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March 26, 2008

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HOUSING POLICY
DEVELOPMENT, HCD

MAR 27 2008

RE: 2007 Annual Housing Report

To Whom It May Concern:

Please find attached the City of Novato's 2007 Annual Housing Report.

If you have any questions, I can be reached at (415) 899-8257.

Sincerely,

Tim Wong
Housing Coordinator

MAR 27 2008

CITY OF NOVATO
2007 Annual Report on Housing

INTRODUCTION

The Government Code Section 65400(b)(2) requires local agencies to provide an Annual Report to the California Office of Planning and Research (OPR), and the California Department of Housing and Community Development (HCD) on the status of the City's General Plan housing activity. More specifically, the State requests a report describing the community's progress in meeting its fair share of regional housing needs, and efforts to maintain, improve and develop housing.

The following information constitutes the City of Novato's Annual Report for 2007. In compliance with State reporting criteria, this report provides: 1) a complete overview of housing activity ranging from development proposals received by the City that are pending entitlements to projects that have been constructed during the Year, 2) a summary of actual housing construction activity (number of dwelling units) based upon building permits issued during the year, 3) an overview of current housing proposals under consideration and measures taken by the City during the year that are aimed both at meeting the City's remaining fair share of regional housing needs, and measures to maintain, improve and develop housing, and 4) a discussion of progress in fulfilling key Programs of the current Housing Element identified by the State Department of Housing and Community Development is provided.

RESIDENTIAL HOUSING ACTIVITY

The following table (Table 1) provides a summary and status of all new residential projects, including projects that are: 1) pending development entitlement approval and/or, 2) approved for construction and/or, 3) constructed or under construction during 2007.

Table 1: Residential Housing Activity During 2007

Name	Number and Type of Units	Status
1112 4 th St.	10 Single-family Homes	Approved for Construction
727 Cherry Street (Cherry Hill Apts.)	6 Single-family detached units	Approved for Construction
1690 Hill Road Parcel Map	2 Single-family Homes	Pending Development Entitlements
1438 Indian Valley	1 Single-family Home	Approved for Construction
611 McClay Road	1 Single-family Home	Approved for Construction

Olive Court Subdivision	9 Single-family Homes	Approved for Construction
12 Tara Lane	1 Single-family Homes	Constructed
Hildebrand (Laguna Vista) Tentative Map	2 Single-family Homes	Pending Design Review Entitlements
23 Tara Lane	1 Single-family Home	Approved for Construction
Sagewood Subdivision	3 Single-family Home	Pending Development Entitlements
610 Davidson Street	2 Single-family Home	Pending Design Review Entitlements
Woodview Master Plan	20 Single-family Homes	Under Construction
756 Tamalpais Ave.	1 Accessory Dwelling Unit	Constructed
Rudnick Estates	24 Single-family Homes	Approved for Construction
2121 Vineyard Rd.	1 Single-family Home	Approved for Construction
8 Nunes Dr.	1 Single-family Home	Under Construction
Renaissance Estates at Stonetree	52 Single-family Homes	Constructed and Under Construction
1407 Chase Ct.	1 Single-family Home	Under Construction
Sunset Ridge Subdivision	4 Single-family Homes	Approved for Construction
Olive Ridge Subdivision	19 Single-family Homes	Under Construction/Partially occupied
Somerston Subdivision	8 Single-family Homes	Under Construction
Cooper Parcel Map	1 Single-family Home	Approved for Construction
Olive Ct. Subdivision	9 Single-Family Homes	Approved for Construction
Homeward Bound of Marin's Next Key Housing	32 Affordable Transitional Studio Units (for very-low income households)	Under Construction
835 Albatross Drive	1 Single Family Home	Constructed
6 Anderson Way	1 Single Family Home	Constructed
1200 Cabro Ridge	1 Single Family Home	Approved for Construction

2130 Center Road	4 Single Family Homes	Pending Development Entitlements
700 Cherry Street	1 Single Family Home	Pending Development Entitlements
790 DeLong (Mixed Use/Whole Foods)	124 Condominiums (7 are for very low income households)	Under Construction
1129 First Street	2 Apartments	Constructed
870 Grant Avenue	3 Apartments	Under Construction
1625 Hill Road	25 Single Family Homes	Approved for Construction
28 Nunes Drive	1 Single Family Home	Approved for Construction
2225 Oak Knoll Road	1 Single Family Home	Approved for Construction
End of Oleander Lane	4 Single Family Homes	Approved for Construction
292 Olive Avenue	1 Single Family Home	Under Construction
Pine Avenue	2 Apartments	Approved for Construction
650 Tamalpais Avenue	1 Single Family Home	Pending Development Entitlements
764 Tamalpais Avenue	3 Single Family Homes	Approved for Construction
406 Ridge Road	1 Accessory Dwelling Units	Approved for Construction
Total Housing Activity: Units Approved for Construction, Under Construction, and Constructed	393 Units	
Total Units Pending Development Entitlements	44 Units	

