



CITY COUNCIL AGENDA REPORT

City of Anaheim PLANNING AND BUILDING DEPARTMENT

DATE: MARCH 27, 2018
FROM: PLANNING AND BUILDING AND COMMUNITY AND
ECONOMIC DEVELOPMENT DEPARTMENTS
SUBJECT: ANNUAL HOUSING ELEMENT STATUS REPORT FOR THE
2017 REPORTING PERIOD

ATTACHMENT (Y/N): YES **ITEM # 05**

RECOMMENDATION:

That the City Council, by Motion, receive and file the 2017 Annual Housing Element Progress Report and direct the Planning and Building Director to submit the report to the Governor's Office of Planning and Research (OPR) and the California Department of Housing and Community Development (HCD).

DISCUSSION:

In 2014, the City Council adopted and HCD certified the city's 2014-2021 Housing Element. State planning law requires cities to file a Housing Element status report to HCD and OPR by April 1 of each year. State law requires the City Council to consider these reports during a public meeting so that members of the public may provide oral testimony or written comments.

The report (submitted on forms provided by HCD) identifies Anaheim's Regional Housing Needs Assessment (RHNA) allocation, the city's self-stated housing production goals (referred to as the "Quantified Objective"), and the progress made towards meeting these goals. The report also describes the status of other action items outlined in the Housing Element's Implementation Program. This is the fourth reporting year for the 2014-2021 Housing Element.

RHNA Allocation:

The City's RHNA allocation represents the number of housing units that the Southern California Association of Governments (SCAG) estimates will be necessary to accommodate the city's projected population growth for the 2014-2021 planning period. In 2014, the city's population was 348,305. The RHNA allocation anticipated that the city's population would increase by 21,878 residents, to a population of 370,183 by 2021. According to the State Department of Finance, the city's population in May 2017 was 358,546 residents, indicating a population growth of 10,241 residents since 2014.

SCAG establishes the RHNA allocation for cities and counties during each Housing Element cycle. To accommodate the city’s estimated population growth of 21,878 residents, SCAG allocated or assigned the development of 5,702 residential units to Anaheim. As of December 2017, the City had issued permits to construct 5,527 residential units, just 175 units short of the city’s total RHNA allocation. However, SCAG divides the city’s RHNA allocation into four income categories. Table 1 below lists these categories, as well as the respective RHNA allocation, permits issued, and the remaining RHNA allocation.

In addition to reporting progress made towards meeting Anaheim’s RHNA allocation, the report illustrates the city’s progress towards achieving its Quantified Objective, an important component of the Housing Element. The Quantified Objective represents what the city has determined to be a reasonable number of housing units that the city anticipates during the planning period, when taking into consideration factors such as available funding, infrastructure, and current market conditions. HCD reviews the city’s Quantified Objective as part of its Housing Element certification process. Table 1 below also includes the city’s Quantified Objectives by income category and the progress made towards meeting these objectives.

Table 1: Building Permits Issued					
Income Category	RHNA Allocation for 8-Year Planning Period	Quantified Objective for 8-Year Planning Period	Permits Issued 2014-2017 (4 years)	Remaining RHNA Allocation (4 years to complete)	Remaining Quantified Objective (4 years to complete)
Very Low Income (up to 50% of MFI)*	1,256	83	81	1,175	2
Low Income (51% to 80% of MFI)	907	367	111	796	256
Moderate Income (81% to 120% of MFI)	1,038	36	45	993	(9)
Above Moderate Income (more than 120% of MFI)	2,501	3,872	5,290	(2,789)	(1,418)
TOTAL	5,702 units	4,358 units	5,527 units	2,964 units	258 units

*Orange County’s current Median Family Income (MFI) for a family of four is \$87,200

During the first four years of reporting, the city rehabilitated 836 income-restricted residential units that the property owners may have otherwise converted to market rate units (referred to in the affordable housing profession as “at-risk” units). The figures provided in the table above exclude 736 of these units, as HCD does not allow the city to count these units towards its RHNA allocation or Quantified Objective based on certain State-established criteria. Nonetheless, the rehabilitation of at-risk units is an important component of the Housing Element’s Implementation Program.

Funding Sources/State Legislation:

Several factors have made the production of affordable housing much more challenging than in the past. Most notably, for at least the last eight years, there has been significant losses in state and federal funding that the city previously relied on for affordable housing development. As has been previously reported, the loss of Redevelopment in California had an undeniable negative impact on the city's ability to assist in the creation and preservation of affordable housing. For Anaheim, the Housing Set-aside fund associated with Redevelopment provided \$14 million annually for housing related activities. The city continues to evaluate alternative sources and methods of funding and financing to bridge the funding gap created by the loss of Redevelopment; however, a resource of that significance is difficult to replicate.

