



TO: Planning Commission Chair and Members

FROM: Peter Imhof, Planning and Environmental Review Director

CONTACT: Anne Wells, Advance Planning Manager
Andy Newkirk, Senior Planner
John Douglas, Housing Consultant

SUBJECT: Draft 2023-2031 Housing Element Review

RECOMMENDATION:

Adopt Resolution No. 22-___, entitled "A Resolution of the Planning Commission of the City of Goleta, California, Recommending to the City Council Submittal of the Draft 2023-2031 Housing Element to the California Department of Housing and Community Development for Review" (Attachment 1).

BACKGROUND:

The City is required to prepare a Housing Element update for the 6th planning cycle by February 15, 2023, which spans the 2023-2031 planning period. California Department of Housing and Community Development (HCD) review is required both prior to and after final adoption by the City Council. The initial HCD review lasts 90 days. After this period, the City will receive comments from HCD that the City will need to address prior to bringing a Final Draft Housing Element forward for Planning Commission and City Council review and adoption. The second HCD review, and consideration of "certification," would occur after the City adopts the updated Housing Element.

On May 2, 2022, the City released the Draft 2023-2031 Housing Element. The Draft 2023-2031 Housing Element includes updates to the policies and programs in the current, adopted Housing Element to reflect (1) changes in State law; (2) public, stakeholder, City Council, and Planning Commission input; (3) current City practices; (4) updated program responsible parties and City department name changes; (5) accomplishments since the adoption of the current Housing Element, such as the adoption of Title 17 (Zoning) of the Goleta Municipal Code and adoption of affordable housing fees; (6) updated program activity time periods; and (7) improved language to better convey the intent of the policies and programs. The Technical Appendix to the Housing Element was also updated to include more current data and analysis. The Draft 2023-2031 Housing Element, including

the Technical Appendix, is provided as Attachment 2. An underline-strikethrough changes version comparing the policies and programs updates with the existing, adopted, 2015-2023 Housing Element policies and programs is provided in Attachment 3. Attachment 4 summarizes public comment received during outreach efforts prior to release of the Draft 2023-2031 Housing Element and how those comments were addressed in the Draft 2023-2031 Housing Element. Public Comment on the Draft 2023-2031 Housing Element will be reviewed and documented as part of a State-mandated 30-day public review that began on May 2, 2022.

On May 9, 2022, City staff introduced the Draft 2023-2031 Housing Element to the Planning Commission. The staff report (excluding attachments) from that meeting is provided as Attachment 5. That staff report includes details on State Housing Element requirements and details the content of the Draft 2023-2031 Housing Element. At the conclusion of the May 9, 2022 meeting, the Planning Commission continued the item to May 23, 2022 for further consideration.

DISCUSSION:

At the May 9, 2022 meeting, Planning Commissioners discussed several topic areas that warranted additional detail from staff. Below is a summary of these topics with further relevant information.

Short-Term Vacation Rentals (STVRs)

The Draft 2023-2031 Housing Element includes a new subprogram, HE 1.7, to “actively monitor the use of short-term vacation rentals in the City, as they are allowed and licensed under Goleta Municipal Code Chapter 5.08, to ensure there is not a significant loss of existing permanent housing due to use as short-term vacation rentals.” Discussion of this new program on May 9, 2022 centered on whether or not the subprogram, as drafted, goes far enough in addressing impacts from STVRs on the City’s existing housing stock. One additional comment noted a concern for the impact to homeowners, who may rely on the income from a STVR.