CONSTRUCTION ACTIVITY

As discussed under Regional Fair Share Housing Needs below, the City has granted entitlements for in excess of the number of dwelling units needed to meet its total fair share needs determination for the planing period. However, the actual development of approved housing is more accurately tracked based

on the number of units that have been constructed or are under construction pursuant to the type of residential building permits issued (single family, multi family or other). The following table, Table 2, provides a summary of the actual number of units constructed or that are under construction based on building permits issued for each fiscal year. During 2007, the Building Division reported that building permits for 23 new residential dwelling units were issued (see Table 2 below).

Table 2: January 1999 - December 2007 Construction Activity

RESIDENTIAL BUILDING PERMITS ISSUED BY FISCAL AND CALENDAR YEAR								
1999/ 2000	2000/ 2001	2001/ 2002	2002/ 2003	2003/ 2004	2004/ 2005	2005/ 2006	2007	Total
565	188	60	395	511	150	40	23	1932

* Building Permits issued from January 1999 through June 2000

REGIONAL FAIR SHARE HOUSING NEEDS

In 1999, pursuant to Government Code Section 65584, the Association of Bay Area Governments (ABAG) prepared a *Regional Housing Needs Determination* for jurisdictions within the County of Marin. Based on ABAG projections, the City of Novato should provide 476 very-low income units, 242 low income units, 734 moderate income units, and 1,130 above moderate income units for a total of 2,582 dwelling units between the years 1999 and 2006. To date, since January 1999 through December 2006, the City of Novato has built and/or approved for construction 2,959 dwelling units, which represents an excess of 379 dwelling units built or approved in relation to the City’s prescribed total fair share of regional housing for the planning period. The 2,959 units built or approved since January 1999, include: 297 very-low income units, 527 low income units, 496 moderate income units and 1,646 above moderate income units. Table 3, below, provides a summary of Novato’s progress, to date, in meeting its fair share housing needs for the planning period.

Table 3: Novato’s Progress in Meeting its Regional Fair Share Housing Needs by Income Category

	Very-Low Income	Low Income	Moderate Income	Above Moderate Income	Total
Regional Housing Need for 1/99-6/2006 (ABAG)	476	242	734	1,130	2,582
Housing Units Built or Approved since 1/99	297	527	496	1,646	2,959
Total Remaining Units Needed	179	-285	238	-516	-384

ADDRESSING OUR REMAINING FAIR-SHARE OF REGIONAL HOUSING AND ONGOING EFFORTS TO MAINTAIN, IMPROVE AND DEVELOP HOUSING

While the City of Novato has successfully provided for an excess of 384 total dwelling units within the planning period, there is a remaining need for 179 dwelling units that are formally reserved for very-low income households. In keeping with applicable programs contained in the Housing Element of the General Plan, the following is a brief discussion of current housing proposals and measures taken by the City during the year that are aimed at meeting the City’s remaining fair share of very-low income housing, and maintaining, improving and developing housing. Applicable programs contained in the current Housing Element (HE) are listed following each discussion item:

- Affordable Housing Ordinance: The City adopted a completely revised Affordable Housing Ordinance in October 2007. The revised ordinance increased the percentage of required affordable units in a development, “deeper” affordability requirements for the affordable units and required that the affordable unit(s) be provided in the development. Developer no longer have the option of paying the in-lieu fee instead of providing the affordable units. In lieu fees are required only in certain instances.

The in lieu fees, when required, have also been increased. Depending on the size of the development, the fee ranges from \$14,000 to \$28,000 per unit.

Applicable HE Programs: 9.A, 13A

- Signature Properties/Whole Foods Mixed Use: The City received an application from Signature Properties and Robert Lalanne to rezone approximately 2.85 acres at 790 DeLong Avenue to Planned District (PD) to allow for a mixed use, multi-family residential and retail project that includes 124 condominium homes. Seven (7) of the condominium homes will be available exclusively for very-low income households. In December of 2005, the City Council approved a rezoning of the subject 2.85 acres to PD to accommodate the mixed use, multi-family residential

and retail project. The project has cleared all the final land use conditions and is now in the plan check phase.

