

Contra Costa County Jurisdictions'

HOUSING AND POLICY FRAMEWORK PROPOSAL



APRIL 2019

PREAMBLE

The jurisdictions taking part in this effort value regional leadership and collaboration to maintain and improve the quality of life for Contra Costa County residents and to create a positive environment for employers. These Contra Costa County jurisdictions recognize the challenges inherent in providing adequate and affordable housing opportunities in the region. Recent efforts at the regional level, namely through the Committee to House the Bay Area (CASA), and by State legislators have brought these challenges and the resultant policy implications for the Contra Costa County into sharper focus. There is a unique opportunity for the Contra Costa County Cities to work together, to develop a collaborative response to influence legislative efforts at the State towards outcomes that address housing needs, while respecting community character and desire for local decision making.

Knowing that scores of new housing bills are likely to be introduced by State legislators in 2019 and beyond, the Contra Costa County jurisdictions taking part in this effort recommend a proactive and nuanced approach to advocacy and engagement, with the cities working together. In addition to educating our stakeholders on these issues, our goal is to influence the legislative process and create a shared position on key topics, where possible. While this approach identifies common areas of concern, each city may continue to pursue their own individual areas of concern that are context sensitive to their community.

INTRODUCTION

Contra Costa represents one of the most diverse areas in the State, and each jurisdiction has its own perspective on how to best meet the needs of its resident and business communities. However, many of our interests overlap, which allows for collaboration and advocacy that will strengthen the voice of the Contra Costa County. The Contra Costa County jurisdictions taking part in this effort are committed to open and honest communication with a goal of building consensus and a united approach to address housing legislation as it is developed by State legislators.

The housing challenges in California are real and the current and upcoming legislative cycles will include notable and impactful housing legislation that will be felt statewide, including in Contra Costa County. Recent history has demonstrated that simply opposing legislation has limited effectiveness (and in fact, may be counter-productive) and that jurisdictions will need to collaborate to influence legislative efforts, such as proposing revisions to draft legislation, to address new housing law as it is developed.

BACKGROUND

California's Affordable Housing Crisis & The State's Response

In 2017, the State of California published a report titled, "[California's Housing Future: Challenges and Opportunities](#)." The report identifies the severity of the housing shortage across the State and became a backdrop to the State's adoption of a suite of 15 housing-related bills known as the 2017 "Housing Package". The 15 bills focused on:

- Providing funding for affordable housing;
- Streamlining the review and approval process for housing;
- Increasing accountability and reporting requirements for local governments; and
- Preserving existing affordable housing.

During the 2017 legislative cycle many communities (including multiple Contra Costa County jurisdictions) responded to the proposed legislation with an outright rejection of the entire Housing Package. Nonetheless, the 15 bills were signed into law, and in 2018, most local jurisdictions began implementation of these measures in various ways. Key pieces of that recent legislation are outlined later in this Housing Framework.

HOUSING ELEMENT

Purpose

The Housing Element is one of nine mandated elements in a city's General Plan and implements the declaration of State law that, "the availability of housing is a matter of vital statewide importance and the attainment of decent housing and a suitable living environment for all Californians is a priority of the highest order." (Gov. Code § 65580)

At the local level, the Housing Element allows the local jurisdiction to approve a community-specific (local) approach to "how" and "where" housing needs will be addressed to meet the needs of their community. A jurisdiction's Housing Element must be updated every eight years.

For the Bay Area, the current planning period started in 2015 and ends in 2023. The next planning period will run from 2023 to 2031, meaning that local jurisdictions will be updating their Housing Elements in the 2021/2022 timeframe.