In response to the concerns expressed, staff prepared draft changes to HE 1.7 to strengthen the reporting requirements, provide clearer direction regarding enforcement on unpermitted STVRs, and a firm commitment to consider additional regulation of STVRs in 2024. The draft changes also include specific items that will be considered with proposed changes to the regulations. Below are the draft changes to HE 1.7, which staff have prepared. Edits to HE 1.7 as presented in the Draft 2023-2031 Housing Element are shown in underline and strikethrough:

HE 1.7 Monitor and Address Impact of Short-Term Vacation Rentals on Existing Housing Stock. The City shall actively monitor the use of short-term vacation rentals (STVRs) in the City, as they are allowed and licensed under Goleta Municipal Code Chapter 5.08, to ensure there is not a significant loss of existing permanent housing due to use as short-term vacation rentals. Monitoring shall include tracking permitted and

unpermitted STVRs. The City shall actively address any identified unpermitted STVRs through the monitoring efforts to ensure all STVRs are operating in accordance with a City-issued STVR permit. Annual monitoring reports to City Council will summarize the monitoring and compliance efforts and provide details on the operations of the existing STVRs, including information such as whether the STVR is owner-occupied, if a corporation is operating the STVR, and what type of STVR is on site (entire unit, guesthouse, or bedroom). The City shall consider additional regulations to address identified issues regarding impacts of STVRs on residential neighborhoods and the City's existing housing stock. Potential regulations that will be considered include but are not limited to: STVR rental caps (Citywide or by area of the City), separation requirements between STVRs, owner-occupant requirements, different regulations based on the type of STVR (entire unit, guesthouse, or bedroom), and limits on the number of STVRs owned and/or operated by one person or entity.

Time Period: Report annually to City Council; post license information on the City website throughout the planning period; consider changes to the City's short-term vacation rental regulations in 2024~~if needed based on annual monitoring~~

Responsible party: Finance Department, Planning and Environmental Review Department

Should Planning Commission want to include the above proposed changes to HE 1.7 in the recommendation to City Council, that should be stated as part of the motion to adopt the resolution.

Primary Residences

Planning Commission comments on May 9, 2022 included concern regarding corporate or individual investors purchasing units in the City and regarding owners using limited City housing stock as second homes. In the event that these units are being used as STVRs, the revised STVR program (HE 1.7) discussed above will address this issue. In the event these units are used for part-time use (such as for corporate use or for a second home not used as a STVR), City staff would need to conduct additional research before identifying any potential actions the City could legally take to address the situation. Below is a potential new subprogram HE 1.8 for Planning Commission consideration.

HE 1.8 Research Impact of Underused Housing Stock. The City shall research the use of existing housing stock for purposes other than a primary residence. Based on this research, the City shall identify methods to address any issues identified during the research and take appropriate action where legally possible.

Time period: Report to City Council in 2024; consider changes to the City's regulations, if needed and legally permissible, based on report

Responsible party: Planning and Environmental Review Department

Should Planning Commission want to include the above proposed HE 1.8, in the recommendation to City Council, that should be stated as part of the motion to adopt the resolution.

Incentives for New Housing Development

During the May 9, 2022 Planning Commission meeting, multiple Commissioners discussed the need to incentivize new housing development. Staff has identified four potential methods the City could use to incentivize housing development: reducing fees; relaxing development standards; expanding areas where multiple-unit development is allowed; and simplifying the permit process. Each of these methods is discussed below.

Reducing Fees. As noted in the Technical Appendix, housing developments are assessed fees to defray the cost of permit processing and a proportional share of the cost of mitigating development impacts on infrastructure and utility connections. The Draft 2023-2031 Housing Element identifies fees as a potential constraint on the cost of housing and includes subprogram HE 2.4(f) to consider establishing an automatic reduction or waiver of development impact fees for development that includes affordable dwelling units, with priority for 100% affordable and special needs housing projects not already receiving a reduction or waiver. Any potential future reduction or waiver would be beyond the reduction and waivers already included in the City's Beneficial Project resolution (which includes a waiver for the first 15,000 square of projects by non-profit organizations). Any changes to reduce or eliminate development impact fees for housing would provide a significant incentive to the development of housing.

