



## Staff Report

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**File #:** TMP-1572, **Version:** 1

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**MEETING DATE:**

JULY 13, 2021

**SUBJECT:**

RESOLUTION NO. 2021-8906 - ADOPTING THE 2021-2029 6<sup>TH</sup> CYCLE HOUSING ELEMENT AND AN ADDENDUM TO THE 2012 GENERAL PLAN FINAL ENVIRONMENTAL IMPACT REPORT (STATE CLEARINGHOUSE NUMBER 2011071028)

**Recommendation**

ADOPT a resolution adopting the 2021-2029 6<sup>th</sup> Cycle Housing Element and an addendum to the 2012 General Plan Final Environmental Impact Report (SCH No. 2011071028)

**Board or Commission Action (If not applicable, please state not applicable below)**

On June 21, 2021, the Planning Commission unanimously recommended that the City Council adopt the 2021 -2029 6<sup>th</sup> Cycle Housing Element and the associated addendum to the 2021 General Plan Final Environmental Impact Report (SCH No. 2011071028).

**Relevant Council Strategic Theme**

Quality of Life

Planning for the Future

**Relevant Department Goal**

N/A

**Executive Summary**

The Housing Element is one of eight State-mandated components of the General Plan. The City of San Marcos must update its Housing Element every eight years, consistent with the requirements of State Housing Law (California Government Code Sections 65580-65589). The law specifies that, in order for the private market to adequately address housing needs and demands, local governments must adopt land use plans and regulatory systems that provide opportunities for, and do not unduly constrain, housing preservation, rehabilitation, and development. The purposes of the Housing Element are to identify the community's housing needs; to state the community's goals and objectives with regard to housing production, rehabilitation, and conservation to meet those needs; and to define the policies and programs that the community will implement to achieve the stated goals and objectives.

The State Department of Housing and Community Development (HCD) oversees and enforces Housing Element requirements. Upon review and approval by HCD, the Housing Element is "certified", which assists the City and affordable housing developers in qualifying for many funding programs offered by the State for local housing and economic development activities. The Housing Element is the only portion of the General

Plan that is subject to State review and certification. The City last updated the Housing Element (5th Cycle) in 2013 and is required to adopt an updated Housing Element (6th Cycle) no later than August 15, 2021 in order to remain on an 8-year update cycle (versus a more frequent 4-year update cycle).

## **Discussion**

### Housing Element Overview

The City has prepared the 2021-2029 Housing Element to comprehensively update and replace its current Housing Element which was adopted in 2013. Since the update of the City's last Housing Element, statutory changes have occurred that must be included in the 2021-2029 San Marcos Housing Element. These laws are referenced in the appropriate sections throughout the Housing Element, including the Housing Plan (Part 1) and Background Report (Part 2). The City has prepared the 2021-2029 Housing Element to:

- Provide goals, policies, quantified objectives and scheduled programs to preserve, improve, and develop housing
- Identify and analyze existing and projected housing needs for all economic segments of the community
- Identify adequate sites that are zoned and available within the 8-year housing cycle to meet the City's fair share of regional housing needs at all income levels
- Affirmatively further fair housing
- Be certified (approved) by HCD as complying with State law
- Be internally consistent with other parts of the General Plan

The proposed Housing Element Update covers the October 15, 2021 through October 15, 2029 planning period and is comprised of the following components:

#### *Part 1: Housing Plan*

Part 1 of the 2021-2029 Housing Element is the City's "Housing Plan", which includes the goals, policies, and programs the City will implement to address constraints and needs. The City's overarching objective is to ensure that decent, safe housing is available to all current and future residents at a cost that is within the reach of the diverse economic segments that comprise San Marcos. The Housing Plan includes only minor modifications to the City's current Housing Element Goals and Policies. The Housing Plan includes a number of new programs to address the City's housing needs and State housing law including future required updates to the San Marcos Municipal Code, new programs to support affirmatively furthering fair housing, and tracking and reporting requirements for housing sites.

#### *Part 2: Background Report*

Part 2 of the 2021-2029 Housing Element is the "Background Report" which identifies the nature and extent of San Marcos' housing needs, including those of special populations, potential housing resources (land and funds), potential constraints to housing production, and energy conservation opportunities. In addition to identifying housing needs, the Background Report also presents information regarding the setting in which these needs occur. The Background Report comprehensively updates the background context and conditions identified in the City's current Housing Element.

