

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

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August 20, 2021

Scott Hutter, Planning Manager
Community Development Department
City of La Palma
7822 Walker Street
La Palma, CA 90623

Dear Scott Hutter:

RE: Review of the City of La Palma's 6th Cycle (2021-2029) Draft Housing Element

Thank you for submitting the City of La Palma's (City) draft housing element received for review on June 21, 2021. 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 August 19, 2021 with the you, City Manager Conal McNamara, and the City's consultant John Douglas.

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

To remain on an eight-year planning cycle, the City must adopt its housing element within 120 calendar days from the statutory due date of October 15, 2021 for Southern California Association of Governments (SCAG) localities. If adopted after this date, Government Code section 65588, subdivision (e)(4), requires the housing element be revised every four years until adopting at least two consecutive revisions by the statutory deadline. For more information on housing element adoption requirements, please visit HCD's website at: http://www.hcd.ca.gov/community-development/housing-element/housing-element-memos/docs/sb375_final100413.pdf.

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.

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 programs; 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.

HCD appreciates the hard work and dedication the City's housing element team provided during the 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 Chelsea Lee, of our staff, at Chelsea.Lee@hcd.ca.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Shannan West". The signature is fluid and cursive, with the first name "Shannan" written in a larger, more prominent script than the last name "West".

Shannan West
Land Use & Planning Unit Chief

Enclosure

APPENDIX CITY OF LA PALMA

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 <http://www.hcd.ca.gov/community-development/housing-element/housing-element-memos.shtml>. Among other resources, the housing element section contains HCD's latest technical assistance tool, *Building Blocks for Effective Housing Elements (Building Blocks)*, available at <http://www.hcd.ca.gov/community-development/building-blocks/index.shtml> 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 evaluation of programs in the past cycle, the element must also provide an explanation of the effectiveness of 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). Programs should be revised as appropriate to reflect the results of this evaluation.

B. Housing Needs, Resources, and Constraints

1. *Affirmatively further[ing] fair housing AFFH) 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).)*

The element provides a general overview of AFFH, beginning on page C-26, including general information on outreach. However, it generally does not address this requirement. The element, among other things, must include outreach, an assessment of fair housing, analysis of the sites inventory, identification, and prioritization of contributing factors to fair housing issues and goals and actions sufficient to overcome patterns of segregation and foster inclusive communities free from barriers that restrict access to opportunity. For further guidance, please visit HCD's AFFH in California webpage at <https://www.hcd.ca.gov/community-development/affh/index.shtml>.

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).)*

Extremely Low-Income Households: While the element identifies the projected number of extremely low-income (ELI) households, it must still analyze their existing housing needs. This is particularly important given the unique and disproportionate needs of ELI households. For example, the element should analyze tenure, cost burden, overcrowding and other household characteristics then examine the availability of resources to determine gaps in housing needs. For additional information, see the Building Blocks at <http://www.hcd.ca.gov/community-development/building-blocks/housing-needs/extremely-low-income-housing-needs.shtml>.

3. *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).)*

The element identifies the age of the housing stock and notes that most of the stock in the City remains in good condition (p. C-21). However, it must include an estimate of the number of units in need of rehabilitation and replacement. For example, the analysis could include estimates from a recent windshield survey or sampling, estimates from the code enforcement agency, or information from knowledgeable organizations. For additional information, see the *Building Blocks* at <http://www.hcd.ca.gov/community-development/building-blocks/housing-needs/housing-stock-characteristics.shtml>.

4. *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).)*

The City has a regional housing needs allocation (RHNA) of 802 housing units, of which 364 are for lower-income households. To address this need, the element relies on nonvacant sites and accessory dwelling units (ADUs). To demonstrate the adequacy of these sites and strategies to accommodate the City's RHNA, the element must include complete analyses:

Parcel Listing: The element lists parcels by various factors such as size, zoning, general plan designation and existing use. However, the description of existing use is generic and must include sufficient detail to facilitate an analysis of the potential for addition development on nonvacant sites. For example, many sites describe existing uses as offices. Instead, the inventory could describe the use as offices, structure age, structure condition, presence of vacancies or space for sale or lease, improvement to

land value and existing versus allowable floor area. Alternatively, the inventory could utilize various data layers with similar information. For more information, see the HCD's Housing Element Sites Inventory Guidebook at <https://www.hcd.ca.gov/community-development/housing-element/housing-element-memos.shtml>.