Applicable HE Programs: 6.D, 7.A, 8.C

- Homeward Bound of Marin's Next Key Housing: In January 2004, Homeward Bound of Marin submitted a project proposal called Next Key, which is a combined training center and 32 very-low income, transitional studio apartments located on 1.84 acres. As proposed, Next Key will be located adjacent to the existing New Beginnings Center; an 80 bed adult homeless shelter off of Hamilton Parkway. In July of 2005 the City Council approved necessary zoning amendments to the Hamilton Reuse Plan/Master Plan and a Planned District (PD) to allow for the proposed Next Key project. Lastly, the project is located on land owned by the Novato Public Finance Authority (NPFA) on behalf of the City. As a condition of the entitlements to construct the project, the City via the NPFA, will be considering a Ground Lease to convey approximately 1.84 acres of land to Homeward Bound of Marin to support the project. They have received their land use approvals.

Applicable HO Programs 6.D, 3.A, 3.B, 6.J, 12.B

- Senior Housing at Hamilton During the 2003/2004 fiscal year, the City entered into an exclusive right to negotiate with Mercy Housing to construct a 100% affordable senior housing apartment project on land planned for said use as a part of the Hamilton Field Master Plan. Because of external circumstances, Mercy could not continue with the project. However, the City has begun negotiations with another not for profit housing developer for a smaller scale senior rental project on the site. However, those discussions have not moved forward out of the initial discussions. There is no proposed development on this site. To date, the City has contributed approximately \$80,000 towards planning and design for the project.

Applicable HE Programs: 6.C, 6.D, 6.E, 13.B

- Senior Housing at Diablo Ave. The City has entered into extensive negotiations in the development of a vacant site on Diablo Ave. The non profit affordable housing developer proposes to construct 57 units of extremely low income senior rental housing on the site. The City has been discussing providing gap funding for the project. The developer is in the process of securing funds from other affordable housing lenders.

Applicable HE Programs: 6.C, 6.D, 6.E, 13.B

- Wyndover Apartments (a.k.a. Westside Terraces): Through its local agency approval of a tax-exempt bond application for low income tax credit, the City strongly endorsed the purchase of the 136 unit Westside Terraces apartment complex by Fairfield Affordable Housing LLC. Subsequently, Fairfield Affordable Housing LLC was able to purchase the apartments inclusive of tax credit financing. Thus, pursuant to the new owner's use of State tax credit financing, 26 of the existing units are now formally reserved for very-low income households and 110 units are now formally reserved for low income households. Further, under new ownership, the existing

apartment complex is undergoing a number of physical/architectural upgrades. It is now fully rented.

Applicable HO Policy 4.4 and Programs: 12.A, 13.C

- Complete Commercial/Housing Nexus Study and Linkage Fee Program: In December of 2003, the City conducted a nexus study to determine appropriate and possible contributions for affordable housing from non-residential uses. Following an anticipated update to the City's Affordable Housing Ordinance applicable to new residential development as discussed above, the City anticipates pursuing planning efforts to complete work necessary for the City to consider adopting a jobs/housing linkage fee program.

Applicable HE Programs: 5.A, 5.B

- Capehart/Hillside Housing (a.k.a. Meadowpark Townhomes and Bay Vista Apartments) at Hamilton: Working with the project developer, Novato Community Partners, the City continues to monitor and implement the affordable housing obligations for this development, which includes 708 affordable dwelling units comprised of 351 affordable townhomes, 297 affordable apartments and 60 affordable transitional housing units. All the ownership units have been sold and the apartments have been rented.

Applicable HE Programs: 11.A, 11.C, 12.B

KEY PROGRAMS OF THE CURRENT HOUSING ELEMENT

The following section is a discussion of the City's progress in fulfilling key Programs of the current Housing Element (Programs 6.B, 6.D and 8.C). The City's actions to implement these programs are discussed below along with several other programs in which local interest has been shown:

Program 6.B, Modify Multi-family Zoning Standards. This program calls for specific amendments to the General Plan and Zoning Code:

- Establish minimum densities for residential development. Response: The General Plan (*via text and map*) places a minimum density on each residential designation. In addition to maximum densities assigned to each residential land use designation, the General Plan, via Allowable Density Range, also establishes a minimum number of dwelling units per gross acre of land. Minimum and maximum density ranges pursuant to Novato's residential land use designations are as follows:

Rural Residential	Up to 0.49 du/ac;
Very Low Density Residential	0.5 to 1.0 du/ac;
Low Density Residential	1.1 to 5.0 du/ac
Medium Density Detached Residential	4.1 to 7.0 du/ac

