

# Planning Commission Agenda Report

# Meeting Date 06/02/2022

File: GPA 22-02

TO: PLANNING COMMISSION

FROM: Marie Demers, Housing Manager (879-6303, marie.demers@chicoca.gov)

Brendan Vieg, Community Development Director (879-6806,

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Housing Tools, Housing Element Consultant

RE: Housing Element Update (2022 – 2030)

#### **SUMMARY**

State law requires each jurisdiction to update its Housing Element (one of the nine required elements of a General Plan) every eight years with specific deadlines established by the California Department of Housing and Community Development (HCD). The City of Chico is required to submit its updated Housing Element to the State for certification in June 2022. The Housing Element provides an analysis of a community's housing needs for all income levels, along with strategies and actions for responding to those needs. Unlike other elements in the General Plan, the Housing Element is required to be updated every eight years, which allows it to be more responsive to a rapidly changing housing market. The Housing Element is considered the primary policy document to guide the development, rehabilitation, and preservation of housing for all economic segments of the City's population. California law also specifies that in order for the private market to adequately address housing needs and demand, local governments must adopt land use plans and regulatory systems which provide opportunities for and do not unduly constrain housing development. It also establishes that each city and county accommodate its fair share of affordable and market rate housing. The Draft Housing Element is available for review at: <a href="https://www.chicohousingelement.com">www.chicohousingelement.com</a>

# Recommendation:

The Community Development Director recommends that the Planning Commission:

- 1) Hold a public hearing regarding the Draft 2022 Housing Element; and
- 2) Adopt a resolution recommending that the City Council determine that adoption of the Draft Housing Element is exempt from environmental review pursuant to Section 15061(b)(3) of the California Environmental Quality Act Guidelines, hold a public hearing to consider and adopt the Draft 2022 Housing Element, and authorize submittal of the Housing Element to the California Department of Housing and Community Development (Attachment A).

# **BACKGROUND**

# **New State Legislation**

There are several new housing laws and HCD review requirements that have been instituted since the last Housing Element update was completed in 2014. These additional factors include:

1) New laws limiting a jurisdictions' ability to restrict the development of Accessory Dwelling Units (ADUs), including mandating streamlined, ministerial approval of ADUs

with defined conditions and for the purpose of the Housing Element, and clarifying that a local agency may identify an ADU or Junior ADU (JADU) as an adequate site to satisfy the Regional Housing Needs Allocation (RHNA). AB 671 specifically requires that a Housing Element include a plan to incentivize and promote the creation of ADUs that can offer affordable rents for very low, low and moderate income households.

- 2) Any new Housing Element, adopted after January 1, 2021, must contain an Assessment of Fair Housing that includes actions that promote and affirmatively further fair housing opportunities through the community as required through AB 686.
- 3) Another law outlines the need for "No Net Loss" (SB 166), that requires jurisdictions to have a program to assess their ability to maintain adequate sites to accommodate their unmet Regional Housing Needs Allocation by income category at all times throughout the planning period, and to take any necessary actions to maintain an adequate site inventory.
- 4) In addition, several new laws require jurisdictions to establish a strategy to plan for and facilitate the development of housing over the planning period by providing an inventory of land adequately zoned or planned to be zoned for housing and programs to implement the strategy. These laws modified the content of the site inventory, including new analyses for capacity calculations, infrastructure requirements, suitability of nonvacant sites, size of site and density requirements, location requirements, sites identified in the previous Housing Element and rezone program requirements, among others.
- 5) A number of laws pertaining to Emergency Shelters, Low Barrier Navigation Centers, Transitional Housing and Supportive Housing. These laws are intended to reduce or remove governmental constraints to the development of these types of special needs housing.

#### Regional Housing Needs Allocation

State law requires regions to plan for housing needs based on future growth projections through the Regional Housing Needs Allocation (RHNA) process. HCD allocates a numeric RHNA goal to regional planning organizations. Butte County's regional planning organization, the Butte County Association of Governments or BCAG, then coordinated with and provided each Butte County jurisdiction with its "fair share" RHNA goal. The RHNA goals identify housing units needed to accommodate growth during the planning period for each of four different income levels: Very Low (includes Extremely Low), Low, Moderate and Above Moderate. State law requires communities to employ planning and funding mechanisms that enable them to achieve the RHNA goals, including the Adequate Sites Inventory (page 241 of the Housing Element) to ensure that there is an adequate supply of appropriately zoned land within its jurisdiction to accommodate its RHNA.

