



CITY COUNCIL AGENDA REPORT

City of Anaheim PLANNING & BUILDING DEPARTMENT

DATE: APRIL 21, 2020

FROM: PLANNING AND BUILDING DEPARTMENT

SUBJECT: ANNUAL HOUSING ELEMENT PROGRESS REPORT FOR THE
2019 REPORTING PERIOD

ATTACHMENTS (Y/N): YES

ITEM # 03

RECOMMENDATION:

That the City Council receive as an information item the 2019 Annual Housing Element Progress Report (Annual Report).

DISCUSSION:

In 2014, the City Council adopted and the California Department of Housing & Community Development (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 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 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 an annual Housing Element progress report to HCD and the Governor's Office of Planning & Research (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.

In order to comply with the April 1 submittal deadline, City Council review of the Annual Report was originally scheduled on March 24, 2020; however, due to the COVID-19 virus pandemic, all non-emergency response items were deferred to a later date. Given the circumstances, HCD recommended that the City submit the Annual Report without City Council review. As directed by HCD, staff submitted the Annual Report to HCD and OPR on March 17, 2020, and HCD has confirmed its receipt and accepted the Annual Report as submitted. Staff will update HCD and OPR following Council's receipt of the Annual Report.

This is the sixth reporting year for the 2014-2021 Housing Element. The Annual Report, which is prepared on forms provided by HCD (Attachment 1), identifies Anaheim’s Regional Housing Needs Assessment (RHNA) allocation and the City’s self-stated housing production goals (referred to as the “Quantified Objective”). The Annual Report describes the progress made towards meeting these goals, quantified by the total number of building permits issued for new housing units during the reporting year, and the total number of housing units entitled and completed. The Annual Report also describes the status of other action items outlined in the Housing Element’s Implementation Program.

In addition, HCD requires jurisdictions to provide 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, and on development bonuses granted for commercial development in exchange for providing housing, as permitted by State law. The City has no reportable activities associated with these two areas. Lastly, for the 2019 reporting year, HCD has revised the reporting forms to comply with Assembly Bill 1486, which requires the City to report any sales, leasing, or disposition of sites owned by the City that were included in the Housing Element Sites Inventory. The City has nothing to report with respect to this requirement.

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, and 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 2019 was 359,339 residents, indicating a population growth of 11,034 residents since 2014. To accommodate SCAG’s 2014 estimation of City’s 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 four income categories as indicated in Table 1 below:

Table 1: 2014-2021 RHNA by Income Categories		
Income Category	Income Range for a Household of Four	2014-2021 RHNA
Very Low-Income (up to 50% of MFI*)	\$0 – \$59,350	1,256
Low-Income (51% to 80% of MFI)	\$59,350 – \$94,950	907
Moderate-Income (81% to 120% of MFI)	\$94,950 – \$117,500	1,038
Above Moderate-Income (more than 120% of MFI)	Above \$117,500	2,501
Total RHNA Allocation		5,702 units

*Orange County’s current Median Family Income (MFI) for a family of four is \$97,900

For the 2019 reporting year (January 1, 2019 through December 31, 2019), the City issued 1,001 building permits for new housing units, which are divided into 43 very low, 10 low and 948 above moderate income units. Accessory Dwelling Units (ADUs) are counted towards the City’s

RHNA allocation for above moderate income units, unless lower affordability levels can be demonstrated through documents such as deed restrictions or proposed rents. Since 2014, the City issued permits to construct a total of 7,477 residential units, 1,775 units more than the City’s total RHNA allocation. However, the vast majority of the units (7,182 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 2,906 units, which includes 1,132 units for very low-income residents, 786 units for low-income residents and 988 units for moderate-income residents.

In addition to reporting progress made towards meeting Anaheim’s RHNA allocation, this 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 building permits anticipated to be issued for housing units during the planning period, when taking into consideration factors such as available funding, infrastructure, and current market conditions. HCD reviewed the City’s Quantified Objective as part of its Housing Element certification process. Table 2 below provides the RHNA income categories, respective RHNA allocation, permits issued, and remaining RHNA allocation, along with City’s Quantified Objectives by income category and the progress made towards meeting these objectives.

Table 2: Building Permits Issued						
Income Category	RHNA Allocation for 8-Year Planning Period	Quantified Objective for 8-Year Planning Period	Permits Issued 2019 (current reporting year)	Permits Issued 2014-2019 (6 years)	Remaining RHNA Allocation (2 years to complete)	Remaining Quantified Objective (2 years to complete)
Very Low-Income	1,256	83	43	124	1,132	(41)
Low-Income	907	367	10	121	786	246
Moderate-Income	1,038	36	0	50	988	(14)
Above Moderate-Income	2,501	3,872	948	7,182	(4,681)	(3,310)
TOTAL	5,702 units	4,358 units	1,001 units	7,477 units	2,906 units*	246 units

*This figure excludes 4,681 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 last six years of the eight-year reporting period, the City rehabilitated 1,035 income-restricted residential units and extended the previous terms of affordability for these units to 55 years. The figures provided in the Table 2 exclude these units because HCD does not allow the City to count such units towards its RHNA allocation or Quantified Objective. Nonetheless, the rehabilitation of these units is an important component of the Housing Element’s Implementation 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 facilitate housing. Table D in the attached HCD Reporting Forms illustrates the progress towards achieving various policies and programs. The following list highlights key housing accomplishments achieved in 2019, and summarizes efforts currently underway that the City anticipates completing by 2020:

