

CITY OF MONTE SERENO

2015–2023 HOUSING ELEMENT

COVERING THE PERIOD JANUARY 1, 2015–JANUARY 31, 2023

NOTE ABOUT REDLINED VERSION: WHEN APPROVED BY THE CITY COUNCIL, THIS DRAFT HOUSING ELEMENT WILL BE SUBMITTED TO THE CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (HCD) FOR A “STREAMLINED” REVIEW. AS PART OF THAT REVIEW, HCD REQUESTS THAT THE DRAFT BE SUBMITTED IN A VERSION WHERE UPDATED INFORMATION IS CLEARLY IDENTIFIED BY INK COLOR. IN THIS DRAFT, THOSE SECTIONS THAT ARE REDLINED ARE PRIMARILY SECTION 3 (COMMUNITY PROFILE) AND SECTION 5 (HOUSING CONSTRAINTS).

PUBLIC DRAFT – REDLINED VERSION
(AUGUST 2014)

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SECTION 1: INTRODUCTION

A. PURPOSE OF THE HOUSING ELEMENT

This 2015-2023 Housing Element represents the City of Monte Sereno's intent to plan for the housing needs of the Monte Sereno community while meeting the State's housing goals as set forth in Article 10.6 of the California Government Code. The California State Legislature has identified the attainment of a decent home and a suitable living environment for every Californian as the State's major housing goal.

The Monte Sereno Housing Element represents a sincere and creative effort to meet local and regional housing needs in a community that doesn't necessarily meet the urban conditions around which State Housing Element law was created. The City has developed a housing program to meet State Housing Element law within the constraints of a fully established built-out community, limited land availability and extraordinarily high cost of land and housing.

Pursuant to State law, the Housing Element must be updated periodically according to statutory deadlines. This Housing Element covers the planning period of January 31, 2015 through January 31, 2023.

The Element must include the following components:

- Analysis of the City's population, household, and employment base, and housing stock characteristics.
- Summary of the present and projected housing needs of the City's households.
- Review of potential constraints to meeting the City's identified housing needs.
- Review and evaluation of the City's previous Housing Element (2009-2014).
- Evaluation of opportunities that will further the development of new housing.
- Description of the Housing Plan to address the identified housing needs.

The 2015-2023 Housing Element replaces the City's 2009-2014 Housing Element. The 2009-2014 Housing Element was adopted by the City in 2010 and was later in that same year found to be in compliance with State Housing Element Law by the California Department of Housing and Community Development.

B. RELATIONSHIP TO THE GENERAL PLAN

The City of Monte Sereno General Plan was adopted in 2009 and is comprised of the following elements: 1) Land Use; 2) Housing Element; 3) Circulation; 4) Open Space and Conservation; 5) Public Services and Facilities; and 6) Health and Safety.

The City's Housing Element is being updated at this time (2014) in conformance with the 2014-2022 update cycle for jurisdictions in the Association of Bay Area Governments (ABAG) region. The Housing Element builds upon the other General Plan elements and is entirely consistent with the policies set forth by the City's current General Plan. As portions of the General Plan are amended in the future, the Plan (including the Housing Element) will be reviewed to ensure that internal consistency is maintained.

SECTION 2. COMMUNITY OUTREACH AND PUBLIC PARTICIPATION

A. COMMUNITY MEETING

A community meeting was held in the City's Council Chambers on May 20, 2014. Public notice of this meeting was sent on May 5, 2014 to members of the City's Site and Architecture Commission, City Council members, affordable housing organizations and legal advocacy groups, County of Santa Clara Planning Department and Housing Authority as well as everyone listed in the City's email notification group. An article on the proposed meeting was also included in the May 16, 2014 edition of the "Town News" (Los Gatos/Saratoga/Monte Sereno edition). The meeting date and location, a description of the Housing Element Update process, a list of "Frequently Asked Questions" and other relevant information was also posted on the City's web site prior to the meeting.

Members of the City Council and staff were present at the May 20, 2014 meeting as well as several residents and members of the public. A PowerPoint presentation was delivered which included:

- Overview of Housing Element Update process
- Brief Summary of Housing Element Components
- Current Housing Element Programs and Accomplishments
- Possible Strategies for 2015-2023
- Next Steps

As part of the PowerPoint presentation, the following observations were noted:

- Monte Sereno's population is older than most of the County and the proportion of 60+ yrs. persons will probably continue to increase.
- Approximately 48% of Monte Sereno households are families without children.
- Monte Sereno is generally a wealthy community, but approximately 16% of households are lower income. This is an increase from the year 2000 when 13% of all households were lower income.
- Housing values and costs are high and will probably continue to increase.