# **HCD Courtesy Review and Formal Certification**

The project team coordinated an informal pre-review of several key components of the Draft Housing Element with HCD staff and incorporated changes to address comments received. Following City submittal of the adopted Draft Housing Element to the State, HCD has up to 90 days to review and issue a formal certification.

# **DISCUSSION**

A Housing Element is a long-range policy and planning document. It analyzes housing needs, assesses constraints to the production of housing, and inventories the resources available to support housing production. It then establishes a Housing Program which consists of a series of Goals, Policies and Actions to focus the City's policy and planning efforts over the next eight years. The Housing Element does not implement the City's Zoning Ordinance, Development Standards or Building Code for specific properties, development proposals, or housing projects. Those activities are managed through the City's Community Development Department which has established review and approval processes that are outlined in the City's Municipal Code.

The Housing Element lays out strategies to address the needs of community residents that are not typically met by the private market, including low-income households, seniors, homeless individuals, and people with disabilities. The City does not directly build or own housing, but facilitates production by guiding zoning policies, coordinating with community partners, and in the case of affordable housing, by partnering with developers, lenders, and nonprofits on funding opportunities.

# **Housing Element Content**

This Housing Element update covers the eight-year period from June 2022 to June 2030. It complies with State legislation adopted since 2014 pertaining to required components of a Housing Element and the requisite analysis. Key Housing Element components address the following issues:

- Analysis of all economic segments of the community in the planning process;
- Review of the progress and effectiveness of the previous Housing Element;
- Assessment of housing needs, including those of special needs populations, such as seniors, individuals experiencing homelessness, female-headed households, large households, and persons with disabilities (Affirmatively Furthering Fair Housing);
- Assessment of fair housing issues and trends, contributing factors to these issues and trends, as well as the local jurisdiction's fair housing enforcement and capacity;
- Identification of units at risk of conversion from restricted rents to market rents:
- Inventory of whether there are an adequate number of appropriately zoned sites to accommodate growth for all income groups, as projected by the Butte County Association of Governments;
- Description of available financial and energy efficiency resources;
- Identification of governmental and non-governmental constraints to housing production; and
- Provision of a housing program with goals, policies, and actions that are consistent with the General Plan and that address housing needs, constraints, and available resources, including any fair housing issues that have been identified. The housing program must include a timeline of actions during the planning period.

# Summary of Key Issues

# Affirmatively Furthering Fair Housing

With the passage of AB 686 in 2018, state and local public agencies are required to affirmatively further fair housing through deliberate actions to explicitly address, combat, and relieve disparities resulting from past and current patterns of segregation to foster more inclusive communities. The Assessment of Fair Housing considers the elements and factors that cause, increase, contribute to, maintain, or perpetuate segregation, racially or ethnically concentrated areas of poverty, significant disparities in access to opportunity, and disproportionate housing needs. The assessment includes identification and analysis of patterns and trends, local data and knowledge, other relevant factors, and a summary of issues. The sections that address the requirements and finding of affirmatively furthering fair housing can be under the following: outreach (pages 25-31), assessment of fair housing (pages 66-193), site inventory (pages 240-262), identification of contributing factors (pages 316-323), and goals, policies, and actions (pages 48-54).

#### Housing Needs Assessment

This section begins on page 65 of the Housing Element and explores a variety of factors that influence the availability and affordability of housing in Chico. Several key take-aways from the Housing Needs Assessment include:

# Population Growth (pages 193-194)

The Chico population jumped from 92,286 to 110,326 in just one year, from 2018 to 2019, due largely to the influx of Camp Fire survivors. This population growth has impacted housing availability and affordability in a number of ways, decreasing vacancies, pushing up prices, and forcing residents to pay a greater portion of their income to housing costs.

