



MEMORANDUM

DATE: March 9, 2020

TO: Planning Commission

FROM: Pierce Macdonald-Powell, Senior Planner

SUBJECT: STAFF REPORT FOR Housing Element Update

AGENDA ITEM NUMBER 4

2015 AND 2019 HOUSING ELEMENT ANNUAL PROGRESS REPORT

RECOMMENDATION:

Receive the attached 2015 and 2019 annual progress reports for the implementation of the Piedmont General Plan Housing Element programs and policies.

SUMMARY:

Section 65400 of the California Government Code describes the legal requirements for cities to prepare an annual progress report on the effectiveness of the City's housing policies and programs. The annual progress report can be an assessment tool to assist the City in planning for the next Housing Element Update. Piedmont's current Housing Element is for the term 2015-2023. This report covers both the 2015 and 2019 Housing Element annual progress reports. In 2019, the City of Piedmont issued building permits for 8 new accessory dwelling units (ADUs) for a total of 8 new housing units. In 2019, the City of Piedmont finalized building permits for 16 new ADUs.

BACKGROUND:

Goals for new housing production are set by the State of California and then allocated to jurisdictions in the San Francisco Bay Area region by the Association of Bay Area Governments (ABAG). The planning period for the Bay Area, or the time frame between the due date for one housing element and the due date for the next housing element, is January 31, 2015 – January 31, 2023. HCD is expected to release the Regional Housing Need Allocation (RHNA) this spring, starting the planning process for the next Housing Element Update process. Under the current schedule set by the California Department of Housing and Community Development (HCD), updated Housing Elements must be certified as meeting state law by HCD by the fall of 2022.

On July 18, 2013, the ABAG Executive Board adopted the current Regional Housing Need Allocation (RHNA). The RHNA assigned to the City of Piedmont was the construction of 60 new housing units for the period of 2015 through 2022, or approximately 7 new housing units per year. The 60 assigned new housing units were distributed into the following four categories: 24 very low income housing units; 14 low income housing units; 15 moderate income housing units; and 7 above moderate housing units. The City of Piedmont continues to implement the policies and programs included in the 2015-2023 Housing Element, adopted in 2014, as the

policy document guiding the City toward meeting this allocation. Information about the RHNA and housing element law is available on the HCD website at <https://www.hcd.ca.gov/community-development/housing-element/index.shtml>

The City of Piedmont and the cities of Albany, Emeryville, Dublin and Newark, along with the unincorporated portion of Alameda County, constitute the Alameda Urban County for purposes of many housing programs, including receiving funding from the U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) Program. Through Alameda County Housing and Community Development, the City participates in the EveryOneHome program to provide services and housing to homeless individuals and families. The City also pools its resources with other Alameda County jurisdictions to administer fair housing programs.

During the 2016 legislative session, the State of California enacted **AB 2299 (Bloom)** and **SB 1069 (Wieckowski)**, which resulted in Piedmont being prohibited from requiring parking for accessory dwelling units (ADUs). Exceptions to parking requirements normally required for new ADUs had been granted in Piedmont to developers of ADUs that deed restricted the rents to affordable levels. With the passage of AB 2299 and SB 1069, the City's ability to provide housing units that are rent-restricted to low or very-low income tenants was greatly impaired. All ADU receiving planning entitlements since the beginning of 2017 may be rented at market rates.

During the 2017 legislative session, the State of California enacted into law fifteen (15) new housing and development laws that became known as the 2017 Housing Package. The 2017 Housing Package changed the requirements for annual progress reports, as well as many other local planning and housing requirements. Key laws that impacted the City of Piedmont's housing and zoning programs were **SB 35 (Wiener)** and **AB 879 (Grayson)**. SB 35 and AB 879, added new data requirements for the Housing Element annual progress reports. SB 35 established a streamline process for development applications for projects with affordable housing components and also established time limits and legal remedies if a City does not prepare an annual progress report. The state also enacted **SB 2 (Atkins)** making funding for planning activities available through the SB 2 Planning Grant Program. A useful guide to the 2017 Housing Package is available at the League of California Cities' website at <https://www.cacities.org/Top/News/News-Articles/2017/December/League-Releases-Guide-to-New-Housing-Legislation>

During the 2018 legislative session, the State of California enacted **AB 686 (Santiago)**. There are three primary changes to state law in AB 686. The first is that AB 686 requires cities to show active participation in the development process by "affirmatively furthering fair housing." In the past, cities were expected to remove obstacles to the development of fair housing and to facilitate its development. AB 686 requires the Housing Element to provide programs for cities to actively participate in the development of fair housing. Secondly, AB 686 requires the Housing Element programs to include an assessment of fair housing within the jurisdiction. Lastly, a Housing Element must include an inventory of land available for development and must identify sites that can be developed for housing sufficient to provide for the RHNA for all income levels. According to HCD staff, AB 686 makes sweeping changes to the criteria for the land inventory, including policies that prohibit a city from using sites in the current inventory in a future inventory of available land.

