

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF HOUSING POLICY DEVELOPMENT**

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May 3, 2023

Dana Eady, Manager
Planning Division
Community Development Department
City of Santa Maria
110 South Pine Street, Suite 101
Santa Maria, CA 93458

Dear Dana Eady:

RE: City of Santa Maria's 6th Cycle (2023-2031) Draft Housing Element

Thank you for submitting the City of Santa Maria's (City) draft housing element that was received for review on February 2, 2023. Pursuant to Government Code section 65585, subdivision (b), the California Department of Housing and Community Development (HCD) is reporting the results of its review. Our review was facilitated by a conversation on April 28, 2023, with you, Frank Albro Jr., Principal Planner, and Jen Murillo, Consultant. In addition, HCD considered a comment from David Kellogg pursuant to Government Code section 65585, subdivision (c).

The draft element addresses many statutory requirements; however, revisions will be necessary to substantially comply with State Housing Element Law (Article 10.6 of the Gov. Code). The enclosed Appendix describes the revisions needed to comply with State Housing Element Law.

Public participation in the development, adoption and implementation of the housing element is essential to effective housing planning. Throughout the housing element process, the City should continue to engage the community, including organizations that represent lower-income and special needs households, by making information regularly available and considering and incorporating comments where appropriate. Please be aware, any revisions to the element must be posted on the local government's website and to email a link to all individuals and organizations that have previously requested notices relating to the local government's housing element at least seven days before submitting to HCD.

For your information, pursuant to Assembly Bill 1398 (Chapter 358, Statutes of 2021), if a local government fails to adopt a compliant housing element within 120 days of the statutory deadline (February 15, 2023), then any rezoning to make prior identified sites available or accommodate the regional housing needs allocation (RHNA) shall be

completed no later than one year from the statutory deadline pursuant to Government Code sections 65583, subdivision (c) and 65583.2, subdivision (c). Otherwise, the local government's housing element will no longer comply with State Housing Element Law, and HCD may revoke its finding of substantial compliance pursuant to Government Code section 65585, subdivision (i). Please be aware, if the City fails to adopt a compliant housing element within one year from the statutory deadline, the element cannot be found in substantial compliance until these rezones are completed.

Several federal, state, and regional funding programs consider housing element compliance as an eligibility or ranking criteria. For example, the CalTrans Senate Bill (SB) 1 Sustainable Communities grant, the Strategic Growth Council and HCD's Affordable Housing and Sustainable Communities program, and HCD's Permanent Local Housing Allocation consider housing element compliance and/or annual reporting requirements pursuant to Government Code section 65400. With a compliant housing element, the City will meet housing element requirements for these and other funding sources.

For your information, some general plan element updates are triggered by housing element adoption. HCD reminds the City to consider timing provisions and welcomes the opportunity to provide assistance. For information, please see the Technical Advisories issued by the Governor's Office of Planning and Research at: <https://www.opr.ca.gov/planning/general-plan/guidelines.html>.

HCD appreciates the cooperation and support you, Frank Albro Jr., Principal Planner, and Jen Murillo, Consultant, provided during the course of the update and review. We are committed to assisting the City in addressing all statutory requirements of State Housing Element Law. If you have any questions or need additional technical assistance, please contact Clare Blackwell, of our staff, at Clare.Blackwell@hcd.ca.gov.

Sincerely,



Paul McDougall
Senior Program Manager

Enclosure

APPENDIX CITY OF SANTA MARIA

The following changes are necessary to bring the City's housing element into compliance with Article 10.6 of the Government Code. Accompanying each recommended change, we cite the supporting section of the Government Code.

Housing element technical assistance information is available on HCD's website at <https://www.hcd.ca.gov/planning-and-community-development/hcd-memos>. Among other resources, the housing element section contains HCD's latest technical assistance tool, *Building Blocks for Effective Housing Elements (Building Blocks)*, available at <https://www.hcd.ca.gov/planning-and-community-development/housing-elements/building-blocks> and includes the Government Code addressing State Housing Element Law and other resources.

