



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** December 12, 2023

**TO:** Mayor and Councilmembers

**FROM:** Planning Division, Community Development Department

**SUBJECT:** Adoption of the 2023–2031 Housing Element [Resolution]

### **RECOMMENDATION:**

That Council adopt, by reading of title only, a Resolution of the Council of the City of Santa Barbara Adopting the 2023–2031 Housing Element with Proposed Revisions as an Amendment to the General Plan and Determining That the Housing Element Amendment Is Exempt from CEQA Pursuant to CEQA Guidelines Section 15061(b)(3).

### **EXECUTIVE SUMMARY:**

The Housing Element is a State-mandated component of the City’s General Plan and must be updated every eight years according to a schedule established in State law. All jurisdictions in Santa Barbara County are required to update their Housing Elements for the 2023–2031 planning period, commonly known as the “6th cycle” in reference to the six Housing Element updates required since the State’s comprehensive revision of Housing Element law in 1980. The purpose of this hearing is to review the proposed 2023–2031 Housing Element, which incorporates changes to address comments from the State Department of Housing and Community Development (HCD), Planning Commission, and the public; and to conduct a public hearing to receive public comments and consider approval of a General Plan amendment for adoption of the 2023–2031 Housing Element.

The City has released three drafts of the 2023–2031 Housing Element since 2002, all of which received extensive public review. Comments from HCD, the public, the Planning Commission, and staff resulted in significant changes throughout the process. On November 16, 2023, the City received a letter from HCD confirming that the Housing Element will substantially comply with State Housing Element Law (Gov. Code, § 65580 et seq) when it is adopted, submitted to, and approved by HCD, in accordance with Government Code section 65585.

Staff reviewed the changes recommended by the Planning Commission in their motion of November 16, 2023, and incorporated changes that were appropriate and would not conflict with State Housing Element law. These are presented as proposed revisions to the 2023–2031 Housing Element. Changes that were not incorporated are detailed later in this Council Agenda Report.

## **DISCUSSION:**

### **Background**

The Housing Element update process started in 2020 with the Regional Housing Needs Assessment (RHNA) process, which refers to the multistep process that California uses to plan for housing needs in each region of the state. In 2021, HCD approved Santa Barbara County Association of Governments (SBCAG’s) Final 6th Cycle 2023–2031 RHNA Plan, which establishes a total RHNA for Santa Barbara County of 24,856 residential units. SBCAG’s Plan distributes this RHNA across the county and cities based on demographic and population data received from the California Department of Finance (DOF). The City’s RHNA is 8,001 units, organized into four affordability categories according to Area Median Income (AMI<sup>1</sup>) as shown in Table 1. The City is responsible for demonstrating it can accommodate its share of the RHNA, either with existing zoning or by rezoning areas of the city. Through the Housing Element’s Suitable Sites Inventory (Appendix G), City staff determined that the existing zoning capacity is sufficient to accommodate RHNA without rezoning areas.

Table 1: RHNA Affordability Categories

<b>Very Low (0–50% AMI)</b>	<b>Low (50–80% AMI)</b>	<b>Moderate (80–120% AMI)</b>	<b>Above Moderate (120+% AMI)</b>	<b>Total</b>
2,147	1,381	1,441	3,032	8,001

### **RHNA Buffer**

New “no net loss” provisions of Government Code § 65863 require the City to ensure an adequate supply of land be made available for housing development throughout the duration of the 2023–2031 planning period. This means if housing sites identified within the City’s 6th Cycle Housing Element are developed with nonresidential uses, lower residential densities, or residential uses at affordability levels higher than anticipated by the Housing Element during the planning period, the City’s Housing Element could be determined to be out of compliance if adequate capacity is not provided. Accordingly, the City’s Suitable Sites Inventory includes a 14 percent buffer for additional units to ensure compliance with “no net loss” provisions during the 6<sup>th</sup> cycle planning period.

### **Housing Element Review Process**

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<sup>1</sup> Santa Barbara County 2023 AMI is \$107,300 for a four-person household.