During the 2019 legislative session, the State of California enacted far-reaching changes to ADU law. **AB 68 (Ting)** and **AB 881 (Bloom)** require cities to review accessory dwelling units (ADUs) and junior accessory dwelling units (JADUs) by a ministerial process with objective standards, rather than discretionary standards, increased the allowable size of ADUs, increased the allowable number of ADUs and JADUs, made certain ADUs exempt from limits to floor area and lot coverage, and prohibited cities from requiring replacement parking spaces for garage conversions. In January 2020, the City Council amended its regulations of ADUs and JADUs to be consistent with state law. The State of California also enacted **SB 330 (Skinner)** which increased the limits on cities to impose discretionary design standards on some applications, reduced the number of allowed public hearings, reduced timelines for approval after environmental review, and other changes. A useful guide to the 2019 laws is available on the League of California Cities' website at <https://www.cacities.org/Resources-Documents/Policy-Advocacy-Section/Legislative-Resources/Legislative-Reports/2019-Legislative-Report>

ANNUAL PROGRESS REPORT:

On March 16, 2020, the City Council will hold a public hearing on the 2015 and 2019 annual progress reports for the Piedmont Housing Element, prepared by City staff. This Planning Commission report is an overview and an additional opportunity for public comment.

2019

According to SB 35 and AB 879, the annual progress report for 2019 must include:

1. The status of the plan and progress in its implementation.
2. The progress in meeting its share of regional housing needs determined pursuant to Section 65584 and local efforts to remove governmental constraints to the maintenance, improvement, and development of housing pursuant to paragraph (3) of subdivision (c) of Section 65583.
3. The number of housing development applications received in the prior year.
4. The number of units included in all development applications in the prior year.
5. The number of units approved and disapproved in the prior year.
6. The degree to which its approved general plan complies with the guidelines developed and adopted pursuant to Section 65040.2 and the date of the last revision to the general plan.
7. A listing of sites rezoned to accommodate that portion of the city's or county's share of the regional housing need for each income level that could not be accommodated on sites identified in the inventory required by paragraph (1) of subdivision (c) of Sections 65583 and 65584.09. The listing of sites shall also include any additional sites that may have been required to be identified by Section 65863.
8. The number of net new units of housing, including both rental housing and for-sale housing, that have been issued a completed entitlement, a building permit, or a certificate of occupancy, thus far in the housing element cycle, and the income category, by area median income category, that each unit of housing satisfies. That production report shall, for each income category described in this subparagraph, distinguish between the number of rental housing units and the number of for-sale units that satisfy each income category. The production report shall include, for each entitlement, building permit, or certificate of

occupancy, a unique site identifier which must include the assessor's parcel number, but may include street address, or other identifiers.

9. The number of applications submitted, the location and the total number of developments approved, the total number of building permits issued, and the total number of units by area median income category constructed, pursuant to Section 65913.4 (SB 35).

In 2019, the City issued building permits for the following 8 new accessory dwelling units (ADUs), which were the City's only new housing units:

2019 Housing Building Permits

Address	Number of Units	Affordability
16 Pala Ave	1	ADU, moderate income
1056 Park Ln	1	ADU, moderate income
210 La Salle Ave	1	ADU, moderate income
124 Sunnyside Ave	1	ADU, low income
10 Crest Rd	1	ADU, low income
630 Blair Ave	1	ADU, moderate income
43 Estrella Ave	1	ADU, very low income
348 Olive Ave	1	ADU, low income

One of the building permits was issued for a studio ADU at 43 Estrella Avenue with a size totaling 225 s.f. Due to its small size, this unit is listed as affordable to a very low income household. City staff will ask HCD to characterize this unit as affordable to a household earning less than 50% of the annual median income for Alameda County (income of approximately \$50,000 a year in 2019), although it is not deed restricted to an affordable rent level. This was the City's only very low income new housing unit in 2019.