A. Review and Revision

Review the previous element to evaluate the appropriateness, effectiveness, and progress in implementation, and reflect the results of this review in the revised element. (Gov. Code, § 65588 (a) and (b).)

As part of the review of programs in the past cycle, the element must provide an evaluation of the cumulative effectiveness of past goals, policies, and related actions in meeting the housing needs of special needs populations (e.g., elderly, persons with disabilities, large households, female-headed households, farmworkers, and persons experiencing homelessness) and revise programs as appropriate.

B. Housing Needs, Resources, and Constraints

1. *Affirmatively further[ing] fair housing in accordance with Chapter 15 (commencing with Section 8899.50) of Division 1 of Title 2...shall include an assessment of fair housing in the jurisdiction. (Gov. Code, § 65583, subd. (c)(10)(A).)*

Disproportionate Housing Needs: The element includes some general information on substandard housing and persons experiencing homelessness but should also evaluate those needs, impacts and patterns within the City, such as areas of higher need. For homelessness, the element should examine patterns of need or areas with higher concentrations of persons experiencing homelessness, including access to transportation and services. For housing conditions, the element should discuss any areas of potentially higher needs of rehabilitation and replacement. The element should utilize local data and knowledge such as service providers and code enforcement officials to assist this analysis.

Site Inventory: The element includes some general discussion and conclusions that identified sites for lower-income households are concentrated in the Downtown area of

the City or the area of highest lower-income household concentration. However, the element should include some quantification and analysis to supplement this discussion. The analysis should address the income categories of identified sites with respect to location, the number of sites and units by all income groups and how that affects the existing patterns for all components of the assessment of fair housing, including any potential effects on disproportionate housing needs.

Local Data and Knowledge: The element includes some local data and knowledge relating to overcrowding and access to transportation. However, the element should incorporate additional local data and knowledge of the jurisdiction into the affirmatively furthering fair housing (AFFH) section to complement existing data and mapping. To assist in meeting this requirement, the element should provide local data not captured in regional, state, or federal data analysis.

Contributing Factors to Fair Housing Issues: The element should re-assess and prioritize contributing factors to fair housing issues upon completion of additional analysis and add or modify programs as appropriate.

2. *Include an analysis of population and employment trends and documentation of projections and a quantification of the locality's existing and projected needs for all income levels, including extremely low-income households. (Gov. Code, § 65583, subd. (a)(1).)*

Include an analysis and documentation of household characteristics, including level of payment compared to ability to pay, housing characteristics, including overcrowding, and housing stock condition. (Gov. Code, § 65583, subd. (a)(2).)

Analyze any special housing needs such as elderly; persons with disabilities, including a developmental disability; large families; farmworkers; families with female heads of households; and families and persons in need of emergency shelter. (Gov. Code, § 65583, subd. (a)(7).)

Extremely Low-Income (ELI) Households: While the element quantifies ELI households and provides a brief description of need, it must also quantify existing owner ELI households specifically and analyze the housing needs of all ELI households. This is particularly important given the unique and disproportionate needs of ELI households. For example, the element could analyze tenure, cost burden, overcrowding and other household characteristics then examine trends and the availability of resources to determine the magnitude of gaps in housing needs. For additional information, see the Building Blocks at <https://www.hcd.ca.gov/planning-and-community-development/housing-elements/building-blocks/extremely-low-income-housing-needs>.

Overpaying: While the element quantifies the total number of lower income households overpaying for housing, it must quantify and analyze this information by tenure (renter/owner).

Housing Costs: While the element includes information on sales prices, rental information from the American Community Survey does not fully reflect market conditions and the element should include additional data sources (e.g., apartments.com).

Special Housing Needs: The element generally quantifies special housing needs but should also analyze those needs. The analysis should address household income, tenure, housing types, zoning, and available resources. Local officials, special needs service providers, or City/County social and health service providers may be able to assist with information to complete the analysis.

