



## CITY COUNCIL AGENDA REPORT

### City of Anaheim PLANNING & BUILDING DEPARTMENT

**DATE:** MARCH 19, 2019

**FROM:** PLANNING AND BUILDING DEPARTMENT

**SUBJECT:** ANNUAL HOUSING ELEMENT PROGRESS REPORT FOR THE  
2018 REPORTING PERIOD

**ATTACHMENTS (Y/N):** YES

**ITEM # 04**

**RECOMMENDATION:**

That the City Council review the 2018 Annual Housing Element Progress Report and direct the Planning and Building Director to submit the report to the California Department of Housing and Community Development (HCD) and the Governor's Office of Planning and Research (OPR).

**EXECUTIVE SUMMARY:**

This is the fifth report that the City will submit to HCD for the 2014-2021 Housing Element, which identifies Anaheim's Regional Housing Needs Assessment (RHNA) allocation, the City's self-stated housing production goals (Quantified Objective) and the progress made towards meeting these goals. The City's total RHNA allocation is 5,702 units, of which 2,933 units remain to be constructed. All of the remaining units fall into the unmet income categories of very low, low and moderate-income. The City has met and surpassed the above moderate-income category by 3,733 units. HCD is also requiring additional information this reporting year including, but limited to, the total number of housing units proposed, entitled and certificates of occupancy received.

The State Legislature has adopted a number of housing bills over the last few years that provide funding for affordable housing, but also continue to place increased pressure on local governments to facilitate the development of affordable housing and achieve their RHNA allocations. In 2018, the City Council adopted an affordable housing policy statement to encourage a dialogue between the City and all developers of rental and for-sale housing to consider options and approaches for addressing the City's affordable housing needs. In conjunction with the policy statement, the Council also adopted an action plan that outlines several action items aimed at increasing the supply of affordable housing in Anaheim. Staff is working to implement all facets of the plan.

## **DISCUSSION:**

In 2014, the City Council adopted and HCD certified the City of Anaheim's 2014-2021 General Plan Housing Element. The Housing Element is one of the many chapters of the City's General Plan. The General Plan is a State-mandated comprehensive, long-term planning document that addresses a multitude of land use-related issues designed to provide policy guidance. The General Plan represents the community's view of its future; it is a blueprint for a city or county's growth and development. City councils, boards of supervisors, and planning commissions use the goals and policies of the General Plan as a basis on which to make their land use decisions. The General Plan consists of several topic specific elements, such as the Land Use, Circulation, and Safety Elements. The City's General Plan is available on the City's website at <https://www.anaheim.net/712/General-Plan>.

The Housing Element is a State-required component of the General Plan that addresses present and future (through 2021) housing opportunities for Anaheim residents. The Housing Element provides the primary policy guidance for local decision-making related to housing. The Housing Element is the only General Plan Element that requires review and certification by HCD. Additionally, State law requires local jurisdictions to update the Housing Element every eight years and to file a Housing Element progress report to HCD and OPR by April 1 of each year. State law also requires the City Council to consider these progress reports during a public meeting so that members of the public may provide oral testimony or written comments.

This is the fifth reporting year for the 2014-2021 Housing Element. 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, quantified by the total number of building permits issued for new housing units during the reporting year. For the 2018 reporting year (January 1, 2018 through December 31, 2018), the City issued 949 building permits for new housing units. Recently, Governor Newsom recognized the City of Anaheim at the 2019 State of the State as a local government that "does the right thing" with respect to housing production.

The report also describes the status of other action items outlined in the Housing Element's Implementation Program. Because of the State's efforts to boost the production of housing units, the City may now count accessory dwelling units towards its RHNA allocation. In addition, HCD has revised the reporting forms (Attachment 1) to require additional information in an effort to track the City's housing production activities. Specifically, HCD is requesting the information in Table 1 for this reporting year.

<b>Table 1: New Reporting Forms Requirements for Reporting Year 2018</b>		
<b>New Requirement</b>	<b>Reporting Forms Table</b>	<b>Units Reported</b>
New units proposed	A	806
New units entitled	A2	521
New certificates of occupancy issued for housing units	A2	1,757
Sites identified or rezoned to accommodate shortfall housing needs	C	0
Commercial development applications that received development bonuses in exchange for providing affordable housing	E	0

In addition to the total number of housing units proposed, entitled and certificates of occupancy received, HCD is requesting information on sites that the City has identified or rezoned to accommodate any shortfalls from the projected unit yields of the current Housing Element cycle, as required under the “no net loss” State law. The City has nothing to report with respect to this requirement. HCD is also requesting information on development bonuses granted for commercial development in exchange for providing housing, as permitted by State law. The City did not receive any such applications in the reporting year.