#### *Appendix A: Housing Sites Inventory*

The Housing Element must include an inventory of land suitable and available for residential development to meet the City's regional housing need by income level in a HCD-approved format, which is included as Appendix A. No land use changes are proposed to accommodate the City's Regional Housing Needs Allocation (RHNA); future residential development is expected to occur in those areas already identified for residential uses including the University District and Creek District. All sites identified in the City's Housing Sites Inventory are currently identified for new development consistent with the potential development capacities identified in Appendix A.

#### *Appendix B: Public Engagement Summary*

As part of the Housing Element Update process, the City hosted numerous opportunities for the community and key stakeholders to provide feedback on existing housing conditions, housing priorities, priority areas for new residential growth, and topics related to fair housing. Public engagement was facilitated in both English and Spanish to further engage the San Marcos community. Public participation played an important role in the refinement of the City's housing goals and policies and in the development of new housing programs, as included in Part 1: Housing Plan. The public's input also helped to validate and expand upon the contextual information included in Part 2: Background Report. The City's efforts to engage the community in a meaningful and comprehensive way are summarized in Appendix B.

#### Regional Housing Needs Allocation (RHNA)

Every jurisdiction in the state must plan for its fair share of the region's projected housing needs. HCD provides an allocation to the San Diego region, and then the San Diego Association of Governments (SANDAG) determines the Regional Housing Needs Allocation (RHNA) for the individual jurisdictions within its planning area. The objectives of the Regional Housing Needs Allocation (RHNA) are:

- Increase housing supply and the mix of housing types;
- Promote infill, equity, and environment;
- Ensure jobs housing balance and fit;
- Promote regional income equity; and
- Affirmatively further fair housing.

The RHNA is distributed by housing units affordable to households within four income categories: extremely/very-low income (0-50% of the area median income (AMI)), low income (51-80% of AMI), moderate income (81-120% of AMI), and above-moderate income (121%+ of AMI). The RHNA covers the same eight-year period as the Housing Element. Table 1 provides the City's RHNA allocation for the 2010-2020 and the 2021-2029 planning periods.

*Table 1: 2010-2020 and 2021-2029 RHNA Allocations for San Marcos*

Income Category	2010-2021 RHNA		2021-2029 RHNA		Percent Change
	# of Units	% of Total	# of Units	% of Total	
<b>Extremely/ Very Low</b>	1,043	25%	728	23%	-30%
<b>Low</b>	793	19%	530	17%	-33%

<b>Moderate</b>	734	17.5%	542	17%	-26%
<b>Above-Moderate</b>	1,613	38.5%	1,316	43%	-18%
<b>Total</b>	<b>4,183</b>	<b>100%</b>	<b>3,116</b>	<b>100%</b>	<b>-25%</b>

Beyond the income-based housing needs established by the RHNA, the Housing Element must also address special needs groups such as; seniors, persons with disabilities including developmental disabilities, single female parents, large families, farm workers, and homeless persons.

#### *Accommodating the RHNA*

The Housing Element must demonstrate site development capacity to facilitate the construction of a variety of housing for all income levels. State Housing Law (Government Code Section 65583) requires that "... The housing element shall identify adequate sites for housing, including rental housing, factory-built housing, mobile homes, and emergency shelters, and shall make adequate provision for the existing and projected needs of all economic segments of the community." It is important to note that the City is not responsible for the production of these units; rather, the City is obligated to provide an allocation of sites that have appropriate General Plan land use designations and zoning designations to accommodate these units. Whether or not housing actually gets built, and what type of housing gets built (e.g., townhomes, condominiums, apartments) is up to the landowner and is largely related to market factors. There is also no requirement that the sites develop as affordable housing; as long as they develop at the appropriate densities, market-rate housing is acceptable.

However, new State legislation now requires local governments to maintain an adequate inventory of land to meet its low and very-low income needs throughout the planning period. In order to proactively address this requirement, the City has identified a moderate surplus of available land suitable to meet its lower income RHNA allocation which will provide development flexibility as both affordable and market rate projects are developed over time.

The City has historically met, and plans to continue to meet, the need for low and very-low income housing through the designation of appropriately-zoned land. In general, HCD believes that the most appropriate zoning designation to facilitate low-income housing is one that allows up to 30 units per acre to be built. Apartment complexes, condominiums, and sometimes townhomes can be built in this density range, so both rental and ownership options are possible.