Due to their small size, four units are listed as affordable to households earning moderate incomes or 80% to 120% of the annual median income for Alameda County. City staff will ask HCD to characterize these units as moderate income. In 2019, this income was a maximum of approximately \$107,000 a year.

Due to their small size, limited number of bedrooms, and locations (attached to the residence or in a basement), three units are listed as affordable to households earning low incomes or 50% to 79% of the annual median income for Alameda County. City staff will ask HCD to characterize these units as low income. In 2019, this income was approximately \$79,000 a year.

City staff finalized building permits for 16 new housing units in 2019. All of the new housing units were ADUs.

Lastly, in 2019, the City approved planning entitlements for 19 new housing units. Three of the new housing units were new single-family homes at 89 Maxwellton Road, 67 Glen Alpine Road, and 1635 Grand Avenue. Consistent with Housing Element policies, all three approved houses included ADUs in the development proposals. All three ADUs were also approved. The City denied one new house and its ADU at 22 Valant Place and denied another ADU at an existing house at 15 Littlewood Drive. Both developments at 22 Valant Place and 15 Littlewood Drive required variances from zone A regulations. The total number of approved ADUs were 16.

City staff will prepare a survey of local rents based on similar floor area and amenities to substantiate the expected rents for the moderate, low, and very low ADUs in the 2019 annual progress report. HCD accepted staff's survey for the 2018 annual progress report.

2015

The 2015 annual progress report will be presented to City Council on March 16, 2020, so that housing produced in 2015 can be added to HCD's tracking system. In 2015, before SB 35 and AB 879, the annual progress report consisted of the number of building permits for housing units issued in the City of Piedmont and the City's progress toward meeting the Housing Element goals and programs. In 2015, the City issued building permits for these 12 new housing units:

2015 Housing Building Permits

Address	Number of Units	Affordability
408 Linda	7	Above-moderate Income
1835 Trestle Glen	1	ADU, moderate income
213 Hillside Ave	1	ADU, moderate income
275 Sea View Ave	1	ADU, low income
327 Jerome Ave	1	ADU, rent-restricted very low
331 Howard Ave	1	ADU, low income

One of the building permits was issued in 2015 for an ADU at 327 Jerome Avenue which was granted an exception to development regulations and was required to record a deed restriction to limit rent for a period of 10 years. The requirement was to make the rent affordable to a household earning less than 50% of the annual median income for Alameda County (income of approximately \$36,000 a year in the Housing Element). This was the City's only very low income unit in 2015 and its only deed restriction.

Due to their small size, two units are listed in the 2015 table as affordable to households earning moderate incomes or 80% to 120% of the annual median income for Alameda County. City staff will ask HCD to characterize these units as moderate income, although they are not deed restricted. In Piedmont's Housing Element, this income level was a maximum of approximately \$86,000 a year.

Due to their small size, limited number of bedrooms, and locations (attached to the residence or in a basement) two units are listed in the 2015 table as affordable to households earning low incomes or 50% to 79% of the annual median income for Alameda County. City staff will ask HCD to characterize these units as low income. In the Housing Element, this income level was approximately \$54,000 a year.

Conclusion

The 2015 and 2019 annual progress reports will show that the City of Piedmont is very close to meeting the annual rate of construction of new housing units anticipated by the RHNA, having issued building permits for the construction of approximately 54 new units out of an allocation of 60 new units by the end of 2022.

However, with the passage of recent state legislation, it will be challenging for the City of Piedmont to show that sufficient low and very low income housing is being produced under the

2015-2023 Housing Element's programs and policies. This may mean that the preparation of the next Housing Element will require innovative approaches to developing new housing.

Also, with changes to state regulations and the California housing crisis, the RHNA for the City of Piedmont and the region is expected to triple. The next Housing Element may be required to affirmatively plan for the development of approximately 180 new housing units on new sites not considered in the 2015-2023 Housing Element.

The next RHNA assigned housing unit numbers, as well as guidance from HCD about the new state laws and the next Housing Element cycle, are expected later this year. This guidance is expected to be in the form of general legal requirements for cities and not design standards that could be adopted by the City. In preparation for the next housing element, City staff are discussing the changes with staff in other jurisdictions and seeking grant funding for a housing consultant to work with City staff. The March 16, 2020 City Council agenda report and presentation will include details about available planning grants and the possible uses of planning grant funding.