

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **March 15, 2022**

TO: Honorable Mayor and City Council
VIA: Bob Nisbet, City Manager
FROM: Jill Ekas, Community Development Director
TITLE: **HOUSING UPDATES**

RECOMMENDATION:

Receive presentation regarding efforts underway for affordable housing development, take public comment, and provide direction to staff.

FISCAL IMPACT:

There is no fiscal impact associated with receiving this report. Future actions will include securing additional consulting services and staffing to support the City's affordable housing needs.

STRATEGIC ELEMENT:

This action supports the Healthy Communities and Public Safety and Inclusive Governance Elements of the Strategic Plan.

BACKGROUND:

Affordable housing is a multi-year City Council priority. The workplan for this fiscal year called for efforts to be made on five actions. These directives and a status summary follow:

Task #1: Pursue Opportunities for Housing Development:

- Meet with property owners and developers.
- Seek diverse housing types including mixed-use, multi-family, mobile home park, and others, prioritizing Town Center and Workforce Housing Overlay sites.

Status: This is an on-going activity and recent highlights have included the following:

- Property owners and developers: Staff has engaged with numerous property owners and developers to assess options for residential development. Many of these discussions will be on-going while property owners and developers continue to evaluate opportunities and configurations with respect to timing, housing type, etc. Updates about several sites are highlighted later in this report.

- Opportunities for diverse housing types: Potential development for a diverse range of housing types is feasible. Staff has been working with Town Center and Workforce Housing Overlay property owners. Housing types include mixed-use, multi-family, and mobile and/or modular homes. The City-owned 555 Kelly Avenue property is a notable example, for which a request for qualifications (RFQ) for affordable housing development has been issued (discussed later in this report).

Task #2: Contract with an on-call housing specialist

Status: The City is in contract with Baird and Driskell (B&D). B&D has broad experience in the field of planning and affordable housing and is supporting the City with economic analysis, policy guidance, and consultation regarding development of affordable housing projects. The firm will be able to provide guidance with respect to the feasibility of financing, planning, and constructing affordable housing developments at various opportunity sites.

Task #3: Complete the Accessory Dwelling Unit (ADU) and Short-Term Vacation Rental Ordinances

Status:

- ADU Ordinance: City Council adopted the ADU ordinance in August 2021. The Coastal Commission certified the ADU ordinance with modifications in February 2022. Staff is preparing to bring the ordinance back to City Council for readoption to incorporate the Coastal Commission's modifications. Following Council's final action, the ordinance will be submitted to the Department of Housing and Community Development (HCD) who will conduct further review to ensure compliance with State housing law. Thus, although essentially complete, the project may have additional future steps.
- STR Ordinance: City Council adopted the STR Ordinance in September 2021. Coastal Commission staff reviewed the application and requested additional information from the City, which staff has provided. The Coastal Commission hearing is anticipated to come forward this spring.

Task #4: Update the Measure D Ordinance

Status: City Council considered approaches for updating the Measure D ordinance in fall 2021. Since that time, the City received a ballot measure for the November 2022 election that proposes to modify the Measure D ordinance. Staff notes that some of the proposed modifications are aligned with those proposed by staff. Furthermore, the measure intends to make affordable housing units exempt from Measure D. Staff supports such a change. Staff did not propose this previously to City Council because this type of modification can only be done through a vote. Staff's proposed amendments are limited to ordinance language that is not

restricted by the ballot measure language. The ballot measure has since been withdrawn but it is anticipated that it will be resubmitted. Staff recommends waiting for the ballot measure outcome before proceeding with associated updates to the ordinance. This will avoid wasting time on duplicative and/or conflicting work.

Task #5: Work on the General Plan

Status: The City is actively working on the cycle 6 Housing Element update. Most recently, at the City Council – Planning Commission joint work session on November 9, 2021, the Council provided input on the housing sites that will be included in the element. The draft element is in development. For the next step of engagement, staff will be conducting one-one meetings with service providers followed by focus group sessions. We are also bringing on an environmental planning consultant to prepare the required analysis for compliance with the California Environmental Quality Act (CEQA). The Housing Element will need to be fully drafted for public review this summer. The Safety Element is next in line for updating. Both the Housing and Safety Elements are subject to legislative timelines and policy scope.

DISCUSSION:

City Council confirmed affordable housing as a continuing priority for FY 2021-22. Staff anticipates that affordable housing will be an ongoing Council priority for at least the next fiscal year. A summary of the status for the FY 2021-22 tasks associated with this priority is provided above in the background section of this report. In addition to the workplan tasks, additional efforts have been underway. This staff report provides an update regarding these efforts, as well as some other topics relevant to housing, in advance of City Council’s priority setting session on March 22, 2022.