#### *Progress Towards the RHNA*

The RHNA uses June 30, 2020 as the baseline for growth projections for the 2021-2029 planning period. Jurisdictions may count toward the RHNA housing units that have been developed, are under construction, and/or have received their building permits after June 30, 2020. Since this time, 546 housing units have been developed, are under construction, or have received their building permits in San Marcos. Jurisdictions may also count projects that are approved/entitled but not yet built or under construction; 1,039 units across all income categories have been approved/entitled and are expected to be developed within the planning period. Based on this progress, the City has already achieved approximately half of its overall RHNA with housing units constructed, under construction, or approved/entitled or under review (1,585 units). With these units taken into account and based on market rate rents and sale prices for apartments and condominiums generally falling within levels affordable to households earning moderate incomes (81-120% AMI), the City has

fulfilled its allocation of moderate income units and has a remaining RHNA of 1,531 units (640 extremely low/very low income units, 475 low income units, and 416 above-moderate income units after accounting for the surplus of moderate income units). This is summarized in Table 2 below.

Table 2: Progress Towards the RHNA

Status	Extremely Low/Very Low	Low	Moderate	Above Moderate	TOTAL
<b>RHNA Allocation</b>	728	530	542	1,316	3,116
<b>Constructed, Under Construction/Permits Issued (Since 6/30/2020)</b>	7	5	489	45	546
<b>Units Approved/Entitled</b>	81	50	409	499	1,039
<b>Remaining Allocation</b>	640	475	0 (with a surplus of 356 units)	416 (772 minus the surplus in the moderate income category)	1,531 <sup>1</sup>

1. The City has a surplus of units that have been built or are in the pipeline that are affordable to moderate income households, which can be used to accommodate a portion of the unmet need for above moderate income households

It should be noted that if units identified as being affordable to moderate income households based on current market rate rents (i.e., apartments and condominium units) are rented and/or sold at higher rates not affordable to moderate income households when they come to market, the City will need to confirm that sufficient sites are available to continue accommodating the City's remaining unmet RHNA, by income category. To proactively address this possibility, the City has identified a surplus of sites affordable at all income levels, including extremely low/very low, low and moderate household incomes, allowing for flexibility in the real estate market while also ensuring that the City can continue to have sufficient land available to meet its RHNA obligation for the duration of the planning period.

#### *Residential Sites Inventory to Accommodate Remaining RHNA*

The City has sufficient land appropriately zoned for residential uses throughout the community to accommodate its remaining RHNA (1,531 units) for the 2021-2029 planning period. These sites are summarized in Table 3 on the following page. They fall into four categories:

- 1) Proposed development sites. Five projects in various stages of planning are included as sites. The five sites are expected to yield 805 units.
- 2) Accessory dwelling units. ADUs are allowed on any lot that is zoned for single-family or multifamily dwelling residential use, including lots that are zoned for such use within a Specific Plan Area (SPA). Development of ADUs is expected to yield 48 units, based on the City's average annual construction over the last 3 years.

- 3) Residentially zoned vacant land exclusive of Specific Plan areas. The inventory of vacant residential land between 0.50 acres and 10 acres in size (exclusive of those in proposed/tentative developments and specific plan areas) in San Marcos totals 379.4 acres. These vacant properties have the potential to yield 648 units and the majority are anticipated for above-moderate development.
- 4) Mixed-use sites in Specific Plans. Several Specific Plans in San Marcos have remaining residential capacity. Two Specific Plans offer residential development opportunities in a higher-density, mixed-use environment: the San Marcos Creek District Specific Plan and the University District Specific Plan. Although the two Specific Plans combined offer opportunities for development of up to 5,700 units suitable for various household income levels, for the purpose of this Housing Element and reflecting the remaining units needed to meet the City's assigned housing need, only vacant residential mixed use parcels greater than 0.50 acres and less than 10 acres within the Plan boundaries are included in this portion of the sites inventory. Moreover, although a density of at least 30 du/ac is permitted throughout the Specific Plan areas, only 50% of the total potential yield has been identified to accommodate the City's RHNA to account for the potential for mixed-use and non-residential development on a portion of the sites. Based on this methodology, vacant mixed-use sites in Specific Plans have the potential to yield 1,592 units.