Regional Housing Need Allocation (RHNA)

All California cities and counties are required to accommodate their fair share of regional housing need. This fair share assignment is determined through a Regional Housing Needs Allocation (RHNA) process. The California Department of Housing and Community Development (HCD) determines the share of the state's housing need for each region. In turn, the council of governments (COG) for the region allocates to each local jurisdiction its share of the regional housing need. In the nine-county Bay Area, the region's COG is the Association of Bay Area Governments (ABAG). After the RHNA is determined, local jurisdictions must update their Housing Element (and typically identify housing opportunity sites and rezone property) to demonstrate that there is an adequate amount of land zoned, at appropriate density, to achieve its RHNA for the current planning period.

Planning vs. Building; No Net Loss

Under current state law, a jurisdiction is not required to *build* the housing units assigned to it by the RHNA. Rather, it is required to adopt a land use program – appropriate General Plan and Zoning, including identification of specific sites with available infrastructure and suitable physical conditions – to accommodate these housing units under market-driven conditions. The "No Net Loss" laws (adopted in 2017 by Senate Bill [SB] 166) ensure that local governments do not approve projects with less units per income category or downzone these opportunity sites after their Housing Element has been certified. This means that cities cannot approve new housing at significantly lower densities (or at different income categories) than was projected in the Housing Element without making specific findings and identifying other sites that could accommodate these units and affordability levels.

RHNA Cycles & Income Levels

Based on population projections from the California State Department of Finance in the lead-up to the last RHNA, and economic and regional housing market uncertainty (including the “Great Recession”), HCD required the Bay Area to plan for 187,990 new housing units during the current 2015-2023 RHNA cycle.

A RHNA assignment is comprised of four income categories: very low; low; moderate; and above moderate income. Table 1 shows the current combined RHNA for Contra Costa County and its 19 jurisdictions.

Table 1 – Contra Costa County and Cities 2015-2023 RHNA and Housing Production through 2017

Income Level	RHNA Allocation by Income Level	Total Permits to Date	Total Remaining RHNA by Income Level
Very Low	5244	401	4861
Low	3075	507	2568
Moderate	3458	1104	2444
Above Moderate	8802	7648	1154
Total RHNA	20579	6143	11027

Source: Department of Housing and Community Development (HCD) Annual Progress Reports

Similar to many communities throughout the Bay Area, the Contra Costa County jurisdictions’ RHNA for housing production of very-low, low, moderate, have been modest. In fact, most of the low- and very-low income unit production has been generated by inclusionary zoning¹ requirements, or produced with substantial subsidies from local, state and federal dollars. The production data is indicative of the real challenges faced by local jurisdictions in meeting RHNA for lower income housing in a market-driven environment, where high land and development costs mean substantial subsidy is needed to build each unit, and where local, State and federal funding is inadequate to meet all but a tiny fraction of the need. Cities have the ability to

¹ Inclusionary Zoning = local zoning code standards that require a portion of a market rate project to be provided (and maintained) at below-market-rate.

designate Housing Opportunity Sites; however, with the loss of redevelopment, financing and construction of the housing unit is predominately driven by the private sector.

Certification and Annual Progress Report (APR)

After local adoption, State law provides HCD with the authority to review and “certify” each jurisdiction’s Housing Element. To ensure ongoing compliance, the law requires local jurisdictions to submit an annual report to HCD, generally referred to as the Annual Progress Report (APR), documenting the number of housing units in various affordability categories that have been produced over the past year and through the course of the eight-year housing element cycle.

RECENT CHANGES TO STATE LAW

The extensive housing legislation passed in 2017 (as part of the Housing Package) and supplemented in 2018 reflects the seriousness for State leaders to address the affordable housing crisis. Their focus has been largely on holding local governments accountable (increasing reporting and monitoring), curtailing the discretionary review process (streamlining), and identifying new funding sources.