Following the presentation, there was a question and answer period as well as an opportunity for audience members to submit comments. Generally, the primary discussion item was the City's existing Second Unit program. In addition, recent revisions to the City's multi-family land use and zoning was discussed. Comments were noted and considered during the update process of this Housing Element.

B. INFORMATION DISTRIBUTION

The City distributed information and updates on the City's website throughout the development of this Housing Element Update. The website can be located at:

<http://www.montesereno.org/clientuploads/Online%20Documents/Planning/Housing%20Element%20Update/Housing%20Element%20Update%20Information.pdf>

C. REVIEW OF DRAFT HOUSING ELEMENT

The 2015-2023 Draft Housing Element was released for public review on August 18, 2014. An electronic copy of the draft document was published on the City's website and a hard copy was available at City Hall for public review. A public hearing was held at the City Council meeting on September 2, 2014 to review, take comments and consider approval of the submittal of the draft Housing Element to the Department of Housing and Community Development (HCD). On _____, the City submitted the draft Housing Element to HCD and requested a streamlined review of the document. Following HCD's review of the Draft, the final 2015-2023 Housing Element Update was adopted by the City Council on _____.

Monte Sereno is a quiet residential community of approximately 1.56 square miles nestled in the southwestern portion of Santa Clara County at the base of the Santa Cruz mountains between the City of Saratoga and the Town of Los Gatos. It is an all residential community of approximately 3,500 residents and the area is known for its rural character and wooded hillsides as well as its magnificent estates.

The City is approximately 50 miles southeast of San Francisco and just minutes from the heart of Silicon Valley and has easy access to Highways 17 and 85. Because of the City's beauty, location and superior schools many Silicon Valley executives have chosen Monte Sereno as their home.

The City of Monte Sereno incorporated as a City on May 14, 1957. A few of the City points of interest are the home in which American author John Steinbeck wrote the Grapes of Wrath, and the site of the Billy Jones Rail Road.

(Please note: all data cited in this section is from the ABAG 2014 Housing Element Data workbooks unless otherwise noted.)

A. POPULATION CHARACTERISTICS

Current Population

The California Department of Finance estimates that the population of Monte Sereno is 3,450 persons as of January 1, 2014. ~~3,579 in 2008.~~ Monte Sereno is the smallest community in Santa Clara County, which had an estimated total population of 1,868,558 as of January 1, 2014. ~~1,837,075 in 2008.~~ Table HE-1 identifies the estimated population for all communities in Santa Clara County in 2014 ~~2008~~.

Population Trends

Approximately 1,500 residents lived in Monte Sereno in 1960, three years after the City incorporated in 1957. During the 1960s and 1970s, the population increased rapidly as vacant property was developed with new homes. Since the 1980s, population growth has declined along with the supply of lots suitable for development. As stated above, the California Department of Finance estimates that in 2014 ~~2008~~ the population of Monte Sereno is 3,450 ~~3,579~~. The Association of Bay Area Governments (ABAG) projects that by 2040 ~~2035~~ the population of Monte Sereno will increase to 3,800. ~~Figure HE-1 shows historical, current and projected future population growth in Monte Sereno, from 1957 to 2035.~~

Table HE-1 Santa Clara County Population Estimate, 201408

	Population
Campbell	<u>41,993</u> 40,161
Cupertino	<u>59,946</u> 55,551
Gilroy	<u>52,413</u> 51,173
Los Altos	<u>29,969</u> 28,291
Los Altos Hills	<u>8,354</u> 8,837
Los Gatos	<u>30,532</u> 30,296
Milpitas	<u>70,092</u> 69,419
Monte Sereno	<u>3,450</u> 3,579
Morgan Hill	<u>41,197</u> 39,218
Mountain View	<u>76,781</u> 73,932
Palo Alto	<u>66,861</u> 63,367
San Jose	<u>1,000,536</u> 989,496
Santa Clara	<u>121,229</u> 115,503
Saratoga	<u>30,887</u> 31,592
Sunnyvale	<u>147,055</u> 137,538
Unincorporated County	<u>87,263</u> 99,122
Total	<u>1,868,558</u>1,837,075

Source: California Department of Finance Estimates, January 1, 2014ABAG Projections, 2007.