In addition, while the element provides some brief discussion of the special housing needs of the City's farmworker populations, it must expand this analysis to include factors such as household characteristics, income, challenges faced by the population, the existing resources to meet those needs, an assessment of any gaps in resources, and proposed policies, programs, and funding to help address those gaps. The analysis may utilize past farmworker housing studies and other studies generally applicable to their special housing needs. For example, the element could utilize a recent study conducted by University California at Merced that is available at https://clc.ucmerced.edu/sites/clc.ucmerced.edu/files/page/documents/fw_hs_report_2.2.2383.pdf. Based on the outcomes of the analysis, the element should add or modify programs to address this significant special housing need in the region.

3. *An inventory of land suitable and available for residential development, including vacant sites and sites having realistic and demonstrated potential for redevelopment during the planning period to meet the locality's housing need for a designated income level, and an analysis of the relationship of zoning and public facilities and services to these sites. (Gov. Code, § 65583, subd. (a)(3).)*

Progress in Meeting the Regional Housing Need Allocation (RHNA): The City's RHNA may be reduced by the number of new units built, approved, or pending since June 30, 2022; however, the element must demonstrate their availability in the planning period. Availability should address the status, anticipated completion, any barriers to development and other relevant factors such as build out horizons, phasing, and dropout rates to demonstrate the availability or likelihood of development in the planning period.

Realistic Capacity: The element appears to assume residential development on sites with zoning that allows 100 percent nonresidential uses (e.g., Area 9), but to support this assumption, the element should analyze the likelihood of residential development in zoning where 100 percent nonresidential uses are allowed. The analysis should be based on factors such as development trends including nonresidential, performance standards requiring residential uses or other relevant factors such as enhanced policies and programs.

Suitability of Small Sites: Sites 1, 5, and 7 are smaller than 0.5 acres and therefore considered inadequate to accommodate housing to lower-income households. The

element identifies these sites as having the potential for consolidation but must address the impact of constraints associated with small lot development for affordable housing and demonstrate the feasibility of development with additional analysis (e.g., jurisdiction's track record in facilitating small lot consolidation, policies or incentives offered or proposed to encourage and facilitate lot consolidation, and recent trends of lot consolidation). In addition, the element should include programs promoting, incentivizing, and supporting lot consolidations and/or small lot development.

Suitability of Nonvacant Sites: The element must include an analysis demonstrating the potential for redevelopment of nonvacant sites. To address this requirement, the element describes in general the existing use of each nonvacant site, for example, "underutilized industrial" or "parking lot". This alone is not adequate to demonstrate the potential for redevelopment in the planning period. The description of existing uses should be sufficiently detailed to facilitate an analysis demonstrating the potential for additional development in the planning period. In addition, the element should analyze the extent that existing uses may impede additional residential development. For example, the element includes sites identified as single-family residential, but no analysis was provided to demonstrate whether these existing uses would impede development of these sites within the planning period. The element can summarize past experiences converting existing uses to higher density residential development, include current market demand for the existing use, provide analysis of existing leases or contracts that would perpetuate the existing use or prevent additional residential development and include current information on development trends and market conditions in the City and relate those trends to the sites identified. The element could also consider indicators such as age and condition of the existing structure expressed developer interest, low improvement to land value ratio, and other factors. HCD will send sample analyses under separate cover.

Replacement Housing Requirements: If the sites inventory identifies sites with existing residential uses, it should identify whether the current residential uses are affordable to lower-income households or describe whether the additional residential development on the site requires the demolition of the existing residential use. For nonvacant sites with existing, vacated, or demolished residential uses and occupied by, or subject to an affordability requirement for, lower-income households within the last five years there must be a replacement housing program for units affordable to lower-income households (Gov. Code, § 65583.2, subd. (g)(3)). Absent a replacement housing program, these sites are not adequate sites to accommodate lower-income households. The replacement housing program has the same requirements as set forth in Government Code section 65915, subdivision (c)(3). The housing element must be revised to include such analysis and a program, if necessary.

AB 725: The element states that at least 25 percent of the remaining moderate and above moderate RHNA is met on sites that allow at least four units of housing (e.g., four plex or greater) (pg. B-14). However, the element must provide supporting discussion for these conclusions, particularly for sites identified to accommodate housing for the above moderate-income RHNA. (Gov. Code, § 65583.2, subd. (c)(4).)