Of the 15 bills passed in 2017 and the follow-on bills passed in 2018, the following are the most relevant and potentially impactful to Contra Costa County communities:

Streamlined Approval (SB 35): SB 35 requires cities to “streamline” the approval process for housing developments if the jurisdiction has not issued sufficient building permits to satisfy its regional housing need by income category. A project would be eligible for ministerial approval if it complies with objective planning standards, meets specifications such as a residential General Plan designation, does not contain housing occupied by tenants within 10 years, and pays prevailing wages. Additionally, projects must restrict 10 to 50 percent of their units to be affordable to households classified as having low- or very low-income (i.e., less than 80 percent of the area median income).

Housing Accountability Act (SB 167, AB 678, AB 1515): The bills affecting the Housing Accountability Act apply to every housing development application, not just those with an affordable housing component. The legislation requires that local governments provide developers with a list of any inconsistencies between a proposed project and all local plans, zoning, and standards within 30 to 60 days after the application is complete or the project will be deemed complete with all local policies. Additionally, if a housing project complies with all “objective” general plan, zoning, and subdivision standards, it may not be denied or have its density reduced unless a city or county can find that the project would have a specific adverse

impact on public health and safety. If a project includes affordable units, a local jurisdiction is responsible for making additional findings to deny the project, reduce its density, or add a condition that makes the project infeasible, even if the project does not comply with all “objective” standards.

No Net Loss (SB 166): State law in place prior to 2017 prohibited cities from downzoning sites or approving projects at less density than identified in their Housing Elements. Under the 2017 modification, if the approval of a development project results in fewer units by income category, the jurisdiction must identify additional sites to accommodate the RHNA obligation lost as a result of the approval and make corresponding findings. This change is significant because, for many cities, the Housing Element will have counted most of the high-density housing sites as producing very-low and low-income units, when actual projects constructed will typically provide only a portion of their units at below-market rates. This means cities will likely need to zone additional land for higher density development to ensure there is an adequate number of sites to meet RHNA, and to make more conservative assumptions about future yield of affordable units on those sites.

Housing Element Requirements (AB 1397): This bill makes many changes to how a jurisdiction establishes its Housing Element site inventory. Of special note, this legislation requires “by-right” approval for projects that offer 20-percent of its units at a rate that is affordable to lower income households.

BART TOD Districts (AB 2923): This bill was passed in 2018 and established minimum local zoning requirements for BART-owned land that is located on contiguous parcels larger than 0.25 acres and within one-half mile of an existing or planned BART station entrance. All cities must adopt conforming standards within two years of BART adopting transit-oriented development (TOD) standards (or by July 1, 2022) that include minimum height, density, parking, and floor area ratio requirements. In addition, all projects must include a minimum 20 percent of units for very low and low-income households. This bill is anticipated to help facilitate BART’s plan to build 20,000 units across its network.

PENDING LEGISLATION

Local jurisdictions should expect another round of significant housing legislation in 2019, and likely beyond. In the first three months of 2019, more than 50 new bills dealing intended to spur housing development have been introduced. Two key issues, the CASA Compact and Senate Bill (SB) 50, are discussed in detail below.

See [Attachment 1](#) for a more detailed breakdown of 21 pieces of proposed legislation, the CASA Compact elements they relate to, as well as local concerns and recommended approaches for future advocacy work. The Contra Costa County jurisdictions participating in this effort will continue to monitor and advocate as appropriate.

CASA Compact Overview

From this point forward, much of this legislation will likely be informed and influenced by the CASA Compact, which was released in December 2018. The Metropolitan Transportation Commission (MTC) formed CASA to address the affordable housing crisis. CASA is a 21-member steering group comprised of major employers, for-profit and nonprofit housing developers, affordable housing advocates, transportation professionals, charitable foundations and elected officials from large cities. CASA's Compact is an ambitious 10-point plan to remedy the Bay Area's housing issues.

The CASA Compact sets out to achieve three goals:

- Produce 35,000 housing units per year (14,000 affordable to low-income and 7,000 to moderate-income, a 60% affordability rate);
- Preserve 30,000 existing affordable units (26,000 of which are market-rate affordable units and 4,000 are at-risk over the next 5 years); and
- Protect 300,000 lower-income households (those who spend more than 50% of income on their housing).