Age Composition

Table HE-2 shows the 1990, ~~and 2000 and 2010~~ age distributions for the population in Monte Sereno. As shown in this table, the number of people age 65 or older increased by ~~2839~~ percent from ~~2000 (505 people)~~1990 to ~~20102000 (647 people)~~. This change is consistent with the region-wide trend of an aging population. The percentage of seniors living in Monte Sereno, however, is greater than the percentage of seniors living elsewhere in Santa Clara County. In ~~201000~~, ~~19%~~14.5 percent of the population in Monte Sereno was ~~605~~ or over, while in Santa Clara County, ~~169.5~~ percent of the population was ~~605~~ or over. ~~The age distribution in Monte Sereno compared to Santa Clara County is graphically shown in Figure HE-32. This figure shows that in addition to having a larger senior population (age 605 or greater), the population age 45 to 5964 in Monte Sereno also is noticeably larger than in Santa Clara County. Correspondingly, the population of residents between the ages of 20-64 is over half of Monte Sereno's population. The youth population in Monte Sereno also increased by approximately 28 percent from 1990 to 2000.~~

The number of seniors in Monte Sereno is expected to increase in the future due to the aging of the baby boom generation. Detailed future age distribution projections for Monte Sereno are not available. ~~However, as Table HE-2 below demonstrates, the percentage of people 65+ years has steadily increased in Monte Sereno from 1990-2010 and this trend is expected to continue. However, the California Department of Finance does project that in both Santa Clara County and Monte Sereno the senior population will increase to almost 30 percent of the total population by 2020. The projected future age distribution of population in Santa Clara County is graphically shown in Figure HE-3.~~

TABLE HE-2 **POPULATION BY AGE, MONTE SERENO 1990, ~~AND 2000, 2010~~**

Age Group	Population 1990	Percent 1990	Population 2000	Percent 2000	<u>Population 2010</u>	<u>Percent 2010</u>
<i>65+ years</i>	364	11.1%	505	14.5%	<u>647</u>	<u>19%</u>
<i>45- 64 years</i>	1,065	32.4 %	1,121	32.2 %	<u>1235</u>	<u>37%</u>
<i>20-44 years</i>	1,066	32.4%	846	24.3 %	<u>587</u>	<u>18%</u>
<i>0-19 years</i>	792	24.1 %	1,011	29 %	<u>872</u>	<u>26%</u>

Source: U.S. Census, ABAG Housing Element Data (2014)

Employment

Monte Sereno has a very small employment base that is made up of City employees, school district personnel and people involved in miscellaneous home occupations. The City does not have commercial, industrial or institutional centers; ~~the; the majority~~ 1,489 of Monte Sereno residents who are in the workforce commute elsewhere to their jobs. According to ABAG, the number of employed adults 16 years of age and older in the City has remained relatively static since 2000. ABAG's 2014 Housing Element Data indicate that there were 1,501 employed adults in the City in 2000 and that number increased only slightly to 1,523 adults in the 2007-2011 period. The primary industries in which these residents were employed included manufacturing, professional services and education. the City provided 410 jobs within its jurisdictional boundary in 2005 and is expected to provide 450 jobs within its jurisdictional boundary by the year 2050.

B. HOUSEHOLD CHARACTERISTICS

Household Size and Growth

Monte Sereno households are slightly smaller than the average Santa Clara County household. In 2000, Monte Sereno's average household size was 2.88 persons per household as compared to the county average of 2.92 persons per household. Average household size in 2007-2011 ~~1990~~ was 2.853 persons per household in Monte Sereno and 2.894 persons per household in Santa Clara County.

~~ABAG projects that the number of households in Monte Sereno will increase from 1,510 households in 2005 to 1,660 in 2030. The number of households is projected to increase despite a leveling population due to a decrease in the average household size. According to ABAG, the average household size in Monte Sereno in 2030 is projected to be 2.2 persons per household. The number of households in the City has remained at approximately 1200 households from 2000-2010.~~

Housing Tenure

Monte Sereno has a very high rate of home ownership. In 201000, approximately 904 percent of housing units in Monte Sereno were owner occupied. This figure ~~de~~increased slightly from 1990, when approximately 92 percent of housing units were owner-occupied. In Santa Clara County, approximately 5860 percent of housing units were owner-occupied in 201000.

