

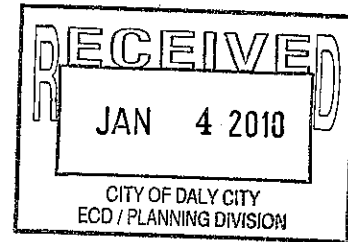
**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF HOUSING POLICY DEVELOPMENT**

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December 17, 2009

Mr. Michael VanLonkhuysen
Senior Planner
City of Daly City
333 90th Street
Daly City, CA 94015-1895



Dear Mr. VanLonkhuysen:

RE: Review of the City of Daly City's Draft Housing Element

Thank you for submitting Daly City's draft housing element received for review on October 19, 2009. The Department is required to review draft housing elements and report the findings to the locality pursuant to Government Code Section 65585(b). A telephone conversation on December 10, 2009 with you and Ms. Tatum Mothershead, Planning Manager, facilitated the review. In addition, the Department considered comments from Mr. and Ms. Rene and Louise Courpet pursuant to Government Code Section 65585(c).

The Department commends the City for promoting and providing incentives for higher density and mixed-use development through a variety of programs including parking reductions. The draft element addresses many statutory requirements; however, revisions will be necessary to comply with State housing element law (Article 10.6 of the Government Code). In particular, the element must include a complete analysis of sites and governmental constraints. The enclosed Appendix describes these and other revisions needed to comply with State housing element law.

We appreciate your, as well as Ms. Mothershead's, cooperation and assistance throughout the course of the review. The Department is committed to assist Daly City in addressing all statutory requirements of housing element law. If you have any questions or need additional technical assistance, please contact Jess Negrete, of our staff, at (916) 323-3185.

Sincerely,

Cathy E. Creswell
Deputy Director

Enclosure

APPENDIX
CITY OF DALY CITY

The following changes would bring Daly City's housing element into compliance with Article 10.6 of the Government Code. Accompanying each recommended change, we cite the supporting section of the Government Code.

Housing element technical assistance information is available on the Department's website at www.hcd.ca.gov/hpd. Refer to the Division of Housing Policy Development and the section pertaining to State Housing Planning. Among other resources, the Housing Element section contains the Department's latest technical assistance tool *Building Blocks for Effective Housing Elements (Building Blocks)* available at www.hcd.ca.gov/hpd/housing_element2/index.php, the Government Code addressing State housing element law and other resources.

A. Housing Needs, Resources, and Constraints

1. *Include an analysis of population and employment trends and documentation of projections and a quantification of the locality's existing and projected needs for all income levels, including extremely low-income households (Section 65583(a)(1)).*

In accordance with Chapter 891, Statutes of 2006 (AB 2634), the element must quantify extremely low-income (ELI) households' existing and projected needs and analyze their needs. The analysis of needs could consider tenure and rates of overpayment and overcrowding. To estimate the projected need, the element may either use available Census Data to calculate the number of ELI households, or presume 50 percent of the very low-income households qualify as ELI households. To assist the analysis, see the enclosed Comprehensive Housing Affordability Strategy data, sample analysis, and the Department's *Building Blocks*' website at http://www.hcd.ca.gov/hpd/housing_element2/EHN_extremelylowincome.php.

2. *Include an inventory of land suitable for residential development, including vacant sites and sites having the potential for redevelopment, and an analysis of the relationship of zoning and public facilities and services to these sites (Section 65583(a)(3)). The inventory of land suitable for residential development shall be used to identify sites that can be developed for housing within the planning period (Section 65583.2).*

The City has a regional housing need allocation (RHNA) of 1,207 housing units, of which 362 are for lower-income households. To address this need, the element relies on vacant and underdeveloped sites. However, to demonstrate the adequacy of these sites to accommodate the City's RHNA, the element must include complete analyses as follows:

Sites Inventory: Table HE-21 lists several sites with residential developments approved, under construction or completed. Daly City may credit these units toward the City's regional housing need; however the element must credit the units by income level, based on the actual or anticipated rent and sales prices or other mechanisms ensuring affordability (i.e., public financing). Please see the *Building Blocks*' at [http://www.hcd.ca.gov/hpd/housing_element2/HN PHN regional.php](http://www.hcd.ca.gov/hpd/housing_element2/HN_PHN_regional.php).