Realistic Capacity: The element notes allowable densities of 27 dwelling units per acre but generally does not provide analysis to demonstrate the calculation of residential capacity on identified sites. The element must include an estimate of the number of units that can be accommodated on each site in the inventory. The estimate may rely on established minimum density standards or include analysis demonstrating how the number of units for each site was determined. (Gov. Code, § 65583.2, subd. (c).) The estimate of the number of units for each site must be adjusted as necessary, based on the land-use controls and site improvements, typical densities of existing or approved residential developments at a similar affordability level in that jurisdiction, and on the current or planned availability and accessibility of sufficient water, sewer, and dry utilities. Assumptions should be supported with information that provides complete project listings, zones, allowable densities, achieved densities, and clarify any density bonuses issued.

In addition, the element appears to assume residential development on sites with zoning designed for 100 percent nonresidential uses. While the element mentions the identified sites represent a substantial opportunity for housing and the area is located near employment, it must still account for the likelihood of nonresidential uses. The element should include analysis based on factors such as development trends, performance standards or other relevant factors. For example, the element could analyze all development activity in these nonresidential zones, how often residential development occurs and adjust residential capacity calculations, policies and programs accordingly.

For more information, see the HCD's Housing Element Sites Inventory Guidebook at <https://www.hcd.ca.gov/community-development/housing-element/housing-element-memos.shtml>.

Suitability of Nonvacant Sites: The element does not address this requirement. The element must include an analysis to demonstrate the potential for redevelopment. The analysis shall consider factors including, but not limited to, the extent existing uses constitute an impediment, recent developments, development trends and market conditions. In addition, the element relies on nonvacant sites to accommodate 50 percent or more of the housing needs for lower-income households, which triggers requirements to make findings based on substantial evidence that the existing use is not an impediment and will likely discontinue in the planning period.

Small Sites: The element identifies several sites at less than a half-acre in Table C-34. These sites are not eligible absent a demonstration that sites of equivalent size were successfully developed during the prior planning period for an equivalent number of

lower-income housing units as projected for the site or unless other evidence is provided. If the inventory indicates some sites can be consolidated, it should also provide analysis demonstrating the potential for consolidation. For example, the analysis could describe the City's role or track record in facilitating small-lot consolidation, policies or incentives offered or proposed to encourage and facilitate lot consolidation, conditions rendering parcels suitable and ready-for-lot consolidation, or information from the owners of each aggregated site.

Zoning for Lower-Income Households: The element must demonstrate densities appropriate to accommodate housing for lower-income households. For communities with densities that meet specific standards (at least 20 units per acre for La Palma), no analysis is required. (Gov. Code, § 65583.2, subd. (c)(3).) Otherwise, an analysis must demonstrate appropriate densities based on factors such as market demand, financial feasibility and development experience within identified zones. The element indicates the Mixed-Use Business and Industrial Overlay (B-1 district) allows residential development at 27 units per acre, so no analysis is required. However, as noted on page C-33, allowable densities are limited based on the size of a parcel in the R-3 district. For example, parcels over four acres allow 25 units per acre and parcels under two acres only allow 10 units per acre. If any similar standards are applied to the B-1 district impacting allowable densities to under 20 units per acre, or if the City utilizes R-3 zoned sites under four acres, the element must include analysis as described above or other actions to demonstrate appropriate densities.

Infrastructure: The element gives a general overview of water and sewer infrastructure but must also clarify total water, sewer and dry utility capacity sufficient to accommodate the RHNA.

For your information, water and sewer service providers must establish specific procedures to grant priority water and sewer service to developments with units affordable to lower-income households. (Gov. Code, § 65589.7.) Local governments are required to immediately deliver the housing element to water and sewer service providers. HCD recommends including a cover memo describing the City's housing element, including the City's housing needs and regional housing need. For additional information and sample cover memo, see the Building Blocks at <http://www.hcd.ca.gov/community-development/building-blocks/other-requirements/priority-for-water-sewer.shtml>.

Electronic Sites Inventory: Pursuant to Government Code section 65583.3, subdivision (b), the City must utilize standards, forms, and definitions adopted by HCD when preparing the sites inventory. Please see HCD's housing element webpage at <https://www.hcd.ca.gov/community-development/housing-element/index.shtml> for a copy of the form and instructions. The City can reach out to HCD at sitesinventory@hcd.ca.gov for technical assistance. Please note, upon adoption of the housing element, the City must submit an electronic version of the sites inventory with its adopted housing element to sitesinventory@hcd.ca.gov.