Table 3: Comparison of RHNA Candidate Sites Realistic Capacity and RHNA

Status	Extremely Low/Very Low	Low	Moderate	Above Moderate	TOTAL
Remaining 6th Cycle RHNA	640	475	0	416	1,531
Proposed Developments	49	187	561	8	805
ADUs	-	-	-	48	48
Vacant Land Inventory (exclusive of SPAs)	33	34	-	581	648
Vacant Land in Mixed-Use Specific Plans	796*	796*	-	-	1,592
<b>Total</b>	<b>+238 (surplus)</b>	<b>+542 (surplus)</b>	<b>+561 (surplus)</b>	<b>+221 (surplus)</b>	<b>+1,562 (surplus)</b>

*Note: The realistic capacity analysis of vacant land in mixed-use specific plans assumes that only 50% of the potential capacity of development at 30 du/ac would be realized. If the sites develop closer to their full capacity, which has been realized as part of past projects, the City's surplus of units affordable to lower-income households would be significantly higher.*

### Modifications to the Housing Element

The 2021-2029 Housing Element proposes minor modifications to the goals and policies included in the 2013 Housing Element and includes a number of new programs to reflect San Marcos' changing needs and to meet State law. The following summarizes the modifications to the Housing Element.

### *Goals and Policies*

- Added Policy 2.5 allowing by-right approval for housing developments proposed for non-vacant sites included in one previous housing element inventory and vacant sites in two previous housing elements, provided that the proposed housing development consists of at least 20 percent lower income and affordable units. This policy is required in accordance with State law.
- Amended Goal 5 to focus on affirmatively furthering fair housing in order to promote equal opportunity for all residents to reside in housing of their choice.
- Amended Policy 5.4 to focus on affirmatively furthering fair housing in partnership with regional fair housing service providers.

### *Implementation Programs*

The following prior programs identified in the 2013 Housing Element were excluded from the 2021-2029 Housing Element, because they were no longer relevant (had already been accomplished) or were replaced with current objectives.

- Current Program 6: San Diego Regional Mortgage Credit Certificates
- Current Program 13: VIBE

The following additions and modifications are included in this 2021-2029 Housing Element in order to comply with State law:

- Proposed Policy 2.5: Reuse of Sites in the City's Housing Sites Inventory
- Proposed Goal 5: Modified to affirmatively further fair housing
- Proposed Policy 5.3: Modified to affirmatively further fair housing
- Proposed Program 2: Maintain Adequate Sites Throughout the Planning Period
- Proposed Program 3: Public Property Conversion to Housing Program
- Proposed Program 4: Replacement of Affordable Units
- Proposed Program 5: Facilitate Affordable and Special Needs Housing Construction
- Proposed Program 9: Accessory Dwelling Units
- Proposed Program 10: Density Bonus Implementation Program
- Proposed Program 11: California Accessibility Standards Compliance Program
- Proposed Program 18: Energy Conservation and Energy Efficiency Opportunities
- Proposed Program 19: Lead Based Paint Education and Reduction Program
- Proposed Program 21: Zoning Code Amendments - Housing Constraints

- Proposed Program 23: Affirmatively Furthering Fair Housing Outreach and Coordination
- Proposed Program 24: Economic Displacement Risk Analysis
- Proposed Program 25: Barriers to Racial and Ethnic Equity

### Public Review

The City's public engagement program connected to the Housing Element Update began in early 2020, prior to the COVID-19 pandemic. At that time, the City had just initiated a comprehensive update to its General Plan, including the Housing Element. However, in order to best support the community through the COVID-19 pandemic, and to appropriately assess the changes to our world resulting from this event, the General Plan Update project was temporarily suspended. Although the comprehensive General Plan Update was suspended, the City continued to update the Housing Element (and Safety Element while also addressing Environmental Justice) as required by State law.

As such, some of the initial outreach efforts, including general advertisements and an in-person Vision and Values Workshop (hosted in early-March 2020) addressed topics related to the Housing Element as well as other General Plan Elements. Starting in April 2020, the public engagement program more specifically focused on community input regarding housing issues and priorities, as described in detail in the Public Engagement Summary (Attachment 2 Draft Housing Element, Appendix B).