Relaxing Development Standards. The City already provides procedures for relaxation of development standards. One example is for small-scale units (less than 500 square feet) in the Medium Density (RM) and High Density (RS) Residential zone districts (incentive allows for greater density than otherwise would be allowed). The Draft 2023-2031 Housing Element includes multiple programs to provide additional incentives. Subprogram HE 2.1(d) obligates the City to review mixed-use standards to better incentivize those projects. The specific incentives would need to be developed as part of Title 17 amendments that would be considered in 2023. Proposed subprogram HE 2.3(d) includes Title 17 parking reductions for studio and one-bedroom units, but also highlights clarifying parking reductions for senior and affordable housing units. Currently, the City's zoning regulations allow for parking reductions of up to 25% for senior and affordable units, but do not make clear whether those reductions are automatic or would be granted through discretionary review. A Title 17 amendment in 2023 would consider clarification to make those reductions automatic, thus serving as an incentive for those types of housing.

The City also allows for additional relaxation of development standards through the discretionary review process. These “adjustments” to development standards can occur through the Development Plan, Modification, or Conditional Use Permit approval process. Specific standards that can be adjusted (depending on the approval process) include: height, lot coverage, buildings separation, setbacks, parking, landscaping, and screening requirements.

Finally, proposed subprogram HE 2.4(a) obligates the City to conform to State density bonus law. The term “density bonus” is a misnomer at this point as State density bonus law goes well beyond simply allowing greater residential density for qualifying projects. Density bonus law provides a wide variety of development incentives (such as changes to parking, setback, and height standards) for projects providing a significant number of income-restricted units. As such, the City’s application of density bonus law provides a significant incentive to developers to provide affordable housing.

Expanding Areas Where Multiple-Unit Development is Allowed. The City could consider incentivizing housing development by allowing multiple-unit or mixed-use development in more places than currently allowed in the City’s General Plan and Title 17. However, at this point, staff did not propose changes to the overall vision of the General Plan.

Simplifying the Permit Process. The permitting process for a variety of housing types could be simplified by replacing “discretionary review” with a “ministerial” or “by-right” process. Currently, the City has three discretionary processes within Title 17 that housing projects may need to go through and receive approval for: Design Review, Development Plan, and Conditional Use Permit. Removing any or all of these processes for certain housing projects could serve as incentives for housing production. However, at the March 14, 2022 Planning Commission workshop, the concept of simplifying review processes for housing projects was not met with favorable comments. As such, staff did not propose significant changes to permit processes. The Draft 2023-2031 Housing Element does include two potential changes: to remove Conditional Use Permit requirements for Live/Work Units (subprogram HE 2.2(c)) and Large Residential Care Facilities (subprogram HE 3.2(e)).

As noted at the May 9, 2022 meeting, the City may additionally be limited to a ministerial process for some projects based on Senate Bill (SB) 35 of 2017 (codified as California Government Code Section 65913.4). SB 35 requires a streamlined, ministerial approval process for qualifying multiple-unit and mixed-use development, consistent with objective design standards. In order for a proposed development to qualify for this streamlined, objective review, the project must satisfy an extensive list of criteria, such as affordability levels, labor standards, and conformance with objective General Plan and zoning standards. In response to SB 35, the City is in the process of developing objective design standards that could be used for projects that qualify. The threshold (in terms of the percentage of units in the project that are affordable) to qualify for SB 35 streamlining changes every four years based on the City’s progress towards meeting the City’s Regional Housing Needs Allocation (RHNA) target, 1,837 units in the 6th housing cycle.

Based on the discussion above, staff did not prepare potential edits to any of the above-mentioned subprograms or any other programs in the Draft 2023-2031 Housing Element to incentivize housing development.

Accessory Dwelling Unit (ADU) Tracking

During the May 9, 2022 Planning Commission meeting, two Commissioners discussed a desire to monitor affordability of permitted ADUs. Assumptions about ADU affordability are included in the City's sites inventory to accommodate the City's RHNA allocation (118 total units during the planning period) and subprogram HE 2.6 calls for the encouragement of ADUs in the City. City staff collects affordability data on ADUs during the Building Permit process through a voluntary question on expected rent on the Building Permit for ADUs.

