



# CITY OF CORONADO

## CITY COUNCIL STAFF REPORT

October 17, 2023

{{section.number}}c

### **REVIEW OF THE DRAFT REVISED HOUSING ELEMENT UPDATE FOR THE 2021-2029 HOUSING ELEMENT PLANNING PERIOD AND AUTHORIZE SUBMITTAL TO THE STATE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

#### **RECOMMENDATION:**

Review the draft Housing Element Update (HEU), including opportunity sites and housing programs, determine that the project is exempt from California Environmental Quality Act review pursuant to State CEQA Guidelines Section 15061(b)(3), provide authorization to submit the Draft Revised Housing Element Update to the California Department of Housing and Community Development and authorize the City Manager to take any and all necessary actions to effectuate the adoption of the housing element for certification.

#### **BACKGROUND:**

The Housing Element is one of seven state-mandated elements included in the City's General Plan and is the only one required to be updated periodically. Its purpose is to identify and plan for existing and projected housing needs in the region within the eight-year planning cycle. The City is required to update the Housing Element to address the 2021-2029 planning period.

California Department of Housing and Community Development (HCD) is responsible for allocating a Regional Housing Needs Assessment (RHNA) to SANDAG, which is the total number of new dwelling units that must be planned for the region across different income affordability levels. SANDAG then allocated a RHNA of 912 units to Coronado broken down into the following affordability categories:

	Lower Income	Moderate Income	Above Moderate Income	Total
2021-2029 RHNA	481	159	272	912

In July 2021, the City Council adopted a Housing Element Update (HEU) for the 2021-2029 planning period (6th Cycle). However, HCD was unable to certify that document as they determined it did not substantially comply with Housing Element Law. The City has since hired a new consultant, Harris and Associates, and have prepared a revised Draft HEU.

#### **ANALYSIS:**

To reach a compliant HEU, Coronado must plan for and show that it can accommodate 912 units spread across the different income categories. In addition to the RHNA of 912, the City must also comply with the State's 'No Net Loss' requirement. 'No Net Loss' requires cities to continually maintain their housing sites inventory as properties are developed to show that the RHNA can be achieved during the planning period. Should a site identified in the HEU to provide affordable housing be developed with market rate units, or fewer units than anticipated, the City would have

to show there are still adequate sites to provide the number of required affordable units. As a result of this requirement, HCD expects to see planning for a 15% buffer beyond the assigned RHNA.

	Lower Income	Moderate Income	Above Moderate Income	Total
2021-2029 RHNA	481	159	272	912
15% Buffer	72	24	41	137
<b>TOTAL</b>	<b>553</b>	<b>183</b>	<b>313</b>	<b>1,049</b>

The Draft HEU meets the assigned RHNA plus the “No Net Loss” buffer through a four-pronged approach as shown below that includes: (1) Entitled or Proposed Projects (Pipeline); (2) Accessory Dwelling Units and Carriage House Conversions; (3) Navy Housing; and (4) Opportunity Sites.

	Units by Income Level			
	Lower	Mod.	Above Mod.	Total
<b>RHNA</b>	<b>481</b>	<b>159</b>	<b>272</b>	<b>912</b>
<b>15% Buffer<sup>1</sup></b>	<b>72</b>	<b>24</b>	<b>41</b>	<b>137</b>
	<b>553</b>	<b>183</b>	<b>313</b>	<b>1,049</b>
<b>Alternative Methods to Meet the RHNA (Credits)</b>				
Entitled or Proposed Projects (Pipeline)	0	0	146	146
Accessory Dwelling Unit Potential	117	25	53	195
Carriage House Conversion Program	72	0	31	103
Navy Housing <sup>2</sup>	305	69	0	374
<b>Subtotal</b>	<b>494</b>	<b>94</b>	<b>230</b>	<b>818</b>
<b>Net RHNA with 15% Buffer (after credits are applied)</b>	<b>59</b>	<b>89</b>	<b>83</b>	<b>231</b>
Opportunity Sites <sup>3</sup>	184	89	180	453
<b>Total</b>	<b>(125)</b>	<b>(0)</b>	<b>(97)</b>	<b>(222)</b>

<sup>1</sup>HCD recommends a 15% buffer for lower-income (very low and low) sites to protect the City from the No Net Loss provision. The City Included a buffer for the moderate- and above moderate-income levels for the same reason. The City calculated its buffer as a percentage of the gross RHNA.

<sup>2</sup>As determined by HCD Enforcement Division in coordination with the US Navy and the City of Coronado.

<sup>3</sup>Not including the Navy Housing Units

**(1) Entitled or Proposed Projects (Pipeline)** 146 pending or entitled housing units are proposed to be used towards the RHNA. This is a mix of market-rate projects that are currently either under construction, approved for construction, or proposed for construction. It is anticipated that all 146 units will be built during the planning period and can therefore be credited towards the City’s RHNA.