Medium Density Residential	5.1 to 10.0 du/ac
Medium Density Multi-Family Residential	10.1 to 20.0 du/ac
High Density Multi-Family Residential	20.1 to 30.0 du/ac

- Ensure phased development does not preclude subsequent phases from being constructed at least minimum density. Response: This is a policy that staff implements in working with developers. For phased housing developments, the density is established at the beginning of the development process, typically in the form of a Master Plan. The ability to meet projected development density established through the Master Plan is maintained with the approval of subsequent phases. For example, the Hamilton Army airfield Reuse/Master Plan, now nearing completion, included provisions for the creation of 1,171 homes. Over the past 5+ years, the total unit count has been achieved via three Precise Development Plans and six (6) corresponding final maps.
- Support well designed projects at mid to high end of General Plan density range. Response: Based largely on its design merits, the City Council unanimously approved a mixed use project including 125 condominium homes and 52,000 sq.ft. of retail space on 2.85 acres in the vicinity of 790 DeLong Avenue. The City applied an increased Floor Area Ratio from 1.2 to 2.0 to accommodate the number of condominium homes proposed, which equates to a residential density of 44 units per acre; said density is in addition to 52,000 sq.ft of retail space. Provided design expectations can be met, staff continues to encouraged higher density mixed use, residential projects within Novato’s Downtown.
- Allow multi-family development as a permitted rather than a conditional use. Response: Pursuant to a comprehensive update to the Novato Zoning Ordinance, adopted by the City Council in April 2001, Multi-family development is now a permitted use in Multi-family zones citywide.
- Use FAR increases to provide higher density in the Downtown Commercially zoned districts. Response: Commercial development in the Downtown is allowed a 1.2 Far. However, development that includes a residential component (units) is allowed a 2.0 FAR; a 66% density increase.
- Encourage Planned Development zones to allow flexibility in development standards. Response: Novato has a very high number of Planned Development zones throughout the city, many of which are for residential development; Atherton Ranch and all of Hamilton are major examples. These projects allowed flexibility in development standards.
- Allow density to be calculated on a net acre basis. Response: The genesis of this program point was the result of Novato’s participation in the Housing Element Workbook for all Cities and the County of Marin. However, after reviewing existing Policy language of Novato’s 1996 General Plan, LU Policy 1A of the Land Use Chapter, Novato calculates residential density on a gross acre basis. Using a gross acre calculation actually benefits

potential site unit yield over that of a net acre calculation given that areas such as street rights-of-way, designated open space etc. are applied when calculating potential post development density.

- Allow height exceptions in some areas for multi-family projects when linked to good design. Response: Within the Downtown Overlay district, building height may be increased by 30% where it is determined that exceptional building design quality is proposed and/or housing is included within a mixed use project.

Program 6.D, Evaluate Additional Residential and Non-residential Sites for Multi-family Housing, and Program 8. C, Facilitate Development at Key Housing Opportunity Sites. The City has approved two development projects that specifically implement these programs: 1) Homeward Bound's Next Key project will add 32 very-low income units within the Hamilton Reuse Planning Area and 2) the Signature Properties/Whole Foods Mixed Use project, as approved, includes 124 multi-family/condominium homes within Novato's Downtown; seven of which will be affordable to very-low income households. With construction, these projects will add 156 additional housing units, including 39 additional very-low income units, and demonstrate the City's ongoing commitment to fulfilling its remaining fair share housing needs. Although the proposed Mercy Housing 70 unit development for very low income seniors did not come to fruition, the City is in discussions with another not-for profit developer about a smaller very low income senior project of approximately 25 units on the same site. But those initial discussions have not moved forward.

Program 5.B, Adopt a Jobs/Housing Linkage Fee, and Program 9.A, Revise the City's Inclusionary Ordinance. Pursuant to community input, these programs have been identified locally as important tools for creating affordable units and/or the collecting of in-lieu fees to support their construction. With the hiring of a Housing Coordinator and the approval of the update to the City's Affordable Housing Ordinance applicable to new residential development, staff anticipates pursuing planning efforts to complete work necessary for the City to consider adopting a jobs/housing linkage fee program.

REPORTING CONCLUSION

As reflected in the volume of residential units for which building permits have been issued within the last few years, Novato has made considerable progress towards meeting its fair share housing need for the planning period. Additionally, through recently completed and active Zoning amendments applicable to affordable housing, and its current roll in the evaluation and support of several housing proposals, the City remains actively committed in its efforts to maintain, improve, and develop housing, including its remaining fair share of housing for very-low income households.