Publicly-Owned Sites: The element must include additional discussion on each of the publicly-owned sites identified to accommodate the RHNA. Specifically, the analysis should address existing uses, any known conditions that preclude or could promote development in the planning period, status, and potential schedule for development. Based on this analysis, the element should add or modify programs.

Accessory Dwelling Units (ADU): For your information, based on a cursory review, the City's ADU ordinance may not comply with ADU law. If necessary, the element should include a program to amend the ordinance and comply with ADU law. HCD will send additional information on the City's ordinance under separate cover.

Availability of Infrastructure: The element includes some general discussion of infrastructure availability but must expand analysis to include information on infrastructure access for identified sites and clarify whether there is sufficient total capacity for the RHNA.

Environmental Constraints: The element includes some broad discussion of potential environmental constraints on housing development but should also relate this information to identified sites and discuss whether environmental conditions impact development of identified sites in the planning period. In addition, the element should discuss any other known constraints that impact the development of identified sites in the planning period. Examples include parcel shape, contamination, conditions, compatibility and easements, including conservation easements and Williamson Act contracts. Finally, the analysis of AFFH notes that 83 percent of the sites inventory area is concentrated in areas associated with higher environmental risk. The element should analyze this environmental risk, including potential mitigation and add or modify programs as appropriate.

Electronic Sites Inventory: For your information, pursuant to Government Code section 65583.3, the City must submit an electronic sites inventory with its adopted housing element. The City must utilize standards, forms, and definitions adopted by HCD. Please see HCD's housing element webpage at <https://www.hcd.ca.gov/planning-and-community-development/housing-elements> for a copy of the form and instructions. The City can reach out to HCD at sitesinventory@hcd.ca.gov for technical assistance.

Zoning for a Variety of Housing Types:

- *Emergency Shelters*: While the City allows emergency shelters by-right in the CPO and PF zoning districts, the element should clarify these uses are permitted without discretionary action.

In addition, Chapter 654, Statutes of 2022 (AB 2339), adds additional specificity on how cities and counties plan for emergency shelters and ensure sufficient and suitable capacity. The housing element should address compliance with these statutory requirements.

- *Employee Housing*: The element demonstrates zoning is consistent with the Employee Housing Act (Health and Safety Code, § 17021.5 and § 17021.6), but must also address consistency with Health and Safety Code, § 17021.8 and add or modify programs, if necessary.

4. *An analysis of potential and actual governmental constraints upon the maintenance, improvement, or development of housing for all income levels, including the types of housing identified in paragraph (1) of subdivision (c), and for persons with disabilities as identified in the analysis pursuant to paragraph (7), including land use controls... ..and local processing and permit procedures... (Gov. Code, § 65583, subd. (a)(5).)*

Land Use Controls: The element includes a brief discussion of some of the development standards listed in Table C-3 and their effect as potential constraints on a variety of housing types. However, the analysis should analyze all land use controls independently and cumulatively with other land use controls. The analysis should specifically address requirements related to parking, heights, lot coverage and limits on allowable densities. The analysis should address any impacts on cost, supply, housing choice, affordability, timing, approval certainty and ability to achieve maximum densities and include programs to address identified constraints.

Local Processing and Permit Procedures: While the element provides a description (p. III-3) of the Planned Development Permit (PDP), it must address whether the PDP is required or optional, and, if required, analyze the PDP process for impacts on housing cost, timing and approval certainty, including presence or absence of fixed development standards, typical findings and approval procedures.

Further, the element should address public comments on this revised draft submittal and discuss compliance with the Permit Streamlining Act and intersections with CEQA and timing requirements, including streamlining determinations and add or modify programs as appropriate.

Constraints on Housing for Persons with Disabilities: The element briefly describes its reasonable accommodation procedures. However, the element should also describe the process and decision-making criteria such as approval findings and analyze any potential constraints on housing for persons with disabilities.