**(2) Accessory Dwelling Units and Carriage House Conversions** The City expects to be able to credit a total of 195 ADUs towards its RHNA. This number was determined using previous ADU development data as well as proposed policies to encourage ADU development. Proposed

policies found in the Accessory Dwelling Unit Program (H-1.A.) include various concessions and/or waivers to encourage ADUs to be deed-restricted to lower income levels, which allows the City to credit 117 ADUs at the lower income level and 25 at the moderate income level with the remaining 53 as market rate units.

Additionally, the City has allowed for single family zoned parcels with alley access to build a carriage house above a detached garage. When originally constructed it was anticipated these would not be separate dwelling units and property owners were required to sign a covenant prohibiting a kitchen and rental of the carriage house. There are 129 carriage houses in Coronado. The HEU assumes adding kitchen facilities to 80% of the existing carriage houses, allowing the City to credit 103 carriage house units towards the RHNA. Through various incentives found in the Carriage House Program (H-4.A.) the HEU assumes 72 unit would be available to lower income levels.

**(3) Navy Housing** The Navy has received funding to construct a housing development for 600 enlisted personnel that equates to a total of 374 housing units on Naval Amphibious Base Coronado. 305 units are to be considered lower income, with 69 attributable to the moderate income level. This development is anticipated to occur within the planning period.

**(4) Opportunity Sites** After determining the RHNA credit the City will be able to obtain from the pipeline projects, ADU/Carriage house conversions, and Navy housing there is still a need for additional units to achieve the required RHNA plus No Net Loss buffer. In order to achieve that the City has identified 9 additional sites that could accommodate future housing. Note that HCD requirements call for privately owned sites to be a minimum 0.5 acres in size, and most properties in Coronado do not meet that threshold. Site details can be found in Section 7 of the Revised Draft HEU (Attachment 1). A general description follows:

**Site 1 – 919 C Avenue:** The property owner has expressed an interest in developing affordable housing on this property. It is currently zoned R-3 allowing 28 dwelling units per acre and is proposed to be increased to an R-4 equivalent zone that would allow up to 40 dwelling units per acre. The City is assuming 19 lower income units on the site, as well as retention of the thrift store.

**Site 2 – 517 Orange Avenue:** This is a City-owned property improved with a duplex. It is currently zoned R-4 allowing 40 dwelling units per acre, or a total of three for this site. The goal is to provide a total of three units affordable to lower income tenants.

**Site 3 – 1224 Tenth Street:** This property is currently zoned Commercial and is improved with a two-story office building with tuck-under and surface parking. Currently no dwelling units are allowed on this property but changes proposed would allow both commercial and residential uses, with up to 40 dwelling units per acre. The City is assuming eight above-moderate income units and three lower-income units.

**Site 4 – 1001 C Avenue:** This property is currently zoned Commercial and is improved with a one-story retail building with a mix of uses and surface parking. Currently no dwelling units are allowed on this property but changes proposed would allow both commercial and residential uses, with up to 40 dwelling units per acre. The City is assuming eight above-moderate income units and three lower-income units.

**Site 5 – 150 B Avenue:** This property is currently zoned Commercial and is improved with a Smart and Final grocery store, a two-story retail building, and a large surface parking lot. Currently

no dwelling units are allowed on this property but changes proposed would allow both commercial and residential uses, with up to 40 dwelling units per acre. The City is assuming 43 above-moderate income units, 15 lower income units, and will still allow for commercial uses with the goal of including a grocery store component in any future development.

**Site 6 – 149 A Avenue:** This property is currently zoned R-PCD (Residential – Planned Community Development) and is improved with a surface parking lot serving the adjacent Bayside Apartments. The zoning is proposed to be increased to allow up to 60 dwelling units per acre and the City is assuming 23 above-moderate income units and 15 lower income units.

**Site 7 – 1515 Second Street:** This property is currently zoned R-PCD (Residential – Planned Community Development) and is improved with the Bayside Apartments, a development of multiple three-story buildings with 549 apartments. The zoning is proposed to be increased to allow up to 60 dwelling units per acre and the City is assuming 100 above-moderate income units, 55 moderate income units, and 12 lower income units.

**Site 8 – 700 Orange:** This property is currently zoned Civic Use, with a small portion zoned R-4, and is the site of the City's Police Department and the underutilized AT&T switching facility building. The zoning is proposed to allow up to 40 dwelling units per acre and the City is assuming a total of 47 lower income units that could be incorporated into a new Police Department facility on the site.

**Site 9 – 201 Sixth Street:** This site is owned by the school district, is currently zoned Civic Use, and is improved with a childcare and Pre-K center. The Zoning is proposed to allow up to 40 dwelling units per acre and the City is assuming 34 moderate income units and 67 lower income units.