Realistic Capacity: The element appears to assume all sites in non-residential zones will be developed as residential. For non-residential sites, the residential capacity analysis should specifically account for the extent to which uses other than residential are allowed. For example, projected residential development capacity should not assume residential-only development on all commercial sites. For nonvacant sites, the analysis must account for the extent to which existing uses may impede development in the planning period. Projected residential development capacity should not, for example, assume all non-vacant sites will develop in the planning period. Please see the *Building Blocks'* at http://www.hcd.ca.gov/hpd/housing_element2/SIA_zoning.php.

Non-Vacant Sites: The element only provides very general descriptions of existing uses on non-vacant sites (Table HE-21). However, the element must describe the uses sufficiently to demonstrate the potential for redevelopment and evaluate the extent to which existing uses may impede additional residential development. The evaluation should consider development trends, market conditions, and regulatory or other incentives or standards to encourage additional residential development on these sites. For non-residential sites, the inventory could generally describe whether the use is operating, marginal or discontinued; the condition of the structure; and could describe any expressed interest in redevelopment. For sites with residential uses, the inventory could generally describe structural conditions or other circumstances and trends demonstrating the redevelopment potential to more intense residential uses. Refer to the sample analysis on the *Building Blocks'* website at http://www.hcd.ca.gov/hpd/housing_element2/SIA_zoning.php#nonvacant.

Sites with Zoning for a Variety of Housing Types

Emergency Shelters: Task 14.1 is included to permit emergency shelters in the proposed Commercial Mixed-Use zone. Pursuant to Chapter 633, Statutes of 2007 (SB 2), the element should describe the characteristics, suitability and capacity of the proposed zone to accommodate the need for emergency shelters. For example, the element could describe the acreage (including amount vacant), parcel sizes, availability of vacant existing structures that could be adapted for emergency shelters and other allowable uses and development standards in the zone. For further assistance, refer to the *Building Blocks'* website at http://www.hcd.ca.gov/hpd/housing_element2/SIA_variety.php#Emergency.

Transitional and Supportive Housing: Pursuant to SB 2, transitional and supportive housing must be permitted as a residential use and only subject to those restrictions that apply to other residential uses of the same type in the same zone. The element does not describe how transitional and supportive housing are permitted. The element must demonstrate consistency with the requirements of SB 2 or include a program to amend zoning pursuant to SB 2.

3. *Analyze potential and actual governmental constraints upon the maintenance, improvement, or development of housing for all income levels, including the types of housing identified in paragraph (1) of subdivision (c), and for persons with disabilities as identified in the analysis pursuant to paragraph (7), including land use controls, building codes and their enforcement, site improvements, fees and other exactions required of developers, and local processing and permit procedures. The analysis shall also demonstrate local efforts to remove governmental constraints that hinder the locality from meeting its share of the regional housing need in accordance with Section 65584 and from meeting the need for housing for persons with disabilities, supportive housing, transitional housing, and emergency shelters identified pursuant to paragraph (7) (Section 65583(a)(5)).*

Inclusionary Housing: The draft element indicates the City has an inclusionary housing program and describes its requirements (page HE-38). However, it must describe how the City promotes compliance with the inclusionary requirements, including any incentives or regulatory concessions and analyze the impacts of the inclusionary requirements on the cost and supply of housing. This is particularly important given current market conditions and the cumulative impact of local regulations. The element may need to revise Task 11.2 as appropriate based on the outcome of this analysis.

