

# Agenda Report

**TO:** CITY COUNCIL

**DATE:** NOVEMBER 17, 2008

**THROUGH:** ECONOMIC DEVELOPMENT AND TECHNOLOGY COMMITTEE

**FROM:** CITY MANAGER

**SUBJECT:** DRAFT 2008-2014 HOUSING ELEMENT – SUBMITTAL TO HOUSING AND COMMUNITY DEVELOPMENT FOR COMMENTS

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## **RECOMMENDATION**

It is recommended the City Council authorize submittal of the Draft 2008-2014 Housing Element, with modifications as described in the body of this report, to the California Department of Housing and Community Development for comments.

## **PLANNING COMMISSION RECOMMENDATION**

The Planning Commission recommended submittal of the Draft 2008-2014 Housing Element with additions and modifications to certain programs. The Commission recommended the following changes:

- specify that reconsideration of the standards for second units (Program 7C) be completed by March 2009, rather than December 2009;
- modify the proposal (Program 13B) for considering creation of a Pasadena Housing Nonprofit during the planning period to, instead, require creation of a Nonprofit by December 2008;
- modify the proposal (Program 8A) for studying modifications to the Inclusionary Housing Ordinance during 2009 by adding an emphasis on low- and very low-income rental housing;
- add a program (Program 9D) to develop an Affordable Housing Land Trust by December 2008, concurrent with creation of a Housing Nonprofit; and
- add a program (Program 6C) to analyze alternatives for the disposition of housing owned by Caltrans by December 2009.

The changes are discussed below in the report.

## **BACKGROUND**

The Draft Housing Element addresses housing needs in the city for the years 2008-2014. It is one of seven elements of the General Plan that are mandated by state law. Of the seven elements, the Housing Element is subject to the most detailed requirements and to review by the state's Department of Housing and Community Development (HCD).

The Draft Element leads from a description of housing needs in the city, to analyses of constraints and then of resources in meeting those needs, and finally to a housing plan that includes policies, goals, and programs. The Element also reviews recommendations that resulted from recent housing discussions and the programs that were identified in the 2000-2005 Housing Element.

Preparation of the Housing Element reflects the attention given to housing policy and program options during the past six years. The Housing Affordability Task Force, housing luncheons, a Housing Summit, the Housing Agenda for Action, and the Condominium Conversion Task Force have been among the opportunities to identify housing needs and potential programs. The many public discussions of housing policy and programs provided background for preparation of the Draft Housing Element. In addition, there were four community meetings, from February through July 2008, specifically for the Draft Housing Element. The resulting Draft Element complies with state requirements, including the Regional Housing Needs Assessment allocation for the period from January 2006 through June 2014.

Staff held three community meetings that were designed primarily to provide opportunities for public comment during preparation of the Draft Element, in addition to a fourth meeting to introduce the Draft Element when it became available. Participants offered suggestions on the current situation in Pasadena, on existing and possible programs, and on housing policies (Attachment C). Staff also received extensive recommendations by letter (Attachment D). In many cases, the suggestions are incorporated, in part or in whole, in the Draft Element. In other cases, the suggestions were evaluated but are not included. Topics that received significant attention during the meetings and in correspondence are discussed in Attachment B.

The initial reviews by the Planning Commission and City Council are not required by state law and do not involve approval of the Draft Element. However, they provide opportunities for the Commission and the Council to hear comments on the Draft Element before the Department of Housing and Community Development provides its comments. With Council's approval, staff will forward the Draft Element to HCD for comments.

After sixty days to provide comments, HCD will return the Draft Element to the City. Staff will review HCD's comments, have additional discussions with HCD depending on the comments, revise the Draft Element as appropriate, hold a community meeting to discuss the Draft Element with any proposed changes, circulate the environmental

documents, and return to the Planning Commission and City Council for public hearings to adopt the Element.

The Draft 2008-2014 Housing Element responds to the varied comments received during the 2008 community meetings and also to the ongoing community initiatives of the past six years. The Draft Element does not attempt, however, to incorporate every program the City may choose to adopt during the planning period. It recognizes that serious discussions of housing policy and programs continue during, and may occur following, the process of adopting the 2008-2014 Element and will not be determined within the Element's deadlines. The complexities of both maintaining a supply of housing that is appropriate to Pasadena's diverse population and complying with state law requirements for the Housing Element require some flexibility.

### **Significant Changes from 2000-2005 Housing Element**

The Draft 2008-2014 Housing Element responds to various local initiatives of the past six years as well as to recent changes in state law.

First, the Draft Element reviews various community initiatives since 2002, including the Housing Affordability Task Force and the Housing Agenda for Action. (Chapter 6) This review is included in the Draft Element, because the various initiatives have provided an ongoing discussion of housing policies and programs. Many programs and policy recommendations have been considered as a result of these initiatives.