Zoning for a Variety of Housing Types: The element must demonstrate zoning to encourage and facilitate a variety of housing types, as follows:

- *Emergency Shelters:* The element describes emergency shelters are permitted in the General Industrial district by-right but should also clarify by-right processing is non-discretionary. In addition, the element must describe capacity and potential in the zone sufficient to accommodate the unmet need for emergency shelters and at least one shelter. This analysis should address available acreage or potential reuse of structures and should also discuss proximity to services and transit and whether the zone is generally appropriate for human habitability (e.g., presence of hazards). Finally, several development standards appear to be constraints and should be evaluated and addressed with programs, including but not limited to bed limits and parking requirements.
 - *Employee Housing:* The element states there are no agriculture areas in the City. However, regardless of agriculture areas or the degree of housing needs, providing a variety of housing choices in zoning is a fundamental aspect of State Housing Element Law, including AFFH. The element must demonstrate zoning is consistent with the Employee Housing Act (Health and Safety Code, § 17000 et seq.), specifically sections 17021.5 and 17021.6. Section 17021.5 requires employee housing for six or fewer employees to be treated as a single-family structure and permitted in the same manner as other dwellings of the same type in the same zone. Section 17021.6 requires employee housing consisting of no more than 12 units or 36 beds to be permitted in the same manner as other agricultural uses in the same zone.
 - *ADU:* HCD conducted a cursory review of the City's ADU ordinance received June 20, 2020. Based on this review, the ordinance addresses most statutory requirements. However, the ordinance appears inconsistent with requirements related to owner occupancy requirements. Specifically, statute requires that owner occupancy requirements are not applicable to "...ADU applications submitted after January 1, 2020, but before January 1, 2025...". The City's requirements appear to be triggered by approval rather than submittal and should be addressed by implementation actions.
5. *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, building codes and their enforcement, site improvements, fees and other exactions required of developers, and local processing and permit procedures. (Gov. Code, § 65583, subd. (a)(5).)*

Land-Use Controls: The element must identify and analyze all relevant land-use controls impacts as potential constraints on a variety of housing types. The element

should analyze 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.

Processing and Permit Procedures: The element indicates most development is subject to Precise Plan requirements which includes compatibility findings for approval. While these findings may be necessary for health and safety purposes, the findings can also cause uncertainty in the approval process and should specifically be evaluated for impacts on approval certainty.

Housing for Persons with Disabilities: The element excludes group homes for seven or more persons from some residential zones and subjects the use to a conditional use permit, unlike other similar uses. The element should specifically analyze these constraints for impacts on housing supply and choices and approval certainty and objectivity for housing for persons with disabilities and include programs as appropriate.

Zoning, Development Standards, and Fees: The element must clarify its compliance with new transparency requirements for posting all zoning, development standards and fees for each parcel on the jurisdiction's website and add a program to address these requirements, if necessary.

SB 35 Streamlined Ministerial Approval Process: The element must clarify whether there are written procedures for the SB 35 (Chapter 366, Statutes of 2017) Streamlined Ministerial Approval Process and add a program to address these requirements.

6. *An analysis of potential and actual nongovernmental constraints upon the maintenance, improvement, or development of housing for all income levels, including the availability of financing, the price of land, the cost of construction, the 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. The analysis shall also demonstrate local efforts to remove nongovernmental constraints that create a gap between the locality's planning for the development of housing for all income levels and the construction of that housing. (Gov. Code, § 65583, subd. (a)(6).)*

The element includes some generic information on land, construction, and financing constraints on page C-24, but it must also quantify these costs with further analysis. The element must also include analysis regarding local efforts to address

nongovernmental constraints that create a gap in the jurisdiction's ability to meet RHNA by income category, requests to develop at densities below the density identified in the site inventory, and the length of time between project approval and request for building permit. The analysis must address hinderances on the jurisdiction's ability to accommodate RHNA by income category and include programs as appropriate.

7. *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).)*

The element states the City does not have any areas designated for agricultural uses and concludes the demand for housing for farmworkers is extremely low. However, farmworkers from the broader area and those employed seasonally may have housing needs, including within the City's boundaries. As a result, the element should at least acknowledge the housing needs of farmworkers at a county-level (e.g., using USDA county-level farmworker data) and add or modify programs as appropriate.