Fees: While the element generally describes an example of total fees and exactions for a single- and multi-family housing development, it must analyze their effect and impact on development costs of residential development. In addition, the element should specifically list all applicable planning, processing and impact fees, including fees collected by other entities (e.g., school districts) for residential development. Refer to the Fees and Exaction analysis on the *Building Blocks'* website at http://www.hcd.ca.gov/hpd/housing_element2/CON_home.php.

Processing and Permitting: The element includes some information on processing times; however it must specifically describe and analyze the City's permit processing and approval procedures by zone and housing type. The element should evaluate processing procedures for typical single- and multi-family projects, including type of permit, approval body, and decision-making criteria, such as approval findings, for impacts on the cost, supply, timing and affordability of housing. Refer to the sample analysis on the *Building Blocks'* website at http://www.hcd.ca.gov/hpd/housing_element2/CON_permits.php.

B. Quantified Objectives

Establish the number of housing units, by income level, that can be constructed, rehabilitated, and conserved over a five-year time frame (Section 65583(b)(1 & 2)).

While the element includes quantified objectives for new construction, rehabilitation and conservation, it must include these objectives by income category for extremely low-, very low- low-, moderate- and above moderate-income households. Refer to the sample analysis on the *Building Blocks'* website at http://www.hcd.ca.gov/hpd/housing_element2/PRO_overview.php.

C. Housing Programs

1. *Include a program which sets forth a five-year schedule of actions the local government is undertaking or intends to undertake to implement the policies and achieve the goals and objectives of the housing element through the administration of land-use and development controls, provision of regulatory concessions and incentives, and the utilization of appropriate federal and state financing and subsidy programs when available. The program shall include an identification of the agencies and officials responsible for the implementation of the various actions (Section 65583(c)).*

To address the program requirements of Government Code Section 65583(c)(1-6), and facilitate implementation, programs should include: (1) definitive implementation timelines; (2) objectives, quantified where appropriate; and (3) identification of responsible agencies and officials. All programs lack these requirements. For your information, while an ongoing implementation schedule may be appropriate for some programs, where the programs include specific deliverables or implementation actions, the timeframes should indicate specific completion or initiation dates. For example, Task HE 3.4 should commit to when the City will reduce parking requirements.

2. *Identify adequate sites which will be made available through appropriate zoning and development standards and with public services and facilities needed to facilitate and encourage the development of a variety of types of housing for all income levels, including rental housing, factory-built housing, mobilehomes, and emergency shelters and transitional housing. Where the inventory of sites, pursuant to paragraph (3) of subdivision (a), does not identify adequate sites to accommodate the need for groups of all household income levels pursuant to Section 65584, the program shall provide for sufficient sites with zoning that permits owner-occupied and rental multifamily residential use by right, including density and development standards that could accommodate and facilitate the feasibility of housing for very low- and low-income households (Section 65583(c)(1)).*

As noted in Finding A-2, the element does not include a complete site analysis and therefore, the adequacy of sites and zoning were not established. Based on the results of a complete sites inventory and analysis, the City may need to add or revise programs to address a potential shortfall of sites or zoning available to encourage a variety of housing types. Programs to address a shortfall of sites for this planning period, must be consistent with Government Code Sections 65583.2 and 65583(c)(1) to permit owner-occupied and rental multifamily uses by-right sufficient to accommodate the remaining need for lower-income households, permit a minimum of 16 units per site, and require at least 50 percent of the lower-income needs to be accommodated on sites designated for residential use only. Pursuant to 65583.2(i), "by-right" means local government review must not require a conditional use permit (CUP), planned unit development or other discretionary review or approval.

In addition:

Task HE 3.1 (Establish Mixed-Use Zoning): Several sites in the inventory are commercially zoned or require rezoning to facilitate residential development. Given the importance of encouraging higher density, maximizing land resources, facilitating job and housing relationships and addressing climate change objectives, Task HE 3.1 should include specific completion dates and clarify acreages to be rezoned to mixed-use zoning.