5. *An analysis of potential and actual nongovernmental constraints upon the maintenance, improvement, or development of housing for all income levels, including... ..requests to develop housing at densities below those anticipated in the analysis required by subdivision (c) of Government Code section 65583.2, and the length of time between receiving approval for a housing development and submittal of an application for building permits for that housing development that hinder the construction of a locality's share of the regional housing need in accordance with Government Code section 65584... (Gov. Code, § 65583, subd. (a)(6).)*

The element must include analysis of requests to develop housing at densities below those identified and the length of time between receiving approval for a housing development and submittal of an application for building permits. The element must address any hinderance on the development of housing and include programs as appropriate.

6. *Analyze existing assisted housing developments that are eligible to change to non-low-income housing uses during the next 10 years due to termination of subsidy contracts, mortgage prepayment, or expiration of use restrictions. (Gov. Code, § 65583, subd. (a)(9) through 65583(a)(9)(D).)*

The element states that the City has units with expiring affordability restrictions within the next ten years. The element must include an estimate for preservation cost, analyze the cost for replacing versus preserving the units, and identify qualified entities and funding sources to assist with maintaining its affordability. For more information on the analysis, please visit <https://www.hcd.ca.gov/planning-and-community-development/housing-elements/building-blocks/assisted-housing-developments-risk-conversion>.

C. Housing Programs

1. *Identify actions that will be taken to make sites available during the planning period with appropriate zoning and development standards and with services and facilities to accommodate that portion of the city's or county's share of the regional housing need for each income level that could not be accommodated on sites identified in the inventory completed pursuant to paragraph (3) of subdivision (a) without rezoning, and to comply with the requirements of Government Code section 65584.09. Sites shall be identified as needed to facilitate and encourage the development of a variety of types of housing for all income levels, including multifamily rental housing, factory-built housing, mobilehomes, housing for agricultural employees, supportive housing, single-room occupancy units, emergency shelters, and transitional housing. (Gov. Code, § 65583, subd. (c)(1).)*

As noted in Finding B3, the element does not include a complete site analysis, therefore, the adequacy of sites and zoning were not established. Based on the results of a complete sites inventory and analysis, the City may need to add or revise programs to address a shortfall of sites or zoning available to encourage a variety of housing types. In addition, the element should be revised as follows:

- *Program 1.1 (Surplus Land Act Sites):* The Program should commit to steps and a schedule to facilitate development on city-owned sites in the planning period. The program should include numerical objectives, and schedule of actions to facilitate development (e.g., milestones for disposition, final entitlement, building permits and alternative action). In addition, the program must address compliance with surplus land act.

- *Small Sites*: As noted in Finding B3, the element must add or modify programs based on the outcomes of a complete analysis to address the suitability of these sites towards the RHNA for lower-income households.
- *Replacement Housing Requirements*: If necessary, the housing element must include a program to provide replacement housing. (Gov. Code, § 65583.2, subd. (g)(3).) The replacement housing program must adhere to the same requirements as set forth in Government Code section 65915, subdivision (c), paragraph (3).

2. *The Housing Element shall contain programs which assist in the development of adequate housing to meet the needs of extremely low-, very low-, low- and moderate-income households. (Gov. Code, § 65583, subd. (c)(2).)*

The element must add or modify programs to assist in the development of housing for lower-income households, including ELI and special needs households, as follows:

- *ELI and Special Housing Needs*: The element must also include a program(s) to assist in the development of housing for all special needs households (e.g., elderly, homeless, farmworkers, persons with disabilities, female-headed households). Program actions could include proactive outreach and assistance to nonprofit service providers and developers, prioritizing some funding for housing developments affordable to special needs households and offering financial incentives or regulatory concessions to encourage a variety of housing types.
- *Farmworkers*: The element should include specific commitment to address the needs of farmworkers. For example, for farmworkers, the element could commit to proactive actions to coordinate with nonprofit developers, employers, and other related organizations, to explore funding and incentives and to identify specific development opportunities.
- *Programs 1.A (Incentives for Affordable Housing)*: The Program should commit to proactively and annually reach out to affordable housing developers to identify development opportunities.
- *Program 1.B (Density Bonus)*: The Program should include target date for amending the City's density bonus ordinance.

