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**To:** Honorable Mayor and Members of City Council

**From:** Vincent Smith, Community Development Director

**Prepared By:** Michael Walker, Senior Planner

**TITLE:**  
2019 Housing Element Annual Progress Report

**RECOMMENDED ACTION:**

Accept the 2019 Housing Element Annual Progress Report and direct Staff to file the report with the California Department of Housing and Community Development (“HCD”) and the Governor’s Office of Planning and Research (“OPR”).

**DISCUSSION:**

The City’s General Plan helps to guide decision-making by residents, property owners, business interests, and elected and appointed officials about public and private land use and development that shape Napa’s physical environment, including decisions relating to housing. As required by State law, an annual report must be submitted to the City Council, and ultimately be forwarded to the Governor’s Office of Planning and Research (OPR) and to the California Department of Housing and Community Development (HCD), identifying the progress made with various housing programs contained in the General Plan, including local efforts to remove governmental constraints to the maintenance, improvement and development of housing.

This 2019 Housing Element Annual Progress Report (APR) identifies the actions undertaken by the City in 2019 to carry out the Housing Element’s implementation programs. This is the fourth year of

the 5<sup>th</sup> Cycle Housing Element, covering years 2015 through 2023.

Continuing with the enhanced spreadsheet introduced for the 2018 Reporting Year, the supporting documentation that accompanies this report incorporates requirements pursuant to housing-related bills that were enacted by the Legislature in 2017. As such, the supporting documentation includes seven tables of information as outlined below. For reference, the “reporting year” for this APR is January 1 through December 31, 2019. Staff has noted which Tables are not applicable to Napa.

- Table A - Includes data on housing units and developments for which an application was submitted and “deemed complete” during the reporting year.
- Table A2 - This table requires information for a project’s affordability component and includes data on net new housing units and developments that have received (a) an entitlement; (b) a building permit; or (c) a certificate of occupancy.
- Table B - Provides a summary of prior permitting activity (permits issued) in the current Cycle including activity for the current reporting year.
- Table C (not applicable) - Sites identified or rezoned to accommodate shortfall housing need. This table only applies if the City identifies an unaccommodated need of sites from the previous planning period, has a shortfall of sites as identified in the housing element, or is identifying additional sites required by no net loss law.
- Table D - Reports the status and progress of housing element program and policy implementation for all programs described in the housing element.
- Table E (not applicable) - This table only applies if the City approved any commercial development bonuses during the reporting year. To qualify, an applicant for a commercial development enters into an agreement for partnered housing to contribute affordable housing through a joint project or two separate projects encompassing affordable housing and the commercial developer receives a development bonus.
- Table F (not applicable) - Identifies units rehabilitated, preserved, and acquired for alternative adequate sites.
- Summary Table - The summary table auto-populates from data entered on other tables related to project entitlements completed during the reporting year and if those projects received streamlined review pursuant to SB 35 Streamlining Provisions. It is important to note that for projects where building permits were issued in 2019, the entitlements were likely issued in previous years and are not reflected in this summary table.

### Housing Needs Information

On March 3, 2015, City Council adopted the 5<sup>th</sup> Cycle Housing Element which addresses housing needs from 2015 to 2023. The City of Napa Regional Housing Needs Allocation (RHNA) goal is 835 units over an 8-year period, representing an average of 104 units per year. The need is broken down as follows:

- 432 units at moderate income (81% to 120% of area median income) or below (52% of goal); or an average of 54 moderate, low, or very-low income units per year
- 403 units at above moderate income (>120% of area median income) (48% of goal); or an average of 50 units per year

In the past five years, the City has issued building permits for 1,031 new residential units.

### Permit Activity

HCD requires that the City report on new residential Building Permits issued during each year within the Housing Element cycle by income level (see Table B in Attachment 1). The total number of Building Permits issued in 2019 for new residential units was 160, including 92 units in the above-moderate affordability category, 27 units in the low-income category, 41 in the moderate income category, and includes 34 Accessory Dwelling Units.