Household Income Levels

Monte Sereno is a relatively affluent community. ~~According to the US Census, the~~ median household income in Monte Sereno was \$181,719~~154,268~~ in 201100. In Santa Clara County, the median household income was \$89,064~~74,335~~. From 2000~~1990~~ to 201100, household income ~~de~~increased ~~significantly~~ in both Monte Sereno and Santa

Clara County. In ~~2000~~1990, the median household income was ~~\$208,262~~ 98,121 (in 2011 dollars) in Monte Sereno and ~~\$100,352~~ 48,445 in Santa Clara County. This decrease can probably be attributed to the recessionary period, which began in 2008.

For planning purposes, the State Department of Housing and Community Development~~HCD~~ categorizes Monte Sereno households into four income groups based on the Santa Clara County Median Family Income (MFI). In ~~2008~~14 the MFI in Santa Clara County was \$105,500. Income levels for four-person households are defined as follows:

- ♦ **Very Low Income:** Households with incomes less than 50 percent of MFI (under \$53,050)
- ♦ **Low Income:** Households with incomes between 51 percent and 80 percent of MFI (\$53,051 to \$84,900)
- ♦ **Moderate Income:** Households with incomes between 81 percent and 120 percent of MFI (\$84,901 to \$126,600)
- ♦ **Above Moderate Income:** Households with incomes greater than 120 percent of MFI (over \$126,001)

~~Figure HE 4 shows the percentage of households by income groups in Monte Sereno and Santa Clara County. In 2000, approximately 67 percent of households in Monte Sereno had above moderate income, compared to 35 percent in Santa Clara County. Approximately 9 percent of households in Monte Sereno were very-low income, compared to 20 percent in Santa Clara County. This distribution of population by income group has not changed significantly since 1990 in either Monte Sereno or Santa Clara County.~~

In 2007-2011, approximately 16% of all City households were lower income households (very low and low income). This is a slight increase from 2000 when 13% of the City's households were lower income. This 3% increase could indicate that additional housing units in the City are providing housing for lower income households. Moderate income households accounted for 13.5% of all households in 2007-2011 and the remaining 70.5% of households in the City are considered above moderate income households.

Race and Ethnicity

In ~~2010~~2000, 7784 percent of the population in Monte Sereno was Wwhite, ~~14~~2 percent was Asian, 5 percent was Hispanic and the remaining 4 percent was ~~Hispanic or other~~. In Santa Clara County, roughly equal percentages of the population were white and Asian (359 and 328 percent, respectively) and 276 percent was Hispanic.

C. HOUSING STOCK CHARACTERISTICS

Vacancy Rates

The vacancy rate in Monte Sereno in 2010 was 1.6% (21 units) for units available for rent or sale. An additional 55 units were vacant but were either seasonal units or vacant for other reasons. 2.1 percent (or 26 units) at the time of the 2000 Census. The rate of vacancy for Monte Sereno is quite similar to the 2000 Santa Clara County rate, at 2.3 percent.

Housing Types

According to the U.S. Census, over In 2013, there were 1,289 dwelling units in Monte Sereno. Approximately 97 percent of housing units in Monte Sereno are single-family detached homes and 2% are single-family attached units.

These single-family homes are supplemented by a growing supply of secondary dwelling units or “Second Units.” The City estimates that there are 87 Second Units in Monte Sereno in 2014. As discussed further in Section 6 of this Element, Second Units are the primary form of affordable housing in Monte Sereno.

Age and Condition of Housing Stock

Figure HE-6 identifies the general age of the housing stock in Monte Sereno. According to the Census, approximately 80 percent of the City’s current housing stock was built after 1949. Almost half of Monte Sereno’s housing was built in the 1960s and 1970s. Monte Sereno’s housing stock includes a wide variety of units built throughout the past century. Listed below are the percentages of units built by age:

Built in 1940s or earlier	19%
Built in 1950s	18%
Built in 1960s	21%
Built in 1970s	25%
Built in 1980s	3%
Built in 1990s	6%
Built in 2000 or recently	8%

In 2014, ABAG data indicates that there are no units lacking complete plumbing or kitchen facilities in Monte Sereno. – In 2014, it is estimated that there may be some units that need deferred maintenance repairs but no or few units in need of rehabilitation/replacement. City staff believes that the overall condition of housing in Monte Sereno improved from 2001 to 2008. City staff estimates that approximately five homes are in need of rehabilitation in 2008. This reduction in units in need of rehabilitation is a likely result of increasing property values, and thus incentive for upkeep, and the effectiveness of City code enforcement and rehabilitation programs.