Non-Vacant Sites: Given the reliance on non-vacant sites to accommodate the regional housing need, the element should include policies and programs to encourage redevelopment such as targeted financial resources and incentives based on the outcome of analysis noted in Finding A-2.

Task HE 14.1 (Emergency Shelters): In accordance with SB 2, the program must amend zoning within one year of adoption of the housing element. In addition, the program must commit to establish development standards that will encourage and facilitate the use and only subject shelters to the same development and management standards that apply to other allowed uses within the identified zone. See the Department's SB 2 technical assistance memo at http://www.hcd.ca.gov/hpd/sb2_memo050708.pdf.

Transitional and Supportive Housing: Based on the outcome of the analysis noted in Finding A-2, the element should add or revise programs to comply with SB 2.

3. *The housing element shall contain programs which "assist in the development of adequate housing to meet the needs of extremely low-, low- and moderate-income households (Section 65583(c)(2)).*

While the element includes some programs to assist in the development of housing affordable to lower income households, pursuant to AB 2634, existing programs should either be expanded or new programs added to specifically assist in the development of a variety of housing types to meet the housing needs of ELI households. To address this requirement, the element could revise programs to prioritize some funding for the development of housing affordable to ELI households, and/or offer financial incentives or regulatory concessions to encourage the development of housing types, such as single-room occupancy (SRO) units, multifamily and supportive housing, which can address the needs of this income group. The element could also include a program to amend zoning to explicitly allow SRO units, establish development standards and permit procedures to encourage and facilitate SRO development. Please be aware; however, SROs do not address the housing needs for family ELI households who may need housing with two or more bedrooms. The element should include ELI programs that correspond to the City's entire range of ELI household needs.

4. *The housing element shall contain programs which "address, and where appropriate and legally possible, remove governmental constraints to the maintenance, improvement, and development of housing" (Section 65583(c)(3)).*

The element requires a complete analysis of potential governmental constraints. Depending upon the results of that analysis, the City may need to revise or add programs and address and remove or mitigate any identified constraints.

The element should include a program to revise the definition of family to comply with State and federal fair housing laws (page 48).

Task 15.2 (Develop Reasonable Accommodation Procedure) should not be limited to the installation of accessibility improvements, and should provide exception to broader zoning and land-use for maintenance, improvement and development of housing for persons with disabilities. To assist the City, refer to the sample program language, model ordinance and examples from several cities available on the *Building Blocks'* website at http://www.hcd.ca.gov/hpd/housing_element2/PRO_mitigate.php.

5. *The housing program shall promote equal housing opportunities for all persons regardless of race, religion, sex, marital status, ancestry, national origin or color (Section 65583(c)(5)).*

While Task HE 16.1 indicates the City will assist in the implementation and enforcement of State and federal fair housing law, the program should commit to disseminate fair housing information throughout the City in a variety of public locations. Refer to the *Building Blocks'* website at http://www.hcd.ca.gov/hpd/housing_element2/PRO_eho.php.

6. *The housing program shall preserve for low-income household the assisted housing developments identified pursuant to paragraph (8) of subdivision (a). The program for preservation of the assisted housing developments shall utilize, to the extent necessary, all available federal, state, and local financing and subsidy programs identified in paragraph (8) of subdivision (a), except where a community has other urgent needs for which alternative funding sources are not available. The program may include strategies that involve local regulation and technical assistance (Section 65583(c)(6)).*

The element identifies 120 units at-risk of converting to market-rate uses within the next ten years. Therefore, Task HE 22.1 (Preservation of At-Risk Housing) must include specific actions to assist in preserving the at-risk units. For example, the program could commit to facilitate compliance with noticing requirements, include a tenant education component, and commit to pursue funding upon notification of conversion. Additional information and resources are available at the California Housing Partnership Corporation (<http://www.chpc.net/>) and the Department's *Building Blocks'* website at http://www.hcd.ca.gov/hpd/housing_element2/PRO_atrisk.php.