3. *Address and, where appropriate and legally possible, remove governmental and nongovernmental constraints to the maintenance, improvement, and development of housing, including housing for all income levels and housing for persons with disabilities. The program shall remove constraints to, and provide reasonable accommodations for housing designed for, intended for occupancy by, or with supportive services for, persons with disabilities. (Gov. Code, § 65583, subd. (c)(3).)*

As noted in Finding B4 and B5, the element requires a complete analysis of potential governmental and nongovernmental constraints. Depending upon the results of that

analysis, the City may need to revise or add programs and address and remove or mitigate any identified constraints.

In addition, while the element includes Program 4.F to amend to establish objective standards to allow group homes for seven or more persons, the Program should also clarify these uses will be allowed in all residential zones similar to other uses of the same form in the same zone.

4. *Promote and affirmatively further fair housing opportunities and promote housing throughout the community or communities for all persons regardless of race, religion, sex, marital status, ancestry, national origin, color, familial status, or disability, and other characteristics... (Gov. Code, § 65583, subd. (c)(5).)*

As noted in Finding B1, the element requires a complete AFFH analysis. Depending upon the results of that analysis, the City may need to revise or add programs. The element must be revised to add or modify goals and actions based on the outcomes of a complete analysis. Goals and actions must specifically respond to the analysis and to the identified and prioritized contributing factors to fair housing issues and must be significant and meaningful enough to overcome identified patterns and trends. Actions must have specific commitment, milestones, geographic targeting and metrics or numerical targets and, as appropriate, address housing mobility enhancement, new housing choices and affordability in higher opportunity or higher income areas, place-based strategies for community revitalization and displacement protection.

In addition, goals and actions must specifically respond to the environmental risks identified in AFFH sites analysis, including high levels of pesticides, groundwater contamination, and proximity to hazardous waste facilities, and must be significant and meaningful enough to overcome identified patterns and trends. While Program 5.F (Environmental Issue Identification and Action) commits to develop and implement an action plan, the Program should at least commit to a minimum menu of actions that will be taken to mitigate environmental risks, including responding to outreach as part of this housing element update.

- 5 *The housing program shall preserve for low-income household the assisted housing developments identified pursuant to paragraph (9) of subdivision (a)... (Gov. Code, § 65583, subd. (c)(6).)*

The element includes Program 2.D (At-Risk Affordable Housing Units) and specifies actions to monitor at-risk units, including contacting property owners annually. However, the Program should be modified with discrete timelines and to require noticing requirements within 3 years, 12 and 6 months of the affordability expiration dates, assist with funding, conduct education and support for tenants and coordinate with qualified entities such as nonprofit organizations.

6. *Develop a plan that incentivizes and promotes the creation of accessory dwelling units that can be offered at affordable rent... (Gov. Code, § 65583, subd. (c)(7).)*

The element is required to include a program that incentivizes or promotes ADU development for very low-, low-, and moderate-income households. While the element includes Program 1.D, this Program should commit to proactive strategies to incentivize and promote the creation of ADUs. Examples of incentives include rental affordability incentives or financial or technical assistance support to lower-income households in developing ADUs.

In addition, Program 1.D commits to annually monitor ADU production and affordability and if necessary, revise efforts no later than August 2025. However, alternative action should be pursued, if necessary, at least twice in the planning period.

D. Quantified Objectives

Establish the number of housing units, by income level, that can be constructed, rehabilitated, and conserved over a five-year time frame. (Gov. Code, § 65583, subd. (b)(1 & 2).)

The element must include quantified objectives to establish an estimate of housing units by income category that can be constructed, rehabilitated, and conserved over the planning period. While the element includes these objectives, conservation objectives should not be limit to at-risk properties and may include objectives related to Programs 2.B (Code Enforcement), 2.C (Energy Conservation), 5.B (Tenant Based Assistance), 5.C (Rental Assistance) and 5.H (Condominium Conversion).

E. General Plan Consistency

The Housing Element shall describe the means by which consistency will be achieved with other general plan elements and community goals. (Gov. Code, § 65583, subd. (c)(7).)

While the element discusses how internal consistency will be achieved with other elements of the general plan as part of the general plan update, it should also discuss how internal consistency will be maintained throughout the planning period.