One important difference between the Housing Element and other elements of the General Plan is the extent of oversight by HCD. Under California law, the Housing Element is the most regulated element of the General Plan. The State Legislature has also declared that an adequate supply of housing is a matter of statewide importance and delegated authority to HCD to review draft and adopted Housing Elements and issue responses regarding compliance with State law. A finding of Housing Element compliance by HCD is referred to as “certification” of the Housing Element. Certification is important to enhance the City’s eligibility for certain grant funds and to support local land use authority.

HCD’s review is required both prior to and after final adoption by City Council. The City must respond to HCD’s comments on the draft Housing Element and adopt findings describing how the Housing Element addresses those comments. After adoption of the Housing Element, HCD has 60 days to issue a letter with its findings regarding whether the adopted Housing Element fully addresses their comments and applicable State laws.

The General Plan Amendment to update the Housing Element was initiated in March 2022. In May 2022, City Council adopted new goals for the 2023–2031 Housing Element. After extensive public outreach and input from the Planning Commission and City Council, the City submitted the first draft to HCD in August 2022. In November 2022, HCD submitted a review letter stating that the draft element addresses many statutory requirements but needed revisions for compliance with State law.

In response to HCD’s and public comments, the Revised Draft 2023–2031 Housing Element was released in April 2023 for public review, followed by submittal to HCD. In June 2023, the Planning Commission held a hearing to receive public comment and provide feedback to staff. In June 2023, HCD submitted a second review letter noting that the Revised Draft addressed many statutory requirements but still needed revisions for compliance with State law. HCD’s letter was followed by an offer to meet with a Senior Program Manager of HCD on a regular basis to discuss and submit interim drafts of revisions needed to find the Housing Element in substantial compliance.

After coordinating with and receiving substantial feedback and conditional approval from HCD, the proposed adoption draft was released in October 2023 for public review, followed by submittal to HCD. On November 13, 2023, staff submitted proposed editorial changes to the adoption draft to HCD that adjusted the time frames of certain programs to present a more balanced workload and allow for estimated project timelines to be met realistically. On November 16, 2023, the Planning Commission convened a hearing to consider a recommendation of adoption of the 2023–2031 Housing Element and voted 7/0 to recommend adoption of the 2023–2031 Housing Element with specific recommendations, detailed below (Attachment 1 Draft PC Hearing Minutes). Also on November 16, 2023, HCD issued a letter (Attachment 2) stating that the Adoption Draft meets the statutory requirements and that the housing element will substantially comply with Housing Element Law (Gov. Code, § 65580 et seq) when it is adopted, submitted to,

and approved by HCD, in accordance with Government Code section 65585. Further, HCD reviewed the pending revisions to the time frames submitted to them on November 13, 2023, as pending amendments and stated the time frame amendments do not impact the finding of meeting statutory requirements.

## **Public Outreach**

California law requires local governments to engage the public in developing the Housing Element. State law does not specify the means and methods for participation; however, it is generally recognized that participation must be inclusive. Throughout the preparation of the 2023–2031 Housing Element, the City conducted the following outreach efforts to engage all segments of the community.

### Virtual Meetings, Online Outreach, and In-Person Events

Having learned from experience in public outreach during COVID-19, the City adapted public outreach to be a variety of virtual meetings, online outreach, live streaming video, and in-person events. To achieve the greatest level of participation, the City:

- Ensured noticing of meetings and the website were bilingual and used guidelines from the California Web Accessibility standards for ADA compliance.
- Built an interested-parties list by advertising on City newsletters and social media and leveraging partnerships with housing advocates, neighborhood groups, and professional organizations, reaching over 38,000 residents.
- Educated and partnered with community groups on the importance of the Housing Element, including virtual and in-person meetings with over 40 nonprofit organizations.
- Developed a project website including educational videos in English and Spanish, project progress, public outreach events, staff reports, draft documents, a live suitable-sites GIS map, and other relevant links (<https://santabarbaraca.gov/heu>).
- Collaborated with the cities of Goleta and Carpinteria, and the County of Santa Barbara on an in-person and live-streamed public workshop to review local housing element updates and regional housing issues.