Second, the City's attention to people with special needs is now shown with a separate goal and supporting policies. This fourth goal gives prominence to special needs equal to Housing and Neighborhood Quality, Housing Supply and Diversity, and Housing Assistance, the other three goal areas, in recognition of Pasadena's substantial efforts to facilitate housing opportunities for those with special needs (Pages 7-3 through 7-6).

Third, state law now requires that housing elements include an inventory of sites with the potential for development during the planning period. For earlier elements, state law required jurisdictions to demonstrate there was adequate capacity for the local RHNA allocation but did not, in most cases, require a list of individual parcels on which development could feasibly occur during the RHNA period. That list is now a required component of the Draft Element (Appendix A and Pages 4-20 through 4-29).

Fourth recent state law requires that jurisdictions have at least one zoning district in which emergency shelters for homeless people are allowed by right, without a conditional use permit. The Draft Element would commit the City to a program to comply with the new state law (Page 7-29, Program 16D).

### **Regional Housing Need**

State law gives preeminence to the requirements for a city's assigned share of regional housing need, i.e., the Regional Housing Needs Assessment (RHNA). The current period for the RHNA is 2006-2014, rather than the 2008-2014 period for the Housing Element as a whole. For Pasadena, the total RHNA allocation at all income levels is

2,869 units, with specific subtotals for each level of affordability: 711 very low-, 452 low- and 491 moderate-income units. (Page 2-29). In general, there are three ways to address the RHNA totals: (1) projects that are or will be **under construction** during the planning period, (2) **preservation of affordability** according to strict state requirements, and (3) an **inventory of specific sites** for feasible development during the planning period.

**Under construction:** Pasadena has significant current production that counts toward the RHNA. There are 4,351 units that have been under construction since 2006 or that are “in the pipeline” for development by 2014. This total is well above the total RHNA allocation of 2,869 units (Pages 4-2 and 4-3). Even with recent market conditions and the significant financial investment necessary to facilitate affordable housing, Pasadena has made progress toward its share of very low-, low-, and moderate-income units, but production is below the share assigned in the RHNA. The RHNA share of units at affordable levels subtotals 1,654 units. After counting current production, the remainder of the affordable share totals 1,037 (Page 4-30, Table 4-9).

**Preservation of affordability:** The Draft Element discusses three options for preserving affordability that qualify under state law to meet the remaining portion of low- and very low-income shares of the RHNA (Pages 4-16 and 4-17). Option A: market-rate units may be acquired and restricted to lower-income levels. Option B: units in need of substantial rehabilitation may be restored to the housing stock, with restrictions to lower-income levels. Option C: affordability may be preserved in projects that are “at risk” of conversion from restricted affordable rents to market rents (Pages 4-5 through 4-17). Details for the projects “at risk” are provided in Table 4-2 (Pages 4-6 and 4-7). Preservation of at risk units, Option C, is one of the less costly ways to maintain affordable housing in the city. To qualify as a program that meets a portion of the RHNA, however, funding for it must be legally committed to specific projects during the first two years of the housing element planning period. Commitment of sufficient funds so early in the planning period does not appear feasible for Pasadena, so the “at risk” units are not counted as a way of addressing the RHNA. Funding may become available later in the planning period, however, beyond the two-year limit established by state law, and the City may choose to preserve the affordability of the units, regardless of requirements for the RHNA.

**Inventory of sites:** The third way to address the RHNA is to demonstrate the feasibility of future production during the planning period. The city must show it has sites with the capacity for feasible development of the units that are not provided in the first two ways, i.e., current production and preservation of affordability. State law changed after adoption of the 2000-2005 Housing Element and now requires a parcel-specific inventory of sites where development is feasible during the planning period. Because the construction of housing in Pasadena generally involves recycling parcels, it is crucial that the identified sites be feasible for development, not simply zoned to allow housing at higher densities. In addition, the remaining need is primarily at the lower-income levels (i.e., low, very low, and extremely low), so the sites must provide a potential density that is deemed high enough to allow lower income housing.

As required by state law, the Draft Element provides an inventory of developable sites that, in combination with other programs, could accommodate the remaining 1,037 units at the moderate-, low, and very low-income levels (Page 4-30, Table 4-9). By state law, densities of the sites for the lower-income units (i.e., low, very low, and extremely low) in areas such as Pasadena must be at least 30 units per acre, unless the city demonstrates that lower-income units are feasible at lower densities. The Draft Element identifies only parcels that are zoned for 32 units per acre or more, primarily in multifamily zoning districts RM-32 and RM-48 (Page 4-29 and Appendix A).