#### Low Vacancies (pages 201-202, 209-210)

The rental vacancy rate is the percentage of rental units that are vacant and available for rent. A "normal" vacancy rate that provides adequate housing opportunities is typically around 5%. The vacancy rate for Chico was never higher than 3.3% from 2018 through 2021, was 0% at affordable complexes, and was as low as 2.0% in other rental complexes in 2018 immediately following the Camp Fire.

# Rapid Increase in Home Prices (page 212-213)

The median home price in Chico rose from \$343,600 to \$380,000 from 2018 to 2019, and further increased to \$410,000 in 2020.

#### High Rent Burdens (pages 214-216)

About one in four Chico renters earn less than \$20,000 per year. Over one-third of all Chico renters pay more than half of their income to housing costs.

#### Resource Inventory

Chapter 5 describes the availability of land and financing necessary to produce a variety of housing types to meet the needs described in the Housing Needs Assessment. It includes an Adequate Sites Inventory that identifies land within the city that can be developed to meet housing production targets (RHNA) over the next 7.5 years as established by the State and the Butte County Association of Governments. The inventory shows that there is adequate appropriately zoned land within the City to exceed housing production targets for the Housing Element planning period of 2022-2030, as shown in Table 1 below (page 251).

Table 1: RHNA and Sites Inventory

Table 1: Till III talla Gites inventory						
Income Level	RHNA	Sites Inventory	Surplus (Deficit)			
Lower Income (Very Low and Low Income)	1,608	2,815	1,207			
Moderate Income	770	882	112			
Above Moderate Income	1,110	1,136	26			
Total	3,488	4,833	1,345			

#### Constraints Analysis

Chapter 6 analyzes how government regulations and market conditions affect housing construction in Chico. The first section describes how Chico's General Plan, Zoning Code, Building Code, and permitting process and fees impact housing production. Key findings from this chapter include:

- The City of Chico has expanded opportunities to develop a wide range of housing types through the 2030 General Plan adoption in 2011, the comprehensive zoning code update in 2017, zoning code amendments to encourage production of ADUs from 2018-2020, and modifications to the permit fee schedule in 2018.
- To further reduce government constraints, actions have been incorporated into the Chapter 3 Housing Program to conform with State law and allow greater flexibility in the number of units built within a project, the types of structures that can be built to house and assist people experiencing homelessness, and encourage rental of ADUs to lower income households.
- The high costs of land, construction materials, and labor are major obstacles to the construction of affordable housing in Chico, and these costs have increased significantly over the past few years.

# Housing Program

Chapter 3 describes the Goals, Policies and Actions that Chico will undertake over the next eight years to address the community's housing needs. These constitute the City's "Housing Program." The information used to develop the Housing Program were:

- The needs identified through the feedback received from community members who
  participated in the surveys and community meetings, the Needs Assessment that
  analyzed qualitative and quantitative data, and the Assessment of Fair Housing.
- The identification of both governmental and non-governmental constraints in the Constraints Analysis
- The resources available to support the production and rehabilitation of housing within Chico including land, funding and energy conservation opportunities
- An analysis of progress on the 2014-2022 Housing Element and the lessons learned during that time period
- Requirements for programs stemming from laws adopted since 20014 which impact the development of the Housing Element

Goals are broad statements of the community's vision and values for itself and are not time dependent. Goals indicate the direction in which the community desires to proceed in providing healthy, safe, sustainable and affordable housing for all of its residents. Policies are the commitment that the City is making to achieve the related goal or vision and a statement of its

operational philosophy around housing. Actions are the specific actions or activities that will carry out the related polices and move the community toward its goals in a measurable and concrete way over time. The proposed Goals of the Housing Element and the number of Policies and Actions within each Goal are as follows:

Goal 1: Improve fair housing choice and equitable access to opportunity (7 Policies, 18 Actions)

Goal 2: Increase collaboration with other governmental entities and organizations in Butte County to address the long-term impacts to housing from the Camp Fire and other subsequent fires/natural disasters (1 Policy, 1 Action)

Goal 3: Support production of housing that is affordable to low-income households (3 Policies, 9 Actions)

Goal 4: Promote construction of a wide range of housing types (2 Policies, 4 Actions)