Each draft of the Housing Element was released for public review in compliance with State law timelines. Staff reviewed public comments, incorporated changes, and posted responses to public comments.

## **Adoption Draft 2023–2031 Housing Element**

The Adoption Draft reflects comments provided by HCD, the public, and the Planning Commission. Below is a brief summary of the main chapters of the 2023–2031 Housing Element.

### Introduction

This section includes the purpose of the Housing Element, a description of how the Housing Element relates to other elements of the General Plan, and the community context.

#### Housing Needs Summary/Community Profile

This section describes recent population trends and characteristics, employment trends, household characteristics, condition of the existing housing stock, assessment of deed-restricted affordable units at risk of converting to market rate, and an evaluation of special housing needs. Per HCD, “special housing needs” includes:

- Seniors
- People with disabilities, including developmental disabilities
- Large families and female-headed households
- People experiencing homelessness and
- Farmworkers

Consistent with the 2015 Housing Element, this section also evaluates the special housing needs of students.

#### Housing Constraints

The housing element must identify and analyze potential and actual governmental constraints to the maintenance, improvement, or development of housing for all income levels, including housing for people with disabilities. The analysis should determine whether local, regulatory standards pose an actual constraint and must also demonstrate local efforts to remove constraints that hinder a jurisdiction from meeting its housing needs. Based on comments from HCD, this section has been extensively amended and identifies several actions, such as cleaning up amendments to Title 30, that are required to fully comply with State housing laws and reduce governmental constraints to housing. This section also summarizes non-governmental constraints such as land and construction costs, and availability of financing.

#### Housing Resources

This section includes the suitable sites inventory to meet the City’s Regional Housing Needs Allocation (RHNA) of 8,001 units and a list of financial and administrative housing resources (e.g., funding sources, programs, public agencies, and nonprofit organizations that are involved in meeting the housing needs of the community). It also includes a discussion of opportunities for energy conservation.

The sites inventory analysis identifies parcels that can accommodate the City’s RHNA based on the methodology and assumptions described in the Housing Element. After accounting for pending projects (applications submitted that have not yet received a building permit up to August 2023) and projected accessory dwelling units (ADUs), the remaining unmet RHNA is 3,073 units for lower-income households and 2,711 units for moderate- and above-moderate households, for a total of 5,784 units. The analysis shows

that there are enough sites suitable to accommodate the remaining unmet RHNA listed below, with a buffer of 14 percent.

Table 2: Housing Capacity by Income Level

<b>RHNA Units</b>	<b>Very Low 2147</b>	<b>Low 1,381</b>	<b>Moderate 1,441</b>	<b>Above Moderate 3,032</b>	<b>Total 8,001</b>
<b>Pending Project Units</b>	79	80	101	1,327	1,587
<b>Accessory Dwelling Units</b>	148	148	74	259	629
<b>Suitable Sites</b>	2,140	1,296	1,587	1,875	6,898
<b>TOTAL UNITS</b>	2,367	1,524	1,762	3,461	9,114
<b>Buffer</b>	11%	11%	12%	14%	14%

### Nonvacant Sites Development

The City has a long history of residential and commercial development and is largely built out. Accordingly, almost all new development occurs on nonvacant sites, including the sites the City has identified to accommodate RHNA. New for this cycle, the Housing Element must describe the realistic development potential of each site within the planning period, including an analysis of the extent to which existing uses might impede additional residential development, the City’s prior experience in approving development on nonvacant sites, market conditions, and availability of regulatory and other incentives to encourage residential development on nonvacant sites. If the City relies on nonvacant sites to accommodate more than 50 percent of RHNA for lower-income households, the Housing Element must include substantial evidence that the use will likely be discontinued during the planning period.