- The Anaheim Housing Authority approved the issuance of bonds for the 112-unit Hermosa Village Phase II Rehabilitation Project and the 70-unit Econo Lodge Motel Conversion Project, resulting in a total of 180 extremely-low, very-low and low-income units to be completed by 2021. The issuance of bonds will assist with the rehabilitation of these properties, extending the term of affordability for 111 affordable units at the Hermosa Village Phase II project from 38 years to 55 years, and creating 69 new affordable units at the Econo Lodge Motel property for a term of 55 years.
- Development of the former Sandman Motel located at 1248 East Lincoln Avenue is underway with the 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 completing construction in October 2020.
- 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 completed in December 2018. The City is currently pursuing additional site acquisition for a future phase III project.
- 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. Jamboree Housing will set aside twenty of the units at the project for homeless households. Jamboree Housing submitted a funding application to the State of California Affordable Housing and Sustainable Communities Program (AHSC) in February 2019, and unfortunately did not receive a funding award. Jamboree Housing subsequently submitted a 9% Tax Credit application to the California Tax Credit Allocation Committee in July 2019 and was successful in obtaining a funding allocation. Construction for this project commenced in the first week of April 2020; however, since the building permit for this project was not issued in the current reporting year (2019), these units were not included in the Table 2 above.
- On July 30, 2019, the Anaheim Housing Authority (Authority) entered into a Preliminary Funding Award with Jamboree Housing Corporation to convert and rehabilitate the existing Econo Lodge Motel located on La Palma Avenue west of Magnolia Avenue to a

new 70 unit permanent supportive apartment community that will provide long term housing solutions for individuals who are exiting a chronically homeless condition. The project will be 100% affordable, with rents set at levels that are deemed affordable to persons with incomes that fall within the extremely-low income category. Jamboree submitted an application for 4% Tax Credits and Bonds to the California Tax Credit Allocation Committee and the California Debt Limit Allocation Committee, respectively, in August of 2019 and received a funding allocation. Construction is expected to commence in May 2020. Since the building permit for this project has not been issued yet, these units were not included in the Table 2 above.

- On December 17, 2019, the Anaheim Housing Authority (Authority) entered into a Preliminary Funding Award with the Salvation Army to construct a new permanent supportive housing project at the existing Salvation Army facility located on Lewis Street south of Ball Road that will provide long term housing solutions for individuals who are exiting a chronically homeless condition. The project will be 100% affordable, with rents set at levels that are deemed affordable to persons with incomes that fall within the extremely-low income category. The Salvation Army will be submitting an application for 4% Tax Credits and Bonds to the California Tax Credit Allocation Committee and the California Debt Limit Allocation Committee, respectively in August of 2020 to help fund the project. If the project receives all of the necessary financing, construction could commence in January 2021.
- The City purchased the properties located at 100 – 130 S. Beach Boulevard and 2970 W. Lincoln Avenue in December 2019 and is in the process of preparing the site for 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.

State Legislation

Consistent with trends of the past few years, the State Legislature adopted a number of housing bills in 2019, recognizing that the State of California is experiencing an affordable housing crisis. These bills became effective January 1, 2020, impacting the development process in many ways, from streamlining local permitting procedures for eligible projects to tenant protections and new incentives for financing affordable housing. The State continues to place increased pressure on local governments to facilitate the development of housing and to do their “fair share.” Notable bills are as follows:

- Senate Bill (SB) 330: SB 330, Housing Crisis Act of 2019, places controls on local jurisdictions’ ability to restrict housing developments and requires jurisdictions to approve all housing developments that comply with current zoning codes and general plans. It also prohibits local jurisdictions from disapproving or placing conditions of approval on projects that would render certain affordable housing developments infeasible, without specific written findings.
- Assembly Bill (AB) 101: Another bill to note is AB 101, Housing Development and Financing 2019-29 Budget Act. AB 101, which among other things, tightens the rules on

Housing Element compliance for jurisdictions, including imposing steep penalties for non-compliance, while providing incentives for jurisdictions that have adopted “pro-housing” policies. Most importantly, AB 101 makes available \$250 million in grant funding for planning activities to accelerate housing production and facilitate implementation of RHNA. HCD recently released a Notice of Funding Availability for the grant program and City staff is currently preparing to apply for such funding.

- **AB 68 and AB 881:** The State legislature also adopted a number of new bills related to ADU regulations, with the most notable bills being AB 68 and AB 881. These bills are consistent with the State’s recent effort to pave the way for increased ADU development by further reducing barriers and creating incentives and streamlined processes to build ADUs. Local jurisdictions have the option to default to State law for regulations of ADU or they have the option of adopting their own ordinance with a minimal amount of discretion. The City is currently in the process of amending the City’s existing ADU ordinance to comply with the newly amended State Law, with the City Council consideration tentatively scheduled for May, 2020.

IMPACT ON BUDGET:

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 2019/20 Budgets.

Respectfully submitted,

Concurred by,

Ted White
Planning and Building Director

John E. Woodhead IV
Community and Economic Development Director

Attachments:

1. HCD Reporting Forms