Goal 5: Encourage the creation of housing for people with special needs, including youth, seniors, those with disabilities and those experiencing homelessness (2 Policies, 5 Actions)

Goal 6: Improve, rehabilitate and revitalize existing homes and neighborhoods (4 Policies, 8 Actions)

Goal 7: Increase home ownership (1 Policy, 1 Action)

Goal 8: Remove governmental constraints to the development of housing, emergency shelters and low barrier navigation centers (1 Policy, 3 Actions)

Goal 9: Encourage energy efficiency in housing (1 Policy, 2 Actions)

Chapter 3 (pages 46-64) details the full menu of Goals, Policies and Actions. It also describes how steps were taken to ensure that the Housing Element is consistent with the City's General Plan, the process for ensuring continued consistency, and a reasonable expectation of the maximum number of housing units that will be produced and rehabilitated during this Housing Element cycle.

## Community Input Summary

As stated throughout the Draft Housing Element, two significant events (the 2018 Camp Fire and the COVID-19 Pandemic) have impacted Chico's housing demand and cost, as well as the development of this Housing Element. These events informed a number of Actions in the Plan, many of which arose through the community input process. Below is a list of the Actions included in the Draft Housing Element which were informed by the community input process:

1. The Camp Fire had a significant impact on housing displacement and housing choice. Given the ongoing risk posed by wildfire in communities to the east of Chico, as demonstrated by the North Complex Fire in 2020 and the Dixie Fire in 2021, intergovernmental collaboration on housing issues in Butte County is needed.

This input is to be addressed through:

**Goal 2, Action 2.1.1**: "Participate in collaborative discussions with other government entities in Butte County and share relevant data and findings from the City of Chico Housing Element and other studies."

**Goal 1, Action FH-1.2.1:** "Administer Community Development Block Grant Disaster Recovery (CDBG-DR) Multifamily Housing Program funds in response to the 2018 Camp

Fire. As of December 2021, there are 393 low-income, CDBG-DR funded units proposed in Chico."

**Goal 1, Action FH-1.2.2:** "Continue to participate in the Camp Fire Collaborative, a long-term recovery group, and the Butte County Continuum of Care, a multi-agency planning body. Coordinate with member organizations that serve Camp Fire survivors, people who are low-income, and people experiencing homelessness to address unmet needs to achieve long-term recovery."

2. There continues to be a significant shortage of affordable rental units which limits the housing options for the lowest-income households, including seniors, persons with disabilities and those experiencing homelessness.

This input is to be addressed through:

**Goal 3, Action 3.1.1:** "Leverage federal and state funding to produce and preserve 2,000 units of affordable rental housing by 2030."

**Goal 3, Action 3.3.1:** "Update the City's Density Bonus ordinance to increase the allowable density bonus for affordable housing from 35% to 80%, per AB 2345."

**Goal 3, Action 3.3.2:** "Highlight the incentives to build affordable housing found in the City's Land Use Element policies by publishing them on the City's webpage and sharing them with interested parties who approach the City with an interest in developing affordable housing."

3. There is public interest in maximizing the use of available in-fill land through the construction of smaller units such as ADUs and taking advantage of higher densities in Corridor Opportunity Zones and Downtown.

This input is to be addressed through:

**Goal 3, Action 3.2.3:** "Continue the City's information and outreach efforts on the benefits of smaller units and the development process for such units, including Accessory Dwelling Units (ADUs) and micro-housing (tiny homes)."

**Goal 3, Action 3.3.3:** "Explore funding sources that can be used to subsidize the cost of construction for ADUs that offer affordable rents for very-low, low- or moderate-income households, with recorded regulatory restrictions on rents. If determined feasible, implement a subsidy program."

**Goal 4, Action 4.2.1** "Implement the Corridor Opportunity Site Overlay through the use of incentives and flexibility in development."

**Goal 4, Action 4.2.3** "Implement the Downtown Element policy framework to support higher density residential development Downtown."

4. Preserving and creating affordable housing options for seniors is a high priority and should include considerations for aging in place and proximity to services.