To achieve these goals, the Compact includes 10 Elements (or actions). Below is a brief summary (see Attachment 1 for a more detailed overview):

- *Elements 1-3 – Preserve and Protect*

Together, these elements represent the “preserve and protect” components of the Compact, including arguments for: just-cause eviction standards; rent caps; and rent assistance and free legal counsel.

- *Elements 4-8 – Production*

Together, these elements are the “production” component of the Compact, with subcategories, including: accessory dwelling units (ADUs); process streamlining and financial incentives; and using public land for affordable housing.

- *Elements 9-10 – Revenue and Administration*

Together, these elements offer revenue generating mechanisms to fund the Compact and suggests the formation of a new independent regional “housing authority” to collect and distribute those funds.

The Compact concludes with “Calls for Action,” which were ideas that garnered sufficient interest from the CASA steering committee, but not enough to become a standalone element in the Compact. Because these will also generate some legislative interest, those topic areas are also briefly discussed here:

- *Redevelopment 2.0*: Pass legislation enabling the re-establishment of redevelopment in California to provide new funding for affordable and mixed income development.
- *Lower the Voter Threshold for Housing Funding Measures*: Pass legislation that would apply a 55% threshold for affordable housing and housing production measures.
- *Fiscalization of Land Use*: Pass legislation that would return e-commerce/internet sales tax revenues to the point of sale - not at the point of distribution as it is currently - to provide cities that have a significant residential base with a commensurate financial incentive to develop new housing. Also, pass legislation that would change the Proposition 13 property tax allocation formula to provide cities that build more housing with a higher share of property tax revenue.
- *Homelessness*: CASA's funding package includes resources that help produce housing for formerly homeless people and prevent homelessness when possible.
- *Grow and Stabilize the Construction Labor Force*: Increase the construction labor pool by requiring prevailing wages on projects that receive incentives, calling upon the State to improve the construction employment pipeline, and creating a CASA/state labor workgroup to implement.

Concluding Thoughts Regarding CASA

The intent of the CASA Compact is to serve as state legislative research data for future housing legislation. Specifically, its development timeline is driven by the desire to place elements of the Compact on the ballot in the 2020 General Election. While some jurisdictions are likely to support the philosophical principles of the CASA Compact, many have expressed concerns that revolve around three main issues:

- *One-Size-Fits-All Approach*: The Compact proposes one-size solutions that may be effective in large urban cities but can be counterproductive in smaller suburban and rural communities. As an example, rent caps may disincentivize multifamily housing production in suburban communities. In another example, mandating high density housing near transit lines presumes transit service remain static when in fact that is not the case in suburban communities.
- *Potential to Jobs/Housing Imbalance*: The Compact's singular focus on housing production throughout the entire region minimizes the fact that the most acute housing pressure is focused in three of the nine counties in the Bay Area (San Francisco, San Mateo and Santa Clara), where most of the jobs are being created. Imposing housing production in far reaches of the Bay Area, including certain areas of Contra Costa County, would not alleviate the crisis in the three counties with the largest employment centers. Instead, it would likely induce significant congestion and exacerbate the jobs/housing imbalance. A more reasonable approach could be to adjust the production requirements based on a county's existing housing supply.

- *Absence of Public Engagement:* One of the most concerning aspects of the Compact is the absence of a transparent public process that would have incorporated input from those most affected - the general public and cities throughout the region. An often-repeated concern is that this top-down approach is not only ill-informed of the issues highlighted above but could breed anti-growth sentiment that would actively resist reasonable measures to build or fund affordable housing in the future.