Currently, the City does not confirm or track this rental information over time because ADU affordability is not a legal requirement similar to the inclusionary requirement. If the City were to track this data, there would need to be a vision for what would happen if we ascertained certain information through this tracking. It should also be noted that tracking this data would mean trying to reach out to individual homeowners on a regular basis that are not obligated to provide any such information. It is not clear that the data would be particularly reliable. As such, staff has not proposed any changes to subprogram HE 2.6.

Regulation of Rental Conditions

Planning Commission comments on May 9, 2022 included concerns regarding examples of requirements for potential renters, such as income minimums (relative to the rent amount) and prohibitions of lease co-signers. Table 10A-5 of the Technical Appendix shows that 22.9% of all renters and 49.2% of lower-income renters in the City overpay, which is defined as housing cost that exceeds 30% of gross household income, including utilities. An income requirement of three times the monthly rent would essentially prohibit these "overpayers" from being able to rent a unit. The Draft 2023-2031 Housing Element includes development of a Tenant Protection Ordinance (subprogram HE 3.1(f)). The contours of the Tenant Protection Ordinance will be developed during the outreach and development of those regulations.

Transit-Oriented Development

A question at the May 9, 2022 Planning Commission meeting focused on what is meant by "transit-oriented development" in proposed subprogram HE 4.4. The Housing Element does not define the term. However, the City's General Plan does include a definition in the Glossary and References section. "Transit-oriented Development (TOD)" is defined as "[a] mixed-use community within an average 2,000-foot walking distance of a transit stop and core commercial area. TODs mix residential, retail, office, and public uses in a walkable environment, making it convenient for residents and employees to travel by transit, bicycle, foot, or car." As such, staff has not proposed any changes to subprogram HE 4.4.

CONCLUSION:

It is staff’s opinion that the Draft 2023-2031 Housing Element (including the Technical Appendix) accurately reflects current conditions in Goleta and substantially complies with the requirements of State law, as presented or with the amendments discussed above. In response to Planning Commissioner questions and comments on May 9, 2022, staff prepared revised language for subprogram HE 1.7 and a new subprogram HE 1.8, as discussed above, intended to address the Planning Commission’s core concerns. Staff seeks a Planning Commission recommendation to the City Council regarding authorization to submit the Draft 2023-2031 Housing Element to HCD for HCD’s 90-day review.

NEXT STEPS:

After review of the Draft 2023-2031 Housing Element, the Planning Commission is asked to adopt the Resolution provided as Attachment 1, recommending to the City Council submittal of the Draft 2023-2031 Housing Element to the HCD for review. As noted above, if the Planning Commission wishes to make any changes to the Draft 2023-2031 Housing Element, as provided in Attachment 2, the changes should be made clear in the motion.

Once the Planning Commission and City Council have reviewed the Draft 2023-2031 Housing Element, staff will make any necessary updates, and submit the element to HCD to start the 90-day initial review period. Staff continues to add information to the Housing Element Update project webpage at <https://www.cityofgoleta.org/city-hall/planning-and-environmental-review/advance-planning-division/housing-element-and-implementation/housing-element-2023-2031> and encourages the public to visit the webpage for up-to-date information and resources.

Legal Review By:



Winnie Cai
Assistant City Attorney

Approved By:



Peter Imhof
Director of Planning and
Environmental Review

ATTACHMENTS:

1. Resolution No. 22-___, entitled “A Resolution of the Planning Commission of the City of Goleta, California, Recommending to the City Council Submittal of the Draft 2023-2031 Housing Element to the California Department of Housing and Community Development for Review”
2. Draft 2023-2031 Housing Element

3. Underline-Strikethrough Comparing the Draft 2023-2031 Housing Element Policies and Programs to the Adopted 2015-2022 Housing Element Policies and Programs
4. Summary of 2023-2031 Housing Element Public Input (as of April 22, 2022)
5. Draft 2023-2031 Housing Element Review Staff Report from May 9, 2022 Planning Commission Meeting (excluding attachments)
6. Staff Presentation