Throughout the process, the City supported bilingual (English and Spanish) public engagement by sending direct advertisements, posting to social media, hosting surveys, facilitating workshops, and sharing summaries of feedback to validate what staff and the City's consultant heard. The City engaged the community to seek feedback on the goals, policies, and programs included in the Housing Plan as well as input regarding key issues and challenges identified in the Background Report, including the City's plan to accommodate the RHNA.

### Public Comment

The Public Review Draft 2021-2029 Housing Element was available to the public for a 30-day review period starting on March 12, 2021. The City received three public comments on the draft document. These include comments from two residents and one comment letter from the San Diego Housing Federation (see Attachment 2 Draft Housing Element, pages 36-37 "Feedback Influence" table). The public comments generally addressed: creating more affordable housing, requiring affordable housing to be smoke-free and the nexus between housing, climate change and environmental justice policies. During the workshops, additional comments were received ranging from the need for more housing to a desire for no further development. Residents also commented on the need to manage traffic and protect open space as new development occurs. One comment was received at the Planning Commission noting concerns about growth related to traffic, parking, safety and other quality of life issues (Attachment 7).

### *Housing and Community Development (HCD) Review and Comment*

The City submitted a draft of the 2021-2029 Housing Element to HCD for review on March 15, 2021. During the review period, HCD provided informal comments to the City and its consultant team and the City prepared edits to the draft 2021-2029 Housing Element to address HCD's informal comments. The City was able to address nearly all of HCD's requests through the informal review process. HCD then issued the findings of its



formal review in a letter dated May 6, 2021, which found that several programs could be revised to better affirmatively further fair housing in accordance with State Housing Law. Upon receipt of HCD's findings, the City amended the programs recommended for modification and resubmitted a "revised" Draft 2021-2029 Housing Element to HCD for formal review on May 19, 2021 (see Attachment 5). On June 28, 2021, HCD issued a final letter indicating that the City's revised draft Housing Element meets the State's statutory requirements (see Attachment 5). The Housing Element will be considered "certified" once adopted by the City Council and submitted to HCD for final approval.

#### *Tribal Consultation*

The City reached out to all twenty-four (24) of the applicable Tribal liaisons on the Native American Heritage Commission list to offer the opportunity to formally consult on the Housing Element update as required by statute (SB-18). City staff and the project consultant reached out by mail, email and phone. Two Tribes requested formal consultation, the San Luis Rey Band of Mission Indians and the Rincon Band of Luiseno Indians. Consultation was conducted with these Tribes on June 28, 2021 and June 30, 2021, respectively. Both Tribes concluded that there were no potential impacts to Tribal resources and consultations have formally concluded.

#### **Environmental Review**

The 2021-2029 Housing Element Update would result in no new significant impacts that were not analyzed in the General Plan FEIR, nor would the proposed Project cause a substantial increase in the severity of any previously identified environmental impacts. The potential impacts associated with the proposed Project would either be the same or less than those described in the General Plan FEIR. In addition, there are no substantial changes to the circumstances under which the proposed Project would be undertaken that would result in new or more severe environmental impacts than previously addressed in the General Plan FEIR, nor has any new information regarding the potential for new or more severe significant environmental impacts been identified. Therefore, in accordance with Section 15164 of the State CEQA Guidelines, the Addendum to the previously certified General Plan FEIR is the appropriate environmental documentation for the proposed Project.

#### **Fiscal Impact**

Funding for preparation of the 2021-2029 Housing Element was part of the adopted FY 2020-2021 Annual Budget (Capital Improvement Project PL-0002). In 2020, the City was awarded \$300,000 through a State Local Early Action Planning (LEAP) grant to prepare the updated 2021-2029 Housing Element. Upon approval of the Housing Element, any remaining grant funds will be used to prepare ordinances and other tools that will be required to implement the new programs in the Housing Element. Long-term implementation of some Housing Element programs may require ongoing funding for staff or consultant support in an amount to be determined.

#### **Attachment(s)**

Attachment 1- Resolution 2021-XXXX

Attachment 2- Revised Draft 2021-2029 Housing Element

Attachment 3- Revised Draft 2021-2029 Housing Element with tracked changes (revisions in response to HCD comments)

Attachment 4- Addendum to the 2012 General Plan FEIR

Attachment 5- Housing and Community Development (HCD) Comment Letters

Attachment 6- Planning Commission Resolution (June 21, 2021)

Attachment 7- Planning Commission Public Comment

Submitted by: Dahvia Lynch, Development Services Director

Approved by: Jack Griffin, City Manager