This input is to be addressed through:

**Goal 5, Action 5.1.1** "Expedite project processing and reduce regulatory barriers to the development of specialized housing by working cooperatively with non-profit, charitable and educational organizations."

**Goal 5, Action 5.1.2** "Encourage the development of a variety of housing options for seniors, those with disabilities and people experiencing homelessness by partnering with developers on the funding of these units."

**Goal 6, Action 6.3.1** "Continue the City's program that connects low-income owner-occupied units to City sewer."

#### **GENERAL PLAN CONSISTENCY**

The Draft Housing Element provides programs designed to meet the City's housing needs through 2030. The Goals, Policies, and Actions in the Housing Element support and compliment the Goals, Policies, and Actions found throughout the Chico 2030 General Plan. The policy framework reinforces the overall direction of the General Plan through consistency with the following General Plan Goals and Policies:

Goal LU-1: Reinforce the City's compact urban form.

Policy LU-2.1: Maintain an adequate land supply to support projected housing and jobs needs for the community.

Goal LU-3: Enhance existing neighborhoods.

Goal LU-4: Promote compatible infill development.

Goal SUS-4: Promote green development.

Goal CD-4: Maintain and enhance the character of Chico's diverse neighborhoods.

Policies and programs in the Housing Element must be internally consistent within the element and with other elements of the General Plan, such as the examples provided above. The Draft Housing Element policy framework compliments the overall direction of the General Plan by promoting a compact form, encouraging the efficient use of land resources through good design and infill development, and promoting energy efficiency and the reduction of non-renewable energy and resource consumption. The Housing Element acknowledges that providing affordable housing for all income groups is an important community goal and benefit.

# REQUIRED FINDINGS FOR APPROVAL

#### **Environmental Review**

This project is exempt from further environmental review pursuant to Section 15061(b)(3) of the California Environmental Quality Act Guidelines (General Exemption). The City of Chico has determined that this project is exempt from CEQA as it can be seen with certainty that there is no possibility that the proposed update to the City of Chico Housing Element would have a significant effect on the environment as no changes to land use, density, policies and program, or other changes that would result in an impact to the physical environment would occur with adoption of the Housing Element. Therefore, the project is exempt pursuant to CEQA Guidelines Section 15061(b)(3).

# General Plan Amendment Findings

Pursuant to Chico Municipal Code Section 19.060.050.A, an amendment to the General Plan may be approved only if the following applicable findings are made:

The proposed (General Plan) amendment is internally consistent with the General Plan.

See General Plan Consistency section above.

If the proposed amendment is to a specific plan, neighborhood plan or area plan, it is consistent with the General Plan; and

The General Plan amendments do not affect any specific plan, neighborhood plan or area plan.

The site is physically suitable, including access, provision of utilities, compatibility with adjoining land uses, and absence of physical constraints, for the proposed land use or development.

No specific land uses or development are proposed with the General Plan amendments, and the amendments would not allow development where it was previously disallowed. Future development proposals would be subject to evaluations of physical site suitability on a case by case basis, as those proposals are brought forward in the form of a development application to the City.

#### **PUBLIC CONTACT**

A detailed description of the public outreach process is found on pages 8 through 13 of the Draft Housing Element. Development of the Draft Housing Element was supported by a regular email newsletter with a contact list of 550 recipients, a website (available for translation into Spanish via a toggle at the top of the webpage) to keep residents informed about project progress, flyers announcing workshops and focus group meetings (translated into Spanish), and public display ads in the local newspaper. Further, the Project Team conducted a focus group for low-income housing residents on January 13, 2021 via Zoom to receive input from residents on the location, design and management of affordable housing. Two community workshops were held on February 10 and August 11, 2021. These meetings were held on the virtual meeting Zoom platform due to COVID-19. Live Spanish interpretation was provided, and Zoom Live Transcripts were provided for those who are deaf or hard of hearing. The purpose of the workshops were to solicit input on housing needs, review previous Housing Element Goals, Policies and Actions, and recommend new actions to address unmet needs.