Of the total sites in the inventory, 427 (96 percent) are nonvacant. Staff used several indicators to provide the substantial evidence required by State law. To screen eligible nonvacant sites for financial viability, the improvement to land value (I/L) and improvement to square foot (I/ft<sup>2</sup>) ratio was used. A low I/L and I/ft<sup>2</sup> ratio indicates improvements on the site are worth less than the land, suggesting the land is underutilized and there is a lack of significant improvements in recent years. Furthermore, due to the large number of sites that would require analysis, staff coordinated with HCD to develop a neighborhood/corridor approach that reviews suitable sites by neighborhood groupings and highlights representative sites as provided in Appendix G (described in more detail below).

### Housing Plan

This section includes the policies and programs that the City will be implementing to advance the housing policies and goals over the next eight years. New for this cycle, HCD now requires programs to include a specific time frame, the agencies or officials responsible for implementation, funding sources, and (whenever possible) specific, measurable outcomes. The Housing Element program time frames take into consideration other Community Development Department non–Housing Element work efforts to present a balanced and realistic workload, ensuring that staff resources will not be overwhelmed and project timelines will not suffer. Programs are intended to provide the framework for implementation of fiscally and technically feasible actions to carry out goals and policies. As such, unless required by State law or requested by HCD, they should not include exhaustive details that commit the City to actions without further research and study.

### Appendices

The appendices include the following information:

- A. Review of the 2015 Housing Element: Required review of 2015 Housing Element implementation actions, quantified where possible.
- B. Affirmatively Furthering Fair Housing (AFFH): Under California law, AFFH means “taking meaningful actions, in addition to combating discrimination, that overcome patterns of segregation and foster inclusive communities free from barriers that restrict access to opportunity based on protected characteristics.” This section provides extensive data and policy recommendations that inform AFFH analysis.
- C. Public Outreach Table: Summary of public outreach efforts.
- D. Accessory Dwelling Unit (ADU) Survey: Results of a survey sent to ADU owners to determine use and rent prices, which informed the number and income category of projected ADUs included in the site inventory.
- E. Neighborhood Housing Stock Surveys: Neighborhood-specific surveys, which are summarized in the 2023 Housing Element.
- F. Residential Development Standards: These were used to inform the Governmental Constraints section.
- G. Suitable Sites Inventory: Includes detailed descriptions of representative sites in the inventory by neighborhood groupings as requested by HCD, and a list of all the suitable sites in the inventory. This appendix provides the substantial evidence to support the findings in the resolution that existing uses on sites identified in Appendix G will not impede residential development.

### **Planning Commission Recommendation**

The recommendations directed by the Planning Commission on November 16, 2023, include a list of 21 items (Attachment 1 – Draft Planning Commission Minutes). Staff

recommends incorporating 11 of the 21 recommendations as amendments shown (~~in strike through~~ and underline format) in the track changes version of the 2023-2031 Housing Element provided in the City Clerk’s office and online here: <https://www.santabarbaraca.gov/HEU>. The remaining recommendations were not incorporated for the following reasons:

#	PC Recommendation	Reason not Incorporated
2	Broadly increase density only when tied to specific income categories.	This will be considered once Program HE-12 <i>Prioritize Deed-Restricted Affordable Housing</i> is implemented.
4	Change the time frame for HE1: adaptive reuse to Q1 2024 to prepare and adopt the ordinance and Q1 2025 for outreach materials.	The Program Environmental Impact Report (EIR) for the Housing Element implementation needs to be adopted prior to implementation of HE-1. This program will begin following the EIR adoption, planned for Q2 2024.
5	Expand [HE-1] to citywide, but emphasis on the central business district.	Expanding the scope of adaptive reuse will be considered with implementation.
7	Change the date by a year earlier for HE2: <i>La Cumbre Plaza Planning Area</i> to begin no later than 2026.	This is not as time sensitive as it was previously, and the proposed time frame considers existing leases and staff workload.
9	Implement the Novak recommendations for HE 5: <i>Process Improvements</i> as soon as possible.	The full list of process improvements is being implemented under a separate Land Development Team Oversight Subcommittee process. This program is for specific recommendations and will be implemented in phases, taking into account already existing work efforts and staff resources.
11	Change the end date to Q3 2025 for HE10: <i>Multi-Unit Housing Program</i> time frame. Prioritize changes that have been in the queue, such as updating the community benefit definition to include only deed-restricted affordable housing rather than all rental housing, and creating a clear definition of workforce housing that would include AMI.	HE-10 is the framework for multiple changes under consideration to the Average Unit Size Density (AUD) Incentive Program. The complete date was moved up to Q4 2026. As resources allow and priorities shift, aspects of the program may be completed sooner than anticipated.
13	In HE12 [ <i>Prioritize Deed-Restricted Affordable Housing</i> ] specify the City Bonus Density Program focused on	This will be considered upon implementation.