D. Public Participation

Local governments shall make a diligent effort to achieve public participation of all economic segments of the community in the development of the housing element, and the element shall describe this effort (Section 65583(c)(7)).

While the element mentions focus groups, a steering committee and public workshops, it does not describe how Daly City made a diligent effort to achieve the participation of all economic segments of the community including low- and moderate-income households. The element should also generally describe public input and how the input was considered and incorporated into the element. Please see the *Building Blocks'* website at http://www.hcd.ca.gov/hpd/housing_element2/GS_publicparticipation.php.

E. Consistency with General Plan

The housing element shall describe the means by which consistency will be achieved with other general plan elements and community goals (Section 65583(c)(7)).

The element did not address this requirement. The housing element affects a locality's policies for growth and residential land uses. The goals, policies and objectives of an updated housing element may conflict with those of the land-use, circulation, open space elements as well as zoning and redevelopment plans. The general plan is required to be "internally consistent." As part of the housing element update, the City should review the general plan to ensure internal consistency is achieved and maintained. The City could consider an internal consistency review as part of its annual general plan implementation report required under Government Code Section 65400. For more information refer to the *Building Blocks'* website at http://www.hcd.ca.gov/hpd/housing_element2/OR_costal.php.

The City should also note recent statutory changes to Government Code Section 65302 (Chapter 369, Statutes 2007 [AB 162]) which requires amendment of the safety and conservation elements of the general plan to include analysis and policies regarding flood hazard and management information upon the next revision of the housing element on, or after, January 1, 2009. For additional information, please refer to Department's website at http://www.hcd.ca.gov/hpd/hrc/plan/he/ab_162_stat07.pdf.

F. Coastal Zone Localities

Coastal localities shall document the number of low- and moderate-income units converted or demolished, and the number of replacement units provided (Section 65588(d)).

The element does not address this statutory requirements. To determine whether the City's affordable housing stock in the coastal zone is being protected and provided as required by Government Code Section 65588, the element must be revised to include the following:

1. The number of new housing units approved for construction within the coastal zone since January 1982.

2. The number of housing units for persons and families of low- and moderate-income required to be provided in new housing developments either within the coastal zone or within three miles.
3. The number of existing residential dwelling units occupied by low- and moderate-income households required either within the coastal zone or three miles of the coastal zone that have been authorized to be demolished or converted since January 1982.
4. The number of residential dwelling units for low- and moderate-income households that have been required for replacement.

