



Staff Report

File #: REPORT 21-0400, Version: 1

Honorable Chair and Members of the Hermosa Beach Planning Commission

Special Meeting of June 30, 2021

REVIEW AND DISCUSS HERMOSA BEACH 2021-2029 DRAFT HOUSING ELEMENT UPDATE

Recommended Action:

Staff recommends Planning Commission:

1. Receive staff presentation;
2. Solicit public comments; and
3. Provide comments as appropriate on the draft Housing Element. No formal Planning Commission actions or decisions are required at this meeting.

Prior to final adoption of the Housing Element a subsequent public hearing will be held by the Planning Commission.

Background:

State law requires each city adopt a General Plan to guide land use and development. Among the various “elements” of the General Plan is the Housing Element, which describes City policies and programs for maintaining and improving existing housing and accommodating development of new housing to meet the City’s assigned share of regional growth under the Regional Housing Needs Assessment (“RHNA”).

PLAN Hermosa was adopted in 2017 and has a “time horizon” of 25 years. However, State law requires the Housing Element be updated every 8 years. Housing Element planning periods are sometimes referred to as “cycles.” The City’s current Housing Element covers the planning period extending from 2013 to 2021, which is referred to as the “5th Housing Element cycle” in reference to the five required updates that have occurred since the comprehensive revision to State Housing Element law in 1980. Every city in the Southern California Association of Governments (“SCAG”) region is required to prepare a Housing Element update for the 6th planning cycle, which spans the 2021-2029 period, regardless of when the other elements of the General Plan were adopted. The due date for the 6th Housing Element update is October 15, 2021.

On December 15, 2020 the Planning Commission conducted an initial public meeting to introduce the 2021-2029 Housing Element update.

On February 3, 2021, a joint study session of the Planning Commission and City Council was held to provide the City Council, Planning Commission and community stakeholders with an overview of the Housing Element update process, explanation of the State requirements for Hermosa Beach Regional Housing Needs Assessment (RHNA), to solicit comments regarding housing needs and to receive feedback from the Planning Commission and City Council.

Analysis:

Staff has completed a draft Housing Element for review by the Planning Commission and interested community stakeholders. The purpose of meeting is to allow an opportunity to review the draft Housing Element and provide comments to staff. After this Planning Commission meeting, a public hearing would be scheduled to allow the City Council an opportunity to review the draft Housing Element and provide direction to staff. Additional information regarding the Housing Element update process and schedule is provided below.

State Housing Element Requirements

State law requires each city to adopt a General Plan to guide land use and development. Among the various “elements” of the General Plan is the Housing Element, which establishes City policies and programs for maintaining and improving existing housing, as well as accommodating development of new housing to meet the City’s assigned share of housing needs under the Regional Housing Needs Assessment (“RHNA”).

In addition to the Housing Element, the Hermosa Beach General Plan, known as PLAN Hermosa, includes the following elements:

- Governance
- Land Use + Design
- Mobility
- Sustainability + Conservation
- Parks + Open Space
- Public Safety
- Infrastructure

Hermosa Beach Draft 2021-2029 Housing Element

State law California Government Code Sec. 65583 et seq) sets forth extensive requirements for Housing Elements and related land use regulations related to housing. The Draft 2021-2029 Housing Element (Attachments 1 and 2) includes the following components:

Attachment 1 - Housing Policy Plan

- An Introduction providing background information and context for the Housing Element (Chapter I)
- Housing Policy Plan, including policies and programs for the 2021-2029 planning period

Attachment 2 - Housing Element Technical Report

- Housing Needs Assessment - An analysis of the city's demographic and housing characteristics, trends and special needs (Chapter I)
- An evaluation of resources and opportunities available to address housing issues (Chapter II)
- A review of governmental and non-governmental constraints to meeting housing needs (Chapter III)
- A review of accomplishments during the previous planning period (Appendix A)
- An inventory of the potential sites for housing development (Appendix B)
- A summary of opportunities for public participation during the preparation and adoption of the Housing Element (Appendix C)

RHNA Requirements

One of the most important requirements of State Housing Element law is each city must adopt land use plans and regulations that create opportunities for sufficient residential development to accommodate its assigned share of statewide housing need. The RHNA is the process by which each city's need for additional housing is determined. Prior to each Housing Element planning cycle the region's total housing need is established by HCD based primarily on population growth trends and existing housing problems such as overcrowding and overpayment. The total housing need for the Southern California region is then distributed to cities and counties by the Southern California Association of Governments ("SCAG") based upon criteria established in State law. The SCAG region includes Los Angeles, Orange, Riverside, San Bernardino, Imperial and Ventura counties.