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. SCAG establishes the RHNA allocation for cities and counties during each Housing Element cycle. Additionally, SCAG divides each jurisdiction’s RHNA allocation into four income categories. Table 2 below lists the income categories and the qualifying income ranges for a family of four.

<b>Table 2: RHNA Income Categories</b>	
<b>Income Category</b>	<b>Income Range for a Family of Four</b>
Very Low-Income (up to 50% of MFI)*	\$32,800 – \$54,650
Low-Income (51% to 80% of MFI)	\$54,650 – \$87,450
Moderate-Income (81% to 120% of MFI)	\$87,450 – \$111,250
Above Moderate-Income (more than 120% of MFI)	\$111,250 and above

\*Orange County’s current Median Family Income (MFI) for a family of four is \$92,700

SCAG has recently started efforts to determine the RHNA allocation for the 2021-2029 planning period and staff is closely monitoring this process to advocate for the allocation to be equitable and reasonable. HCD requires SCAG to submit its final allocation plan to HCD by October 31, 2020; local jurisdictions are subsequently required to submit updated Housing Elements that reflect these allocations to HCD by October 31, 2021.

As described above, SCAG considers the City’s anticipated population growth in its RHNA allocation. 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 January 2018 was 357,084 residents, indicating a population growth of 8,779 residents since 2014. 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 during the 2014-2021 planning cycle. SCAG further divides this allocation into goals for the income categories in Table 2. Table 3 below provides the RHNA income categories, respective RHNA allocation, permits issued, and remaining RHNA allocation. As of December 2018, the City had issued permits to construct 6,503 residential units, 801 units more than the City’s total RHNA allocation. However, the vast majority of the units (6,235 units) qualify as above moderate-income housing. Based on the City’s RHNA allocation, the City can count no more than 2,501 of these units towards the RHNA allocation for above-moderate income housing. Therefore, the City’s remaining RHNA allocation is 2,933 units, including 1,158 units for very low-income residents, 792 units for low-income residents and 983 units for moderate-income residents.

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 it 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 3 below includes the City’s Quantified Objectives by income category and the progress made towards meeting these objectives.

<b>Income Category</b>	<b>RHNA Allocation for 8-Year Planning Period</b>	<b>Quantified Objective for 8-Year Planning Period</b>	<b>Permits Issued 2014-2018 (5 years)</b>	<b>Remaining RHNA Allocation (3 years to complete)</b>	<b>Remaining Quantified Objective (3 years to complete)</b>
Very Low-Income	1,256	83	<b>98</b>	1,158	(15)
Low-Income	907	367	<b>115</b>	792	252
Moderate-Income	1,038	36	<b>55</b>	983	(19)
Above Moderate-Income	2,501	3,872	<b>6,234</b>	(3,734)	(2,363)
<b>TOTAL</b>	<b>5,702 units</b>	<b>4,358 units</b>	<b>6,502 units</b>	<b>2,933 units*</b>	<b>252 units</b>

\*This figure excludes 3,734 above moderate-income units that cannot be counted towards the RHNA allocation because this income category has been satisfied.

In addition to new construction, during the first five years of the eight-year reporting period, the City rehabilitated 863 income-restricted residential units that 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 3 above exclude 563 of these units because HCD only allows the City to count substantially rehabilitated units that meet certain State-established criteria towards its RHNA allocation or Quantified Objective. Of the 863 “at-risk” units, only 300 meet these criteria. Nonetheless, the rehabilitation of at-risk units is an important component of the Housing Element’s Implementation Program.

Recognizing that the State of California is experiencing an affordable housing crisis, the State Legislature adopted a number of housing bills over the last few years. One of these bills is Senate Bill 35 (SB 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 percent 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. Senate Bill 3 (SB 3), approved by California voters in November 2018, is a bond measure that its proponents estimate would generate up to \$4 billion for affordable housing purposes. California voters also approved Propositions 1 and 2. Proposition 1 authorized \$4 billion statewide in funding for existing affordable housing programs for low-income residents, veterans, farmworkers, manufactured and mobile homes, infill, and transit-oriented housing. Proposition 2 provides \$2 billion statewide to fund housing for homeless individuals with mental health issues.