#	PC Recommendation	Reason not Incorporated
	the central business district to allow developers to go higher than the base density, increase height, and make it for moderate income.	
14	Change the language in HE12 to include exploring a local preference for new housing at all income levels.	A local tenant preference policy is required to affirmatively further fair housing and comply with other state and federal laws. These will be considered upon implementation.
17	Change the time frame for HE20: <i>Evaluate Hotel Zones</i> to update the trend analysis and amend Zoning Ordinance by 2025. That could include removing hotel zones where mid to high density residential is allowed.	This time frame was already proposed by staff to be completed by Q4 2025.
19	In Policy 2.6, eliminate upper-middle-income from Goal 2 and Policy 2.6.	The upper-middle-income reference in Goal 2 and Policy 2.6 was not removed because it provides consistency with policies for first-time ownership housing from the 2015 Housing Element and the existing Inclusionary Ordinance for ownership housing.

### General Plan Amendments

In addition to adoption of the 2023–2031 Housing Element, staff is requesting a general plan amendment to repeal the prior 2015 Housing Element and the following related appendices from the General Plan Appendix:

- Appendix E 2015 Housing Element Program Evaluation Table (evaluating the progress toward meeting the 2007–2014 Housing Element Goals and Objectives)
- Appendix F Zoning Information and Fees
- Appendix G 2015 Housing Element Eight-Year Work Program
- Appendix H Available Land Inventory and Map

Appendix A of the General Plan includes City Council resolutions for adoption and amendments to the General Plan. This appendix would be updated to include the resolution for adoption of the 2023–2031 Housing Element. The remaining General Plan appendices would be renumbered.

### BUDGET/FINANCIAL IMPACT:

This action does not have a budget/financial impact on the City.

**ENVIRONMENTAL REVIEW:**

Staff has determined that the project qualifies for an exemption from further environmental review under Section 15061 (b)(3) [General Rule] of the California Environmental Quality Act (CEQA) Guidelines, because it can be seen with certainty that there is no possibility that the proposed 2023–2031 Housing Element may have a significant effect on the environment because it does not approve any development project or other physical change to the environment; rather, the proposed 2023–2031 Housing Element is a document that sets forth the City’s policies and programs to meet the City’s regional housing needs allocation. Approval of any subsequent zoning amendment, program, or housing development projects in accordance with the policies set forth in the 2023–2031 Housing Element will require subsequent environmental analysis to ensure compliance with CEQA.

**NEXT STEPS:**

Following City Council’s approval of the proposed General Plan Amendment, the Housing Element will be submitted to HCD for final approval and certification.

Within five days of City Council’s action to approve the General Plan Amendment, the City’s Environmental Analyst will prepare and file a Notice of Exemption with the County Clerk.

**ATTACHMENTS:**

1. Draft Planning Commission Hearing Minutes of November 16, 2023
2. Substantial Compliance Letter from HCD dated November 16, 2023

The 2023–2031 Housing Element has been placed in the Mayor and Council Office’s reading file and is available for public review in the City Clerk’s Office, and on the project’s webpage here: <https://www.santabarbaraca.gov/HEU>.

**PREPARED BY:** Rosie Dyste, Project Planner

**SUBMITTED BY:** Elias Isaacson, Community Development Director

**APPROVED BY:** City Administrator’s Office