Equitable Communities Incentive (SB 50)

SB 50 is an evolution of Senator Wiener's 2018 proposed bill, SB 827. It is a developer opt-in bill that would require a city or county to grant an "equitable communities incentive," which is a waiver from maximum controls on density, height, and parking spaces per unit, and up to three concessions (such as deviation from setbacks or other development standards), if the project provides low, very low or extremely low income housing and is located in a "job-rich housing project" or "transit-rich housing project," as defined below:

"Transit-rich housing project" means a residential development, the parcels of which are all within a one-half mile radius of a major transit stop or a one-quarter mile radius of a stop on a high-quality bus corridor.

"Job-rich housing project" means a residential development within an area identified by the Department of Housing and Community Development and the Governor's Office of Planning and Research, based on indicators such as proximity to jobs, high area median income relative to the relevant region, and high-quality public schools, as an area of high opportunity close to jobs.

The League of California Cities Housing, Community and Economic Development Policy Committee (HCED) discussed SB 50 at their January 17, 2019, meeting. HCED took a position to oppose the bill unless amended. Understanding that Senator Weiner is the Chair of the Housing Committee, along with the political make-up of the Senate and Assembly, HCED formed a subcommittee to explore amendments to SB 50 to make it more amenable to cities and will be presented and discussed further at a later time.

A summary of SB 50, which was presented to HCED on January 17, 2019, is included as [Attachment 2](#).

PROACTIVE APPROACH TO LEGISLATIVE ADVOCACY

Below is a discussion of “key themes” to consider while informing, influencing, and advocating, on the topic of housing.

Key Themes

Balanced Solutions – Housing, Jobs, and Transportation

- Regional solutions need to take a balanced approach that considers housing, transportation/transit, and jobs together. Building housing without adequate transportation infrastructure may exacerbate, not alleviate, the affordable housing crisis.
- Regional transit agencies and MTC must support improved transit services to existing and new neighborhoods and address accompanying funding needs.
- Until the transportation and transit infrastructures are improved and ready to accommodate the new housing growth, focus initial efforts to producing housing in the counties where the jobs are located and where the jobs/housing ratio is at its worst.
- Incentivize employers to locate in housing-rich environments.

Provide, Promote, and Protect Affordability

- Protect existing affordable housing stock, including rental apartments, deed-restricted units, and mobile homes, and promote affordable housing that includes long-term affordability agreements.
- Ensure that all new state mandated incentives, fee reductions, and density bonus program are directly linked to the level and percentage of affordable units provided for each project.

Context-Sensitive Housing

- Avoid “one-size-fits-all” standards for regional housing by ensuring that policies and laws allow for sensitivity to local context. For example, historic districts should be exempt from higher density housing requirements if they are not compatible with the historic context of the area. Provide flexibility to cities that have demonstrated that they are working towards meeting their RHNA numbers.
- Advocate and facilitate production of ADUs (examples: reduce all fees including those from special districts and utility companies) and encourage development of “missing-

- middle” housing that is compatible with suburban community character (examples: duplex, triplex and four-plexes, small scale apartment complexes).
- Enable cities to develop locally-appropriate plans that meet State objectives in a manner that is compatible with existing community character. For example, some cities use density-based (rather than height-based) development standards and realistic parking requirements given their distance from reliable and frequent public transit.

Infrastructure and Services

- Mandates for new housing production need to be accompanied by funding that can support expanded transportation, transit, and infrastructure, including planning, and capital improvement programs and funding to support new school facilities.

Funding and Resources

- There should be no net loss of local funding.
- New funding measures should not unduly impact local taxation capacity or divert financial resources from essential local public services and infrastructure programs.
- Any new housing mandates should include funding to offset administrative costs associated with supporting the new program and new reporting requirements. Funding to offset administrative costs could include concepts similar to the surcharge on building permit applications for the Certified Access Specialist (CASP) program.

NEXT STEPS

- Housing and Policy Framework Workshop for Mayors and City Councilmembers
- Develop engagement materials that highlight the narrative regarding key themes

ATTACHMENTS

1. CASA Compact Legislation - Summary & Recommendations
2. SB 50 Overview