The Draft Housing Element was initially made available for public review on May 12, 2022 and an email newsletter was sent to the stakeholder list highlighting the Commission's consideration of the Draft Housing Element. A notice for the Commission's June 2, 2022, meeting was published in the *Chico Enterprise-Record*, and an email newsletter was sent to the stakeholder list highlighting Commission's consideration of the Draft. As of the date of this report no comments have been received in response to the public notice.

The City's efforts to engage its residents in the Housing Element update process through the use of technology were highlighted in the October 2021 edition of "Western City" an online magazine of The League of California Cities: <a href="https://www.westerncity.com/article/elk-grove-and-chico-use-technology-increase-public-engagement-important-housing-decisions">https://www.westerncity.com/article/elk-grove-and-chico-use-technology-increase-public-engagement-important-housing-decisions</a>.

#### **DISTRIBUTION**

PC Distribution / CDD Director Vieg / Housing Manager Demers

#### External

Chicohousingelement.com; email stakeholder list

#### **ATTACHMENT**

A. Resolution

# RESOLUTION NO. \_\_\_22-03\_\_\_

# RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF CHICO RECOMMENDING THAT CITY COUNCIL ADOPT AND AUTHORIZE SUBMITTAL OF THE 2022 HOUSING ELEMENT TO THE CALIFORNIA STATE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (GPA 22-02)

WHEREAS, safe and affordable housing for all persons is a goal of the City of Chico (the "City"); and

WHEREAS, the Housing Element of the General Plan provides an opportunity for the City to demonstrate how this goal will be achieved; and

WHEREAS, the City is required by State law to prepare a Housing Element which provides information, policies, and programs to encourage the development of housing to meet the needs of all of the City's residents in conformance with State laws and regulations; and

WHEREAS, in has been determined that preparation and adoption of the 2022 Housing Element is exempt from environmental review pursuant to California Environmental Quality Act (CEQA) Section 15061(b)(3); and

WHEREAS, the Planning Commission conducted a public hearing on the Draft 2022 Housing Element on June 2, 2022.

NOW, THEREFORE, BE IT RESOLVED THAT THE PLANNING COMMISSION RECOMMENDS THAT THE CITY COUNCIL OF THE CITY OF CHICO:

- 1. Concur that preparation and adoption of the 2022 Housing Element is exempt from environmental review as set forth in Exhibit I;
- 2. Hold a public hearing to consider and adopt the Draft 2022 Housing Element; and

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# -DRAFT-NOTICE OF EXEMPTION

CEQA: California Environmental Quality Act

То:		Office of Planning and Rese 1400 Tenth Street, Room 12 Sacramento, CA 95814		From:	City of Chico 411 Main St. Chico, CA 95928			
		County Clerk 155 Nelson Street Oroville, CA 95965						
Projec	ct Title:		ents every eight years. T		law required that localities update their of Chico is updating its Housing			
Projec	ct Location	a - Specific: <u>City-wide</u> - City: <u>Chico</u> - County: <u>Butte</u>						
Description of Nature, Purpose, and Beneficiaries of Project:								
		Update of the City's 2022-20	030 Housing Element to	comply	with State law.			
Name	of Public	Agency Approving Project:	City of Chico					
Name	of Person	or Agency Carrying Out Pr	oject: City of Chico					
	Min	isterial (Sec. 21080 (b) (1); 1	5268 <i>);</i>					
	Declared Emergency (Sec. 21080 (b) (3); 15269 (a) );							
	Emergency Project (Sec. 21080 (b) (4); 15269 (b) (c) );							
	General Exemption. Type and Section Number: Section 15061(b)(3).							
	Statutory Exemption. Code Number:							
The C that th effect result	ity of Chico ere is no po on the envi in an impac	ossibility that the proposed up ronment as no changes to lar	odate to the City of Chico nd use, density, policies t would occur with adopti	Housin	CEQA as it can be seen with certainty ng Element would have a significant gram, or other changes that would e Housing Element. Therefore, the			
			an Vieg, Community Dev 379-6806	<u>/elopme</u>	ent Director			
If filed	by applica	nt:						
		rtified document of exemptior tice of Exemption been filed b		roving t	he project? ⊠ Yes			
		Signature:	Date	_	Title			
$\boxtimes$	Signed b	_	ved for Filing At OPR:					