In late 2019 HCD issued a RHNA determination of 1,341,827 additional housing units for the SCAG region during the 2021-2029 period. Following HCD's RHNA determination, SCAG prepared a methodology for distributing the total RHNA to jurisdictions in the SCAG region consistent with criteria established in State law. In early 2020 SCAG's Regional Council adopted the RHNA methodology and the final RHNA Plan was adopted on March 4, 2021. The final allocation for Hermosa Beach was increased from 556 to 558.

Housing needs allocated through the RHNA process are distributed among the income categories as shown in the following table.

Table 1. RHNA Income Categories

Income Category	% of county median income
Extremely low*	Up to 30%
Very low*	31-50%
Low	51-80%
Moderate	81-120%
Above moderate	Over 120%

Source: California Government Code Sec. 65584(f)
*RHNA allocations for the extremely-low and very-low categories are combined into a single number

Affordable housing rents and purchase prices are determined based on State policy that households should not have to pay more than 30% of their gross income for suitable housing. Affordable housing costs for all jurisdictions in Los Angeles County that correspond to the various income categories are shown in Table 2. Affordability numbers are adjusted each year based on the countywide median income and family size. Table 2 provides the current figures for a 4-person family in Los Angeles County. Income limits and affordable cost are adjusted up or down based on family size.

Table 2. Income Categories and Affordable Housing Costs – Los Angeles County

Income Category	Maximum Income	Affordable Rent	Affordable Price (est.)
Extremely low	\$35,450	\$886	*
Very low	\$59,100	\$1,478	*
Low	\$94,600	\$2,365	*
Moderate	\$96,000	\$2,400	\$375,000
Above moderate	>\$96,000	>\$2,400	>\$375,000

Assumptions:

- Based on a family of 4 and 2021 State income limits
- 30% of gross income for rent or principal, interest, taxes & insurance plus utility allowance
- 10% down payment, 3.75% interest, 1.25% taxes & insurance, \$350 HOA dues

* For-sale affordable housing is typically at the moderate-income [level](#)

Source: Cal. HCD; JHD Planning LLC

Table 3 shows the RHNA allocations for Hermosa Beach, Los Angeles County, and the SCAG region.

Table 3. 6th Cycle RHNA - Hermosa Beach, Los Angeles County and SCAG Region

	Hermosa Beach	Los Angeles County	SCAG Region
Additional housing need 2021-2029 (units)	558	812,060	1,341,827

Source: SCAG, 3/4/2021

The RHNA also allocates total housing need to the income categories described in Table 2 (the extremely-low and very-low categories are combined for RHNA purposes). The 6th cycle RHNA allocation by income category for Hermosa Beach is shown in Table 4.

Table 4. 6th Cycle RHNA by Income Category - Hermosa Beach

Very Low	Low	Moderate	Above Moderate	Total
232	127	106	93	558

Source: SCAG, 3/4/2021

The RHNA identifies the amount of additional housing at different price levels a jurisdiction would need to fully accommodate its existing population plus its assigned share projected growth over the next 8 years while avoiding problems like overcrowding and overpayment. The RHNA is a planning requirement based upon housing need, *not a construction quota or mandate*. The primary significance of the RHNA is that jurisdictions are required to adopt land use plans and development regulations that create sufficient opportunities for additional housing development commensurate with the RHNA allocation. Under current law, cities are not penalized if actual housing production does not achieve the RHNA allocation, but cities may be required to streamline the approval process for qualifying housing developments that meet specific standards (such as affordability and prevailing wage labor requirements) if housing production falls short of the RHNA allocation.

The Housing Element must demonstrate compliance with the RHNA by analyzing the city's capacity for additional housing based on an evaluation of land use patterns, development regulations, potential constraints (such as infrastructure availability and environmental conditions) and real estate market trends. The analysis must be prepared at a parcel-specific level of detail and identify properties (or "sites") where additional housing could be built under current regulations. State law requires that the sites analysis demonstrate that city land use plans and regulations provide adequate capacity to fully accommodate its RHNA allocation in each income category. If the current development capacity is not sufficient to fully accommodate the RHNA, the Housing Element must describe proactive steps the City will take to increase housing capacity commensurate with the RHNA - typically through amendments to land use plans and development regulations that could facilitate production of additional housing. Such amendments generally include increasing allowable residential densities, modifying other development standards, or allowing housing to be built in areas where residential development is not currently allowed, such as areas zoned for commercial use. *It is important to note that neither cities nor property owners are required to develop additional housing on the sites identified in the Housing Element, or to provide funding for housing development.*

As part of the Housing Element update, the current capacity for additional housing was analyzed to determine whether capacity is sufficient to accommodate the RHNA allocation at each income level. Appendix B of the Housing Element Technical Report includes the inventory of potential sites that could accommodate housing development commensurate with the RHNA allocation. The inventory

includes vacant sites, underutilized sites and candidate sites for rezoning.