In addition to age of unit, overcrowding is another factor that can affect housing condition. Overcrowding is defined as households that have more than 1 person per room. In Monte Sereno, there were no overcrowded owner units and 10 overcrowded renter units. None of the 10 renter units were identified as severely overcrowded (more than 1.5 person per room).

D. HOUSING COSTS

Units for Sale

Home prices in Monte Sereno are among the most expensive in the Bay Area. The Santa Clara County Association of Realtors reports that, as of December 2013, the average sales price of a home in Monte Sereno was \$2,220,216 and the median sales price was \$1,980,000.~~According to First American CoreLogic, a private real estate data collection firm, the median home price in Monte Sereno was \$1,522,500 in 2007. This figure is higher than the median home prices for the neighboring communities of Saratoga (\$1,387,500), Los Gatos (\$1,100,000), Cupertino (\$930,750), and Campbell (\$685,000). The median home cost for Santa Clara County was \$743,000.~~

Rental Units

It is difficult to determine an estimate of the average rental costs in Monte Sereno due to the limited number of housing units, especially rental units.- Table HE-3 below includes average rental costs for three communities in proximity to Monte Sereno. Of the three communities, Saratoga and Los Gatos are more similar to Monte Sereno in terms of type of housing stock and size of units. It is estimated that rental costs in Monte Sereno are similar to those in Saratoga and Los Gatos.

TABLE HE-3: RENTAL COST PER MONTH IN NEIGHBORING COMMUNITIES (2014)

	<u>Studio/One Bedroom</u>	<u>Two Bedroom</u>	<u>Three Bedroom</u>	<u>Four or More Bedrooms</u>
<u>Campbell</u>	<u>\$1768</u>	<u>\$2333</u>	<u>\$2750</u>	<u>\$3100+</u>
<u>Los Gatos</u>	<u>\$2049</u>	<u>\$2538</u>	<u>\$3750</u>	<u>\$4125+</u>
<u>Saratoga</u>	<u>\$2104</u>	<u>\$3550</u>	<u>\$4150</u>	<u>\$5000+</u>

Source: Craigslist.com, and local newspapers (2014).

E. HOUSING AFFORDABILITY

Housing costs are very high in Monte Sereno. As stated above, the median sales price was \$1,980,000 at the end of 2013 – a price affordable only to a certain percentage of above moderate income households. Rental costs are also estimated to be high. Assuming that Monte Sereno's rents are similar to Saratoga, a one bedroom rent is \$2104 and a two bedroom unit rents for \$3550. The chart below illustrates how "unaffordable" those rents are to typical lower income households.

TABLE HE- 4: RENTAL AFFORDABILITY (2014)

	1 bedroom unit	2 bedroom unit
Estimated Market Rent	\$2104	\$3550
Maximum "affordable" to a very low income household	\$1061	\$1194
Maximum "affordable" to a low income household	\$1266	\$1424

"Affordable" amount calculated using City affordability formula as specified in Second Unit Program guidelines. (See Section B in Appendix)

Overpayment

Households spending more than 30 percent of household income on housing costs are generally considered to be overpaying for housing. Households who spend more than 50% of their income for housing are considered to be "severely" overpaying.

In Monte Sereno, it is estimated that 319 households are paying between 30-50% of their income for housing costs. Of those 319 households, 289 are owner occupants and the majority of those owners (264) have incomes that are considered above moderate income.- Of the 30 renter households who are overpaying, there are no lower income households and all 20 renter households have incomes of above moderate income.

In the category of "severely" overpaying (paying more than 50% of income for housing costs), there are a total of 325 households, of which 290 are owner occupants. These 290 households are almost equally divided among very low (70 households), low income (60 households), moderate (90 households) and above moderate (70 households). The remaining 35 renter households with severe overpayment conditions include 20 very low income households and 15 moderate income households. The 644 total households overpaying for housing represent approximately 53% of all Monte Sereno households. This is not considered unusual given the fact that Monte Sereno's housing costs are among the highest in the Bay Area and California.

At-Risk Units

The Housing Element is required to identify and develop a program for the preservation of affordable multifamily units assisted under various federal, State and local programs. The City is required to provide an inventory of assisted, affordable units that are eligible to convert to a market rate within ten years. In 2014 there are no assisted units within Monte Sereno's boundaries that are subject to conversion to a market rate.

F. SPECIAL NEEDS HOUSING

To provide adequate housing for all people, a community must consider the housing needs of those with specific limitations or challenges. Special needs populations include seniors, persons with disabilities, female headed households, large households, farmworkersfarm workers and persons in need of emergency shelter.