**Housing Element Update Programs** The draft Housing Element Update includes five Housing Goals with a series of programs and policies to further those various goals that can be found in section 8 of the plan. The five goals and a sampling of their programs follow:

**Housing Goal #1:** Provide a broad range of housing opportunities to increase the housing options available to individuals.

The City would achieve this through outreach on ADU development, potential fee waivers for ADU development with a low or moderate affordability restriction, and waiving parking requirements for ADUs restricted to extremely low or very low-income levels. A program calling for updates to the General Plan and Zoning documents to match what is proposed in the HEU is also included under this goal.

**Housing Goal #2:** Provide a broad range of affordable housing opportunities that serve the needs of people who work and live in Coronado.

Programs to further this goal include increasing the affordable housing in-lieu fee, supporting grant applications for the County and affordable housing developers, and reducing the parking requirement of affordable units to one space.

**Housing Goal #3:** Affirmatively further fair housing and provide equal housing opportunities that are accessible to all segments of the Coronado community.

Programs to further this goal include pursuing grant opportunities for affordable housing development, and to develop financial and regulatory incentives for affordable and/or senior housing that may include reduced parking and waiving City development impact fees. Programs also call for partnering with other government and non-government organizations to review housing discrimination complaints, including the County of San Diego and the Legal Aid Society of San Diego.

**Housing Goal #4:** Conservation and maintenance of Coronado's housing stock, neighborhoods, and history.

Programs to further this goal include promoting carriage house conversions and advertising programs such as their Home Repair program administered by the County.

**Housing Goal #5:** Minimize governmental constraints to the development, improvement, and maintenance of housing, particularly affordable housing, or housing accessible to persons with disabilities.

Programs to further this goal include streamlining affordable housing developments and update City codes to align with State requirements for Low Barrier navigation centers and group homes.

In order to effectuate these changes the City must amend the General Plan, Zoning Ordinance, the Orange Avenue Corridor Specific Plan, and the City's Local Coastal Program. Once the City Council authorizes the City to submit the HEU to HCD staff will begin working on these amendments as well as the associated environmental review. Staff is recommending the City Manager be authorized to take any and all actions necessary to effectuate timely adoption of the housing element for certification.

#### **NEXT STEPS:**

Should City Council give authorization to submit the revised draft HEU to HCD the schedule and next steps would be as follows:

1. Submit Draft HEU to HCD.
2. Begin work on the General Plan/Zoning Code amendments and environmental review.
3. HCD to provide written findings to the City after their 45-day review period.
4. Address written findings and re-release a draft HEU document for public review.
5. Resubmit revised draft HEU to HCD for another 45-day review period.
6. HCD to provide written findings to the City on the revised draft HEU.
7. Present draft HEU, including General Plan/Zoning Code amendments to the City's Planning Commission for a recommendation to the City Council.
8. Present the draft HEU, including General Plan/Zoning Code amendments to the City Council for adoption.
9. Submit adopted HEU to HCD for certification.
10. Submit Local Coastal Program Amendments to the Coastal Commission for review and certification.

**FISCAL IMPACT:**

On February 21, 2023, the City Council authorized an Agreement for Professional Services with Harris and Associates for the revised Coronado Housing Element Update and associated environmental review. The contract amount was for \$925,000. A subsequent amendment to include the required General Plan/Zoning Code amendments was processed for Harris and Associates to use a subconsultant, Ben Noble Planning, to prepare these amendments for an additional \$63,618 for a total contract cost of \$988,618. Housing Elements are required by the State and are intended to effectuate State policy. Some State and SANDAG funding is contingent upon a State-certified Housing Element. Without a certified Housing Element, Coronado is not eligible to receive these funds. Additionally, if found out of compliance the State can suspend the City's authority to issue building permits, grant zone changes or variances, or grant subdivision map approvals, and can fine the City up to \$100,000 per month. AB 72, passed in 2017, further strengthened State housing law by allowing for HCD to refer any non-compliance to the State Attorney General for enforcement. This happened when the State sued Huntington Beach in 2019 for removing capacity to build affordable housing units and forced them to rezone sites to provide adequate affordable housing.

**ALTERNATIVE:**

The City Council could direct staff to make changes to the HEU document, including sites and program language, before submitting to HCD.

**CALIFORNIA ENVIRONMENTAL QUALITY ACT:**

Exempt under the General Rule that CEQA applies only to projects, which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Seeking authorization from the City Council on the City's HEU is therefore exempt from California Environmental Quality Act review pursuant to State CEQA Guidelines Section 15061(b)(3). An environmental analysis will be prepared with the associated General Plan and Zoning code amendments and presented to the City Council at that time.

**PUBLIC NOTICE:**

Public notice was provided in the Coronado Eagle & Journal on October 4, 2023, and was also highlighted through the City's social media channels.

**ATTACHMENTS:**

1. Revised Draft Housing Element Update

Submitted By: Community Development Department / Jesse Brown