Housing Problems Output for --All Households

Name of Jurisdiction: Daily City city, California	Source of Data: CHAS Data Book										Data Current as of: 2000			
	Renters					Owners					Total Owners Households	Total Households		
	Elderly 1 & 2 member households (A)	Small Related (2 to 4) (B)	Large Related (5 or more) (C)	All Other Households (D)	Total Renters (E)	Elderly 1 & 2 member households (F)	Small Related (2 to 4) (G)	Large Related (5 or more) (H)	All Other Households (I)	Total (J)			(L)	
Household by Type, Income, & Housing Problem														
1. Household Income <=50% MFI	850	1,564	644	1,382	4,440	1,507	618	330	352	2,807	7,247			
2. Household Income <=30% MFI	498	704	230	935	2,367	754	146	128	234	1,262	3,629			
3. % with any housing problems	68.9	85.8	100	72.2	78.2	55.6	87	73.4	74.4	64.5	73.5			
4. % Cost Burden >30%	64.9	78	93.5	71.1	74	55.6	77.4	62.5	74.4	62.3	69.9			
5. % Cost Burden >50%	49	68.9	82.6	68.4	65.9	40.3	74.7	54.7	72.6	51.7	61			
6. Household Income >30% to <=50% MFI	352	860	414	447	2,073	753	472	202	118	1,545	3,618			
7. % with any housing problems	85.8	94.2	95.2	85.5	91.1	35.6	76.7	92.6	79.7	59	77.4			
8. % Cost Burden >30%	80.1	86	66.2	84.6	80.8	35.1	75	90.6	76.3	57.7	70.9			
9. % Cost Burden >50%	35.2	34.9	19.1	45.4	34.1	20.5	62.5	54	42.4	39.4	36.3			
10. Household Income >50 to <=80% MFI	181	1,544	615	578	2,918	949	1,265	805	365	3,384	6,302			
11. % with any housing problems	58.6	77	82.9	58.5	73.4	32	58.5	85.7	67.1	58.5	65.4			
12. % Cost Burden >30%	56.4	42	22	56.1	41.5	31.6	51.4	49.1	67.1	47	44.4			
13. % Cost Burden >50%	4.4	6.7	0	5.9	5	13.2	19.4	8.7	26	15.8	10.8			
14. Household Income >80% MFI	184	2,205	1,130	1,345	4,864	1,519	6,000	3,525	1,239	12,283	17,147			
15. % with any housing problems	7.6	31.3	69.9	19	36	8.5	25.8	57.6	31.8	33.4	34.1			
16. % Cost Burden >30%	2.2	2.3	0.9	7.4	3.4	8.5	18.6	17.2	29.9	18.1	13.9			
17. % Cost Burden >50%	0	0	0	0	0	1.6	1.4	1.7	4	1.8	1.3			
18. Total Households	1,215	5,313	2,389	3,305	12,222	3,975	7,883	4,660	1,956	18,474	30,696			
19. % with any housing problems	63	62	80.5	49.9	62.4	28.2	35.3	64.4	46.4	42.3	50.3			
20. % Cost Burden >30	58.5	37.4	26.5	44.4	39.3	28	28.3	27.1	44.9	29.7	33.5			
21. % Cost Burden >50	30.9	16.7	11.3	26.5	19.7	15.3	9.3	6.6	18.7	10.9	14.4			

Sample Analysis for Daly City

HOUSING NEEDS ASSESSMENT EXTREMELY LOW INCOME HOUSEHOLDS

Extremely low-income is defined as households with income less than 30 percent of area median income. The area median income for Daly City is \$96,600. For extremely low-income households, this results in an income of \$33,950 or less for a four-person household. Households with extremely low-income have a variety of housing situations and needs. For example, most families and individuals receiving public assistance, such as social security insurance (SSI) or disability insurance are considered extremely low-income households.

Housing Needs for Extremely Low-Income Households

	Renters	Owners	Total
Total Number of ELI Households	2,367	1,262	3,629
Percent with Any Housing Problems	78%	64%	73%
Percent with Cost Burden (30% or > of Income)	74%	62%	69%
Percent with Cost Burden (50% or > of Income)	65%	51%	61%
Total Number of Households	12,222	18,474	30,696

Source: HUD Comprehensive Housing Affordability Strategy (CHAS) 2000

Existing Needs

In 2000, approximately 3,629 extremely low-income households resided in Daly City, representing 11 percent of the total households. Most (65 percent) extremely low-income households are renters and experience a high incidence of housing problems. For example, 73 percent of extremely low-income households faced housing problems (defined as cost burden greater than 30 percent of income and/or overcrowding without complete kitchen or plumbing facilities) and 84 percent were in overpayment situations. Even further, 61 percent of extremely low-income households paid more than 50 percent of their income toward housing costs, compared to 10 percent for all households.

Projected Needs

To calculate the projected housing needs for extremely low-income households, Daly City assumed 50 percent of its very low-income regional housing need are extremely low-income households. As a result, from the very low-income need of 241 units, Daly City has a projected need of 121 units for extremely low-income households. Many extremely low-income households will be seeking rental housing and most likely facing overpayment, overcrowding or substandard housing conditions. Some extremely low-income households could be with mental or other disabilities and special needs. To address the range of needs, Daly City will.....