The majority of development in recent years has occurred in districts that allow both nonresidential and residential development on sites with existing commercial development, especially in specific plan areas. It is difficult, however, to identify specific sites and demonstrate the feasibility of mixed-use or residential development where nonresidential development currently exists. As a result, the focus of the inventory is on medium high- and high-density RM districts, rather than on districts allowing a mix of uses. It lists sites that are developed at 40 percent or less of their residential potential. In addition, sites within historic landmark districts are not included. With some exceptions, parcels next to single-family districts are also excluded. The inventory identifies sites that could accommodate approximately 3,200 units.

The city satisfies the state law requirements for the RHNA. If, as a result of the 2009 update of the Land Use Element, the City adopts changes to zoning that affect the sites in the inventory, it may be necessary to revise the Housing Element.

### **Planning Commission Recommended Amendments to Draft Element**

The Planning Commission recommended certain changes to the programs that are included in the Draft 2008-2014 Housing Element.

*Complete the reconsideration of second unit standards by March 2009:* Accelerate the program (Program 7C) for reconsidering the standards for second units in single-family districts, so it is completed by March 2009, rather than December 2009 as described in the Draft Element.

*Staff recommends retaining the timeframe that is described in the Draft Element. Any changes to the second-unit standards will require extensive public outreach and participation. The timeframe that the Commission recommended does not provide adequate time for the necessary outreach.*

*Create a Pasadena Housing Nonprofit by December 2008:* Modify the program for considering creation of a Pasadena Housing Nonprofit (Program 13B) during the planning period so that the Nonprofit would be created and in place by December 2008 and consider diverting available funds during the first quarter of calendar 2009, so that the City can take advantage of the historic opportunities to purchase housing stock.

*Several factors preclude the Housing Department from supporting the modification at this time. The program represents a major initiative, requiring the dedication of considerable resources within a relative short time frame. It would not be prudent to make such a commitment until the new Housing Department director is in place and the issue can be considered in the context of a strategic housing plan. Furthermore, the Urban Land Institute (ULI) is expected to finalize and present to the City its Technical Assistance Panel Report sometime during the second quarter of this fiscal year. The report is expected to provide recommendations on a number of key housing initiatives including the creation of a non-profit housing development corporation. Finally, as regards the use of affordable housing funds, any re-programming of the City's FY 2009 housing budget would require City Council approval.*

**Consider greater emphasis very low- and low-income housing in the Inclusionary Housing Ordinance:** Revise the program for studying modifications to the Inclusionary Ordinance (Program 8A) to specify and emphasize the relationship to low- and very low-income rental housing. This would require a new bullet point in the description and in the discussion of the objective.

*Staff recommends that the issue of very low- and low-income units, as described by the Commission, be considered when modifications to the Inclusionary Housing Ordinance are studied.*

**Create an Affordable Housing Land Trust by December 2008:** Add a new program (Program 9D) to develop an Affordable Housing Land Trust. Provide that this program be implemented within the same timeframe as recommended for Program 13B, i.e., by December 2008.

*As with the immediate creation of an Affordable Housing Nonprofit, several factors preclude the Housing Department from supporting the addition of this program at this time. The program represents a major initiative, requiring the dedication of considerable resources within a relative short time frame. It would not be prudent to make such a commitment until the new Housing Department director is in place and the issue can be considered in the context of a strategic housing plan. Furthermore, the Urban Land Institute (ULI) is expected to finalize and present to the City its Technical Assistance Panel Report sometime during the second quarter of this fiscal year. The report is expected to provide recommendations on a number of key housing initiatives related to land as a resources to create affordable housing, including land-banking and formation of public-private partnerships to acquire land.*

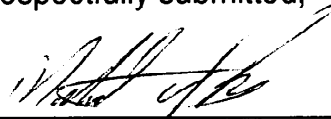
**Reconsider alternatives by December 2009 for disposition of Caltrans properties:** Add a program (Program 6C) to study alternatives for the future disposition of Caltrans property.

*Staff recommends the City look again at alternatives, whether allowable under existing state law or requiring new legislation, for disposition of the Caltrans properties.*

**FISCAL IMPACT**

Submittal of the Draft 2008-2014 Housing Element to the California Department of Housing and Community Development is included in the FY2009 work program

Respectfully submitted,



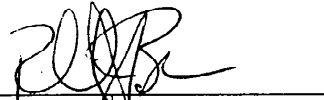
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Attachments:

- A. Draft 2008-2014 Housing Element (under separate cover)
- B. Discussion of Comments from the Public: 2008 Community Meetings and Correspondence
- C. Notes from 2008 Community Meeting Discussions
- D. Correspondence