Future accessory dwelling units (ADUs) can also satisfy a portion of the RHNA allocation based on permit trends and city ADU regulations. ADUs are an important strategy for Hermosa Beach. In 2020, the first year under the State law encouraging ADUs, 26 permits were issued for ADUs. It is anticipated that 30 ADUs will be constructed each year during the planning period in 2021-2021.

HCD Review and Certification

An important difference between the Housing Element and other elements of the General Plan is the extent of State oversight. Under California law, land use and development is generally within the authority of cities through the adoption of policies and regulations in General Plans and municipal codes. However, State law establishes many specific limitations on city land use authority related to housing.

The State legislature has also declared an adequate supply of housing to be a matter of statewide importance and has delegated authority to the California Department of Housing and Community Development ("HCD") to review local government Housing Elements and issue opinions regarding their compliance with State law. A finding of Housing Element compliance by HCD is referred to as "certification" of the Housing Element. Certification is important to enhance cities' eligibility for grant funds and also to support local land use authority.

HCD review of Housing Elements is required both prior to and after final adoption by the City Council.

Typically, the most critical issue in HCD's review is whether the Housing Element demonstrates compliance with State law regarding the Regional Housing Needs Assessment ("RHNA").

Public Review

To facilitate public review of the Housing Element update, staff has created a Housing Element web page (www.hermosabeach.gov/housingelement). The web page includes background information, Frequently Asked Questions, the Housing Element schedule, meeting materials, the draft Housing Element documents and an online housing survey.

The survey found the following response rate for the question, "What do you consider to be the most priority housing problems in Hermosa Beach?"

- **38%** Too many people cannot find suitable housing at a cost they can afford.
- **19%** More small apartments or condos are needed for single people and small families
- **9%** Not aware of any housing problems in Hermosa Beach
- **5%** More housing is needed close to schools, shopping, public transit and services
- **5%** More temporary housing is needed for homeless persons

At the February 3rd Planning Commission and City Council study session meeting, comments were made regarding affordability requirements, the role of accessory dwelling units (ADUs) in meeting City housing goals, potential housing trust funds and land value recapture with potentially changed zoning. These topics have been included in the Draft Housing Element documents.

NEXT STEPS:

The purpose of the special meeting is to allow the Planning Commission and interested stakeholders an opportunity to review the draft Housing Element and provide comments. While no formal action by the Planning Commission is required at this stage, staff is seeking feedback as to whether the Housing Element - and particularly the policies and programs contained in the Housing Policy Plan - are appropriate to address housing issues in Hermosa Beach over the next 8 years.

After this meeting, staff would make appropriate revisions to the draft Housing Element to reflect comments and a subsequent public hearing would be scheduled for City Council review of the draft Housing Element. Following City Council review, the draft Housing Element must be submitted to HCD for review. After the City receives HCD's comments, public hearings will be scheduled by the Planning Commission and City Council to consider final approval of the Housing Element.

Interested parties may submit questions or comments throughout the Housing Element update process by email to Senior Planner Christy Teague at cteague@hermosabeach.gov.

One of the most critical components of the Housing Element update is an analysis of potential sites for housing development to demonstrate how the City can accommodate its RHNA allocation. If sufficient sites are not currently available, actions are required to create additional capacity for housing, such as rezoning residentially-zoned property for higher density or rezoning non-residential property to allow residential use or mixed use.

Regional Housing Needs Assessment (RHNA)

The final SCAG RHNA allocation plan for Hermosa Beach is 558 units. In the preliminary analysis of potential sites for housing development, it appears existing housing capacity is insufficient to fully accommodate the RHNA allocation. Potential strategies for increasing opportunities for new housing may include the following:

- Incentives to encourage development of accessory dwelling units (ADUs)
- General Plan land use and zoning amendments to allow residential development in areas currently restricted to non-residential use. Examples of such areas could include:
 - Commercial areas along major boulevards
 - Civic Center area
 - Upper Pier Avenue
 - Institutional uses such as governmental facilities or religious organizations

General Plan Consistency:

PLAN Hermosa, the City's General Plan, was adopted by the City Council in August 2017. Since the State requires General Plan Housing Elements in 8-year cycles, the last Housing Element for the

2014-2021 cycle had been recently updated and was not included in the development of PLAN Hermosa. Upon adoption, the updated 2021-2029 Housing Element will become a component of the PLAN Hermosa General Plan.

Attachments:

1. Draft 2021-2029 Draft Hermosa Beach Housing Element Housing Policy Plan
2. Draft 2021-2029 Draft Hermosa Beach Housing Element Technical Report
3. Frequently Asked Questions Hermosa Beach 2021-2029 Housing Element Update

Respectfully Submitted by: Christy Teague, Senior Planner

Concur: Carlos Luis, Associate Planner

Approved: Ken Robertson, Community Development Director