The State legislature also adopted a number of administrative bills in 2018 that became effective on January 1, 2019. These new bills continue to 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 1333, which requires that charter cities follow the same Planning and Zoning provisions of State law as general law cities regarding general plans, specific plans and the adoption of housing elements. This bill, in essence, requires the City to ensure that its zoning, specific plans and development agreements are consistent with its housing element, which is the case for Anaheim.

#### 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. Table D of the report forms (Attachment 1) illustrates the progress towards achieving various policies and programs. The following list highlights key housing accomplishments achieved in 2018, and summarizes efforts currently underway that the City anticipates completing by 2020:

- 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 452 very low and low-income units completed in 2018. The projects are as follows:
  - Hermosa Village Phase I Apartments: 297-unit family rental apartment project
  - Cobblestone Apartments: 64-unit family rental apartment project

- Sea Wind Apartments: 91-unit family rental apartment project
- Development of the former Sandman Motel located at 1248 E. Lincoln Avenue is progressing to be ready to begin construction of a 54-unit senior housing project targeting extremely low, very low and low-income residents. The project sets aside 50% of the units for homeless seniors. The developer, who received a Tax Credit Award from the California Tax Credit Allocation Committee, anticipates commencing construction in March 2019.
- The City continues its 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 was complete in December 2018.
- On January 29, 2019, the Anaheim Housing Authority (Authority) entered into a Preliminary Funding Award with Jamboree Housing Corporation to construct a 102-unit rental housing project on a 2.86-acre Authority-owned site located at the northwest corner of Orangewood and Manchester Avenues. The project will be 100% affordable, with rents set at levels that are deemed affordable to families with incomes that fall within the extremely low, very low and low-income households categories as set forth by State and Federal funding sources. 20 of the units at the project will be set aside for homeless households. Jamboree Housing submitted a funding application to the State of California Affordable Housing and Sustainable Communities Program (AHSC) in February 2019. If the State awards funding to this project, construction is expected to commence in December 2019.
- The City is currently in escrow to acquire the properties located at 100 – 130 S. Beach Boulevard and 2970 W. Lincoln Avenue for a potential future mixed-use housing development that will include opportunities for new affordable housing. The overall development site consists of 5.7 acres, including an adjacent Housing Authority-owned vacant parcel. The Housing Authority expects to close escrow on the site in December 2019.

#### Affordable Housing Policy

On August 14, 2018, the City Council adopted Resolution No. 2018-106 (Attachment 2) with a policy statement affirming that affordable housing is a priority in the City of Anaheim. The policy encourages a dialogue between the City and all developers of rental and for-sale housing proposed in Anaheim to consider options and approaches for addressing the City's affordable housing needs. This policy statement is not an absolute requirement to produce affordable housing units; however, the purpose is to encourage developers to engage earnestly and objectively in discussion with City staff that result in the consideration of viable options for the creation of affordable housing to the extent feasible.

Since the adoption of the policy statement, staff has met with several housing developers to discuss potential development opportunities. However, the only housing application with more than five units submitted to the City since the adoption of the policy statement is the Jamboree Housing Corporation project described above to construct a 100% affordable rental housing project with 102 units at the northwest corner of Orangewood and Manchester Avenues. The Planning Commission approved this project on January 23, 2019. The Housing Authority subsequently approved a preliminary funding award for the project on January 29, 2019.

In conjunction with the policy statement, the Council also adopted an action plan that outlines several action items aimed at increasing the supply of affordable housing in Anaheim. These include facilitating creative housing solutions, regulatory relief efforts, process improvements and incentives, programs to increase middle-income housing, and identifying funding sources. Staff is working to implement all facets of the plan.

**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 2018/19 Budgets.

Respectfully submitted,

Concurred by,

David Belmer  
Deputy City Manager

John E. Woodhead IV  
Community and Economic Development Director

**Attachments:**

1. HCD Reporting Forms
2. Resolution No. 2018-106 (Affordable Housing Policy and Action Plan)