ADU Affordability Methodology - A report by the Napa Valley Community Foundation and Community Foundation of Sonoma County, "Understanding the Market: ADUs in Napa and Sonoma County" from July 2019, found that ADUs tend to rent for 20-30% less than comparable apartments. For the purposes of reporting to HCD, most ADUs fall in the Moderate Income level. Staff has further determined that modest ADUs, such as garage conversions, and Junior ADUs are more likely to fall in the Low Income level. These are included in the Non-Deed Restricted categories on Table B (see Attachment 1).

Staff reached out to HCD to determine if a statewide methodology exists for ADU affordability and was informed that HCD recommends jurisdictions rely on local and regional studies or surveys to determine their own affordability methodology.

### Project Activity

As reflected in Table A of Attachment 1, projects submitted and "deemed complete" in the reporting year included 132 housing units. This table also identifies Unit Categories: Single Family Attached (SFA), Single Family Detached (SFD), Two to Four Unit buildings (2 to 4), Multi-Unit Buildings (5+), Accessory Dwellings (ADU), and Mobile Homes (MH). The total number of units approved during the reporting year was 38.

### Housing Element Implementation

The Housing Element identifies key housing goals, policies, quantified objectives and scheduled implementation programs aimed at preserving and enhancing residential neighborhoods, sustaining the community's character and environmental resources, and efficiently planning for the future use of remaining undeveloped or redeveloped properties so that they fulfill the City's fair share of the regional housing need. The implementation programs, as described in the Report, are intended to address these issues.

The City has made a concerted effort to follow through on the programs of the Housing Element and to further expand and more efficiently respond to its housing needs in coordination with other City goals. Actions taken by the City of Napa during 2019 to implement the Housing Element are summarized by the Housing Element Program in Table D of Attachment 1. This summary includes implementation of programs that are required on an ongoing basis, as well as those that are identified for implementation within the eight-year term of the Housing Element.

Program accomplishments for the 2019 calendar year include:

- The City continued work on the General Plan Update.
- The City continued its Junior Unit Initiative pilot program which provides financing and technical assistance to homeowners to create Junior Accessory Dwelling Units (JADUs) which are rented to low-income residents.
- Two deed-restricted JADUs were created through the Junior Initiative pilot program

- The City partnered with the North Bay ADU Project to create an online workbook and fee calculator to assist homeowners with addressing construction costs and fees associated with building an ADU.
- The City applied for \$310,000 in grant funding under the SB2 Planning Grants Program to fund a Housing Sites Inventory and the ADU “One-Stop Shop” partnership with the North Bay ADU Project.
- 68 low-income units, including 49 at Stoddard West and 19 at Napa Courtyards were completed with financial assistance from the City.
- The City approved an increased loan amount for the 34-unit Redwood Grove affordable housing project, now under construction.
- The City assisted six low-income households in the First Time Home Buyer Program.
- The City provided funds for the rehabilitation of 10 owner-occupied units - including five through the Owner Occupied Rehab Loan Program and five through the Emergency Grant Program.
- The City approved a loan of \$2.2M and project-based vouchers in funding from the City’s Affordable Housing Impact Fees for Heritage House on February 18, 2020.

#### Actions in the Coming Year

- The City will continue work on the General Plan Update with an estimated adoption date in the first quarter of 2021.
- The City will participate in the opening of the ADU “One-Stop Shop” in conjunction with the North Bay ADU Project.
- The City will utilize SB2 Planning Grant Funds to complete a Housing Sites Inventory in conjunction with the General Plan Update.

#### PLANNING COMMISSION MEETING

The Planning Commission received the report on February 20, 2020. The Commission heard a report from Staff and requested clarification on the Affordability Methodology used to classify ADUs and JADUs as Moderate- and Low-Income units. No public comment was received. The Commission unanimously recommended approval of the 2019 Housing Element Annual Progress Report.

#### **FINANCIAL IMPACTS:**

No direct financial impact to the City has been identified with this agenda item.

#### **CEQA:**

The Community Development Director has determined that the Recommended Action described in this Agenda Report is not subject to CEQA, pursuant to CEQA Guidelines Division 15060(c).

#### **DOCUMENTS ATTACHED:**

ATCH 1 - 2019 Housing Element Annual Progress Report

#### **NOTIFICATION:**

None.