development, programs must be added to address and remove or modify the charter requirements.

Staff will be seeking clarification from HCD on how to best address this comment. We do not believe it is appropriate for the Housing Element to address the issue of "how elections are processed." The Element already concludes that the "impact of the charter on the cost, timing, and supply of housing" is that the city must rely on second units to meet affordable housing needs rather than upzoning single family lots. As needed, we will add a qualitative discussion of the charter's impact on the cost and timing of multi-family housing in the City.

7. *Identify adequate sites:* As noted in Finding A-3, the element does not include a complete site analysis and therefore, the adequacy of sites and zoning were not 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.:

Since there is no Finding A-3 in the HCD letter, we presume this refers to A-1. This comment should be addressed when Items 1-3 in this Appendix are covered.

8. Multifamily Opportunities: Given the requirement to encourage a variety of housing types to assist in addressing the need for housing for families suitable in size, the element should include programs to facilitate multifamily development. For example, programs could be added to offer incentives assisting in the development of multifamily projects such as expedited permit processing, modifying development standards, fee deferral and/or other incentives encouraging multifamily development. This is particularly important given the lack of multifamily development in the prior planning period and some sites zoned for multifamily with existing operating uses.

The City does not believe that programs to facilitate multifamily development will have the effect desired by HCD, given the conclusions of Housing Element Chapters 3-5 and the success of the city's rent restricted second unit program. If necessary, the City will include programmatic language indicating a commitment to expedited permit processing, modified development standards, fee deferral, etc., but it is our belief that these will not have a material impact on development potential since there are so few multi-family opportunities in the city. The City contends that affordable second units are a much more effective, responsible, sustainable, and productive way to create affordable housing opportunities in Piedmont.

9. Second Units: Given the City's reliance on second unit development to meet the needs of housing for lower-income households, a program should be added that specifically monitors second unit development opportunities available to meet the needs of lower-income families.

This will be added to Chapter 6 through the Addendum. The City will add a program to the Element which describes its efforts to monitor and track illegal units and unintended units, with the intent to legalize them and promote their use as rent restricted units.

10. Emergency Shelters: The City must provide an analysis demonstrating sufficient capacity in Zone B to accommodate the City's need for emergency shelters. Depending on the outcome of that analysis, the City may need to revise Program 5.E to identify alternate zones that can adequately facilitate the City's need for emergency shelters. Transitional and Supportive Housing: While Program 5.E indicates the City will amend Zone B to allow transitional housing by-right, pursuant to SB 2, transitional and supportive housing must be permitted as a residential use and only subject to those restrictions that apply to other residential uses of the same type in the same' zone. As a result, the element must amend Program 5.E or add another program to amend zoning for transitional and supportive housing consistent with SB 2.

The first part of the comment repeats Comment #3 (listed above in this memo). The second part (about amending Program 5.E) will not be necessary because the City's analysis indicates that there is sufficient capacity in Zone B to accommodate extremely low income Piedmont households in 2010-2014. The projected need is for three extremely low income households. The City will amend the language of Program 5.E as needed to address HCD's concern that transitional and supportive housing are "permitted as a residential use and are only subject to the restrictions that apply to other residential uses of the same type in the same zone."

11. Pursuant to Chapter 891, Statutes of 2006 (AS 2634), programs should specifically assist in the development of a variety of housing types to meet the housing needs of extremely low-income (ELI) households. While the element includes Programs 5.G and 5.E to assist in the development of housing for ELI households for the City's homeless, additional programs should be added to address the needs of ELI households that are not homeless. To address this requirement, the element could revise or add programs to prioritize some funding for the development of housing affordable to ELI households, and/or offer financial incentives or regulatory concessions to encourage the development of housing types, such as multifamily, single-room occupancy (SRO) units, and supportive housing, which address some of the needs of this income group.

Staff believes this comment proposes unrealistic solutions to meeting the needs of extremely low income households in Piedmont (i.e., financial incentives to building single room occupancy (SRO) units). We will work with HCD to develop a more context-sensitive approach to showing the City's commitment to meeting these needs (for example, through a shared housing or roommate matching program). It is important to keep in mind that the projected need is for three extremely low income households, making multi-family housing a less feasible approach than smaller-scale strategies.

12. Design Review (program 2.E): The Program commits to conduct planning commission study sessions to assess and identify steps that might be taken to expedite and improve the City's design review process. However, given that many Piedmont residents believe the City's design review requirements are too restricting and do not provide clarity in decision-making (page 5-12), the Program should commit to actions beyond identifying steps that "might be taken" to address the constraint. For example, the Program could commit to developing a handbook, by a date certain, outlining different design schemes that provide certainty to applicants.

Staff is addressing this in the Addendum. Revision of the City's design guidelines will be reiterated as a priority.

13. The City should also note recent statutory changes to Government Code Section 65302 (Chapter 369, Statutes 2007 [AS 162]) which requires amendment of the safety and conservation elements of the General Plan to include analysis and policies regarding flood hazard and management information upon the next revision of the housing element on, or after, January 1, 2009.

This will be added to the Element through the Addendum. It does not really affect Piedmont since no portion of the city is in the flood plain.

14. While the element includes a general summary of the public participation process, it should also include descriptions of how input was solicited, considered and incorporated. For example, the element could describe the success of the outreach efforts, summarize public comments and describe how public input was eventually incorporated into the element.

Additional information on the public outreach process will be included in the Addendum. The findings of the Resident Survey, which reached every Piedmont household, will be reiterated. A summary of Survey responses relative to housing will be included.