City Properties:

At the November 9, 2021 housing work session, City Council directed staff to proceed with efforts to develop two City-owned properties with affordable housing.

- 555 Kelly Avenue: This property is located south of the City’s Ted Adcock Community Center adjacent to Shoreline Station. The property is about 6,200 square feet and abuts the City’s parking lot on the south side of the Ted Adcock Community Center. The parking lot area could potentially be incorporated to make a larger site. The City’s housing consultant prepared a request for qualifications (RFQ) to solicit development interest from non-profits for affordable housing projects. The RFQ was broadly noticed, and the process is underway through May 9th. The RFQ and supporting documentation is posted on the City website at this [link](#).¹ The City’s housing consultant will be at the March 15, 2022 Council meeting and will be prepared to answer questions about the RFQ and potential development of 555 Kelly Avenue.

¹ [555 Kelly Avenue - Affordable Housing RFQ | Half Moon Bay, CA \(half-moon-bay.ca.us\)](#)

- 880 Stone Pine Road: The City recently purchased this property with the primary intent to continue to use the site for the City's corporation yard. Because the site is relatively large, City Council expressed interest in completing a feasibility study of potential development of affordable housing on another portion of the site. City staff has overseen two related efforts to assess feasibility.
 - Environmental and Hazards Constraints: An environmental and hazards constraint assessment is nearly complete. It was prepared by the City's environmental consultant (SWCA) who has been working on the environmental review in fulfillment of California Environmental Quality Act (CEQA) requirements for the corporation yard permitting. They will complete the report once the corporation yard project review is complete. Numerous constraints affect the site and include biological resources and various hazards. Staff and the environmental consultant have worked to address these constraints with the intent of improving the feasibility for developing a portion of the site with affordable housing.
 - Financing and Development Constraints: The City's housing consultant has conducted a parallel feasibility assessment, primarily related to the ability to finance development on this site. The biological and hazard constraints affect financing options. The preferred financing approach is through tax credits. Because the site could potentially support about 50 units and is well-located, it could compete well for this type of financing. Unfortunately, a recent report about the condition of the Pilarcitos Dam, which is an SFPUC facility, and down stream inundation in the event of dam failure presents risk for financing under the current conditions. While dam failure is unlikely, it can be life threatening. A dam improvement project is included in the SFPUC CIP program, with expenditures budgeted through 2030, although construction is not anticipated to commence in the next five years. The City's housing consultant recommends that the City consider including this site in the cycle 6 Housing Element and monitor progress on the dam improvement project. As the project moves ahead, the City will be in a much better position to move forward with an affordable housing development on this site.

Other Properties:

The following are highlights of sites that are in various stages of planning for a range of housing types. They are listed in order of application status, with those furthest along listed first.

- Main and Kelly: The Planning Commission approved a coastal development permit for this Town Center mixed-use development on March 8, 2022. It includes approximately 2,000 square feet (gross) of commercial special space fronting Main Street and Kelly Avenue and six market rate rental residential units. Two of the units will be fully ADA adaptable and all six units will be visitable. It is of note that this development is not subject to the City's Below Market Rate (BMR) ordinance which is applicable to ownership projects with 10 or more units.
- Creekside: The Creekside subdivision is located in the Town Center and was approved by City Council over a year ago. A new owner is now preparing to develop the property. The first phase includes infrastructure (e.g. roads and utilities). Concurrently, the applicant is pursuing coastal development permits for the residential units. The units include 10 single-family homes, 4 ADUs, and 4 affordable rental units (2 affordable to very low-, and 2 affordable to low-income households). The affordable units were required by the City's BMR ordinance.
- 2411 Cabrillo Highway: This is a Workforce Housing Overlay site. The property owner submitted a preliminary application for up to 7 affordable units for farmworker households in 2021 and applications for 3 Measure D allocations in January 2022. The property owner and staff have been in discussions with San Mateo County Department of Housing staff regarding funding, which is moving forward.
- Hilltop Mobile Home Park Expansion: This site is located within the Town Center and would comprise an expansion of the Hilltop Mobile Home Park on the north side of Highway 92. The land use designation was changed from industrial to Mobile Home Park with the recent Land Use Plan update. Measure D allocations have been assigned to the site (22 from 2021, and 10 from 2022). Staff has been working with the property owner and architect and understands that a preliminary application is pending.
- Podesta PUD: Staff is working with the property owner and a preliminary application is in the works. The site is about 34.5 acres and has potential for about 185 dwelling units per the Local Coastal Land Use Plan. Other uses are also allowed within this PD including community services and neighborhood convenience commercial uses. During the Land Use Plan update review, Council clearly directed their preferences that this site support as much affordable housing as possible.
- School District Sites: The Cabrillo Unified School District hired a consultant to assess the District's properties for potential development, including for housing. Staff has met with District staff and their consultants to consider options for the District's sites located within the City. It is of note that all of the District's sites now carry the Workforce

Housing Overlay designation which allows development of affordable housing on properties with public facilities designations.