This past year, in recognition that the state of California is experiencing an affordable housing crisis, the State Legislature adopted a number of housing bills that became effective January 1, 2018. Two of the approved bills provide the means to establish a permanent source of funding for affordable housing. Senate Bill 2 (SB 2) will provide direct funding to local governments for affordable housing from recording fees charged on certain real estate transactions such as mortgage refinancing (not sales) and is expected to generate up to \$300 million per year statewide. The State would allocate these funds to local governments statewide on a formula and competitive basis. Unfortunately, \$300 million, spread statewide, would not be a significant source of funding. For instance, the recently completed Rockwood project with 70 units of housing for extremely low and very low-income residents cost approximately \$32 million to develop. Senate Bill 3 (SB 3) is a bond measure that its proponents estimate would generate up to \$4 billion for affordable housing purposes, if approved by California voters in November 2018.

In addition to funding bills, the State legislature also adopted a number of administrative bills that place increased pressure on local governments to facilitate the development of affordable housing and achieve their RHNA allocations. One of these bills is Senate Bill 35, which requires local governments that have not met their RHNA allocations to expedite and approve "by-right" (streamline) affordable housing development projects that provide a prescribed amount of affordable units on an infill site and comply with existing residential and mixed-use zoning. SB 35 requires Anaheim to streamline the approval process for housing development projects that designate 50% of units available for households with incomes below 80 percent of the Area Medium Income (AMI); however, without significant subsidy, this is not likely to occur based on current market conditions.

Housing Policy Program:

In addition to housing production targets, the Housing Element includes a Housing Policy Program that identifies a variety of policy actions necessary to ensure that the city meets its present and future housing needs. The emphasis of the Policy Program is on actions relating to housing policies, including those related to fees and programs, which affect the city's ability to produce housing. The attached Housing Element Implementation Status Document (Attachment 2) illustrates the progress towards achieving various policies and programs.

The following list highlights key housing accomplishments achieved in 2017, and summarizes efforts currently underway that the city could complete by the end of 2018:

- The Anaheim Housing Authority approved the issuance of bonds for several existing affordable housing projects to assist with the rehabilitation of the properties and extending the term of affordability to 55 years for 631 very low and low-income units. The Miracle Terrace Apartments was recently completed and the others are currently underway as follows:
 - Miracle Terrace Apartments, a 179 unit senior rental apartment project
 - Hermosa Village Phase I Apartments, a 297 unit family rental apartment project
 - Cobblestone Apartments, a 64 unit family apartment project
 - Sea Wind Apartments, a 91 unit family apartment project
- Development of the former Sandman Motel located at 1248 E. Lincoln Avenue is currently underway to build a 54-unit senior housing project targeting extremely low, very low and low-income residents. The project will set-aside 50% of the units for homeless seniors. The Developer resubmitted an application to the governing State agency for Tax Credit financing in February 2018. If awarded, the project can commence construction in November 2018.
- The city is continuing efforts to revitalize the Avon Dakota Neighborhood, involving the acquisition of market-rate apartments for the purposes of rehabilitating and converting to long term affordable housing. The Developer completed the Phase I Rehabilitation Project consisting of 16 units in 2013. The Phase II rehabilitation project consisting of 21 extremely low, very low and low-income units is currently underway with construction expected to be complete by the end of 2018.
- In February 2018, the city issued a Request for Proposals (RFP) for the development of a city-owned site, approximately 2.86 acres located at the northwest corner of Orangewood and Manchester Avenues. The RFP is seeking the development of a multi-family 100% affordable rental housing project with approximately 120-units for low-income families with incomes ranging from 30 percent to 60 percent of the area median income.
- The city is currently working on a proposal to develop a 28-unit homeless veterans' rental housing project on Housing Authority-owned property for extremely low-income persons.
- The city is currently in escrow to acquire the properties located at 100 – 130 S. Beach Boulevard and 2970 W. Lincoln Avenue for a future mixed-use housing development that will include opportunities for new affordable housing. The overall development site will consist of 5.7 acres, including an adjacent city-owned vacant parcel.

In addition to the efforts above, the City Council continues to be supportive of the development of affordable housing that meets the needs of Anaheim's residents and addresses issues related to homelessness. As part of their efforts, the City Council formed the Homeless Policy Working Group for the purpose of developing and recommending a policy framework to address homelessness in Anaheim. City Council reviewed and accepted the working group's

recommendations at its meeting on January 30, 2018, including, among many others, the recommendation for a “Housing First” model to address homelessness.

In addition, Council Members Kring and Barnes, Mayor Pro Tem Moreno, and city staff are meeting to explore issues and opportunities for increasing the city’s supply of affordable housing, including presenting for the City Council’s consideration a policy statement, that could be adopted by resolution, which would state that the production of affordable housing is a priority in the City of Anaheim. The goal of the resolution would be to provide guidance and frame expectations for staff and housing developers and identify creative and collaborative approaches for addressing affordable housing needs as privately-initiated housing projects are submitted for review and approval. Staff anticipates presenting this resolution for the City Council’s consideration within the next 30 days.

IMPACT ON BUDGET:

There is no budgetary impact. Funding for the preparation of the Housing Element Annual Status Update and associated reporting activities is included in the Planning and Building and Community and Economic Development Departments’ FY 2017/18 Budgets.

Respectfully submitted,

Concurred by,

David Belmer
Planning and Building Director

John E. Woodhead IV
Community and Economic Development Director

Attachments:

1. HCD Reporting Forms
2. Housing Element Implementation Status Document