C. Housing Programs

1. *Include a program which sets forth a schedule of actions during the planning period, each with a timeline for implementation, which may recognize that certain programs are ongoing, such that there will be beneficial impacts of the programs within the planning period, that the local government is undertaking or intends to undertake to implement the policies and achieve the goals and objectives of the housing element through the administration of land use and development controls, the provision of regulatory concessions and incentives, and the utilization of appropriate federal and state financing and subsidy programs when available. The program shall include an identification of the agencies and officials responsible for the implementation of the various actions. (Gov. Code, § 65583, subd. (c).)*

To have a beneficial impact in the planning period and address the goals of the housing element, programs must be revised with discrete timelines. Programs to be revised include Programs 1 (Section 8 Rental Assistance), 2 (Preservation and Rehabilitation), 7 (Home Spotlight Award Program) and 13 (Facilitate Development to Accommodate Regional Housing Needs). In addition, Program 10 commits to amend the residential addition and remodel process but otherwise does little else to have an impact on housing in the planning period. The program should at least be revised to take action based on monitoring such as amend zoning and procedures within 6 months or could add other constraints as described above under Findings B4, B5 and B6.

2. *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 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 B4, 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, Program 8 (Emergency, Transitional and Supportive Housing) should be revised to address identified constraints as described in Finding B4 and, as noted on page C-42, to permit transitional housing and supportive housing as a residential use of property and subject only to those restrictions that apply to other residential dwellings of the same type in the same zone.

3. *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 does not address this requirement. The element must include a program which specifically assists in the development of adequate housing to meet the needs of lower and moderate-income households, including extremely low-income households and persons with special needs. Program actions could include proactive outreach and assistance to non-profit 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.

4. *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 Findings B5 and B6, the element requires a complete analysis of potential nongovernmental and governmental 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.

5. *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 protected by the California Fair Employment and Housing Act (Part 2.8 (commencing with Section 12900) of Division 3 of Title 2), Section 65008, and any other state and federal fair housing and planning law. (Gov. Code, § 65583, subd. (c)(5).)*

As noted in Finding B1, the element must include a complete analysis of affirmatively furthering fair housing. Based on the outcome of that analysis, the element must add or modify programs. For more information, please see HCD's guidance at <https://www.hcd.ca.gov/community-development/affh/index.shtml>.

6. *Develop a plan that incentivizes and promotes the creation of ADU that can be offered at affordable rent, as defined in Section 50053 of the Health and Safety Code, for very low, low-, or moderate-income households. For purposes of this paragraph, "ADU" has the same meaning as "ADU" as defined in paragraph (4) of subdivision (i) of Section 65852.2. (Gov. Code, § 65583, subd. (c)(7).)*

Programs must be expanded to include incentives to promote the creation and affordability of ADUs. Examples include exploring and pursuing funding, modifying development standards and reducing fees beyond state law, increasing awareness, pre-approved plans and homeowner/applicant assistance tools. In addition, given the City's assumptions for ADUs exceed recent trends, the element should include a program to monitor permitted ADUs and affordability every other year and take appropriate action such as adjusting assumptions or rezoning within a specified time period (e.g., 6 months).

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).)

While the element includes objectives for new construction objectives on page 4-13, it must also include conservation and rehabilitation objectives by income group, including extremely low-income households.

E. Public Participation

Include a diligent effort by the local government to achieve public participation of all economic segments of the community in the development of the housing element, and the program shall describe this effort. (Gov. Code, § 65583, subd. (c)(9).)

To address this requirement, the element notes the City developed a website, notified stakeholders and held a study session. This is an insufficient effort to include all segments of the community. The City must employ additional methods for public outreach efforts, particularly to include lower-income and special needs households and neighborhoods with higher concentrations of lower-income households or representative organizations. For example, the City could conduct targeted stakeholder interviews or establish a committee representative of lower-income households in public outreach efforts. Further, the element must summarize public comments and describe how they were considered and incorporated into the element.

In addition, HCD understands the City may not have made the draft element available with sufficient time to consider public comments prior to submittal to HCD. Not providing an opportunity for the public to review and comment on a draft of the element in advance of submission is another example of not making a diligent effort to encourage public participation in the development of the element and it reduces HCD's ability to consider public comments in its review. The availability of the document to the public and opportunity for public comment prior to submittal to HCD is essential to the public process and HCD's review.

The City must proactively employ additional methods and make future revisions available to the public, including any commenters, prior to submitting any revisions to HCD and diligently consider and address comments, including revising the document where appropriate. HCD's future review will consider the extent to which the revised element documents employed additional methods and how the City solicited, considered, and addressed public comments in the element. The City's consideration of public comments must not be limited by HCD's findings in this review letter.