Additional sites are always being explored with private property owners. As soon as owners are ready to present potential housing projects on their sites, City staff will update Council.

Renter Assistance:

The above discussion of sites and development presents a positive outlook for the future. That said, current economic conditions are posing serious levels of housing insecurity, especially on low-income households who are renting. Staff recommends two measures to provide support in the near term.

- **Rent Assistance:** In November 2020, City Council approved a \$200,000 allocation of City Affordable Housing Funds, \$100,000 each to Coastside Hope and Saint Vincent DePaul (SVDP) for rental assistance. The funds were to be used for households that live in Half Moon Bay; or live on the coastside *and* work in Half Moon Bay. The funds granted to Coastside Hope were used within six months. Since April 2021, Coastside Hope has had other funding sources; however, they recently informed staff that they need additional financial support for rent assistance. SVDP will exhaust their funding before the end of this fiscal year, with an ongoing need for additional funds. Staff is working with the Community Services Financial Assistance (CSFA) Grant Subcommittee and will bring a recommendation to the full Council at a future meeting.
- **Renter Support and Education:** Recent public comment has cited instances of potential housing discrimination, including cases where families were not able to rent properties because of larger household sizes. Rents are increasing significantly on some properties and families have had to leave the area. Community resources are available to help these families and staff frequently makes referrals. It appears that more needs to be done to provide education and connect these households to the available resources. Staff is looking into hosting renter education sessions with service providers present.

SB 9 – the California Home Act:

SB 9 was enacted by the State Legislature in 2021 and became effective on January 1, 2022. Outside the coastal zone, SB 9 allows for ministerial approval of duplex development and lot splits in single-family zoning districts. Staff has been monitoring SB 9 and the actions being taken in other communities who are developing ordinances to comply with SB 9. A UC Berkeley study indicates that SB 9 will have the greatest impact in communities with larger lots. Staff does not anticipate significant SB 9 interest in Half Moon Bay because our lots tend to be small and new units will be required to obtain additional water connection capacity, which is quite costly. In addition, SB 9 provides that it does not supersede or in any way alter application of the Coastal Act, except that local governments are not required to hold public hearings for

coastal development permit (CDP) applications. Recently, the California Coastal Commission issued a guidance member for implementing SB 9 in the Coastal Zone. The guidance specifies that SB 9 can only be implemented in the Coastal Zone once a jurisdiction adopts an SB 9 implementing ordinance for certification by the Coastal Commission. Staff has considered options for such an ordinance and will be prepared to outline a concept for focusing SB 9 options in the Town Center.

Land Use Plan and Housing Element Implementation:

Following completion of the Housing Element, the City will need to complete a series of zoning amendments. These amendments will implement both the recently certified Land Use Plan and the Housing Element. Amendments will include an updated zoning map, upzonings within Town Center, creation of the Rural Coastal and Workforce Housing Overlay zoning districts. Other updates may include address the BMR and Density Bonus provisions.

Measure D Status:

For 2022, there are a total of 69 Measure D allocations. For Downtown, 23 are base allocations, and 23 are bonus. As of March, all but 3 of the Downtown allocations have been assigned. There are 23 allocations for outside Downtown; as of January 31, 2022, the City was in receipt of applications for 41 allocations for sites outside Downtown. This condition requires the City to review the applications and follow a codified ranking procedure to determine which units will receive allocations. Staff will present the rankings to the Planning Commission on April 12, 2022.

Summary: As City Council continues to prioritize housing, especially affordable housing, staff continues to spend significant time and effort developing programs and regulations, working with developers, and seeking funding. The City's housing consultants are significantly furthering these efforts, but more help is needed given the extensive amount of staff time needed to prepare the Housing Element update and the complexity of work to identify and successfully negotiate affordable housing opportunities. Council approved a new position for a Housing Coordinator at its meeting on March 1st. The recruitment is being prioritized by Administrative Services. A mid-year budget amendment for additional contract services will be primarily used to support housing consultation and the Housing Element work.