The City Zoning Code includes no definition of family, no maximum concentrations requirements for residential care facilities and no site planning requirements that constrain housing for persons with disabilities. City parking requirements also do not present a constraint on housing for persons with disabilities.

Senior Citizens

In 2000, there were 505 Monte Sereno residents (15 percent of total population) age 65 years or older. Of these 505 elderly residents, 86 (19 percent) also were disabled. In 2010 approximately 19% of the City's population was 60-74 years and another 9% of the population was 75 + years. This is an increase from 2000 data when 15% of the population was 60-74 years and an additional 5% was 75+ years. In total, 28% of the population was 60 years or older in 2010. The overall number of elderly residents will continue to grow as members of the baby boomer generation age. -

Persons with Disabilities

Disabilities can take many forms and have numerous implications for housing need. Many disabled individuals can live in conventional residential housing without any modifications, while some disabled people require substantial modifications and/or on-site care. In 2000, there were 354 people five years old or older living in Monte Sereno with a disability. Of these, 68 percent were active members of the workforce and approximately 19 percent were senior citizens. The 2014 ABAG Housing Element data does not include disability estimates for communities under 5,000 in population. However, the U.S. Census American Community Survey estimates that there were 232 individuals in Monte Sereno with a disability in the 2008-2012 survey period. Of these 232 individuals or 79% of the total were 65 years and over. The City Zoning Code includes no definition of family, no maximum concentrations requirements for residential care facilities and no site planning requirements that constrain housing for persons with disabilities. City parking requirements also do not present a constraint on housing for persons with disabilities.

In 2011, the City revised the Municipal Code to include provisions for “Reasonable Accommodations” for persons with a disability. Further, in 2012 the City also included provisions for transitional and supportive housing in residential districts. For a further description of these provisions see Section 4 of this document.

Female-Headed Household

Female-headed households may require special needs resulting from a combination of income and housing stock limitations. At the time of the 2000 Census, there were 49 female-headed households in Monte Sereno (4 percent of total households). Of these, 22 households included children under the age of 18. Six of these families were renters, and none were reported as living in poverty. In 2010, there were 59 female-headed female-headed households or 5.9% of all households. Of those female-headed female-headed families, 25 households had children under 18 years. As in 2000, none of the female-headed female-headed families in 2010 were below the poverty level.

Large Households

Large households are typically defined as those having more than 5 persons. In 2010, there were 123 large households in Monte Sereno. Of these 123 households, 110 were owner occupants and the remainder were remainders were renters. The median household income of these large households exceeded the median income for the City according to ABAG data. Due to the large size of most homes in Monte Sereno, it is not expected that any of these households live in overcrowded housing.

Farmworkers Farm workers

There are no identified farmworkers farm workers residing in Monte Sereno.

Persons in Need of Emergency Shelter

Homelessness does not appear to be a problem within Monte Sereno. However, Monte Sereno is part of the larger Santa Clara County community where homelessness is present. The ABAG data reported that there were 7,053 homeless individuals in Santa Clara County in 2012. Of those 7,053 individuals, approximately 17% were living in shelters and the remaining 73% were unsheltered. In 2004, Santa Clara County conducted a census and survey of homelessness in the county. This study found that at the time of the Census there were over 7,600 unhoused people in Santa Clara County. Of this homeless population 35 percent were chronically unhoused individuals and over 16 percent were families. Over 33 percent of the homeless were in shelter facilities, with the remaining unsheltered. The survey found that the primary cause of homelessness was alcohol or drug use with almost half of all homeless persons reporting that they had experienced alcoholism or drug addiction. Other kKey causes of homelessness include alcohol or drug use anded economic factors such as job loss, unemployment and the inability to pay the rent or mortgage.

SECTION 4: REVIEW OF THE 2009–2014 HOUSING ELEMENT

A. OVERVIEW

The City of Monte Sereno is unique compared to other cities in California. Since its inception, the City has grown utilizing primarily one zoning classification, single-family residential (in addition to public and open space categories). Until only recently when a new multi-family residential zoning classification was established, the City has developed through the construction of single-family homes. The review of the 2009-2014 Housing Element below was completed within the backdrop of an already established and built out, small community seeking to refine existing regulations and programs so that housing goals can be better achieved. The purpose of the review is to evaluate past programs and actions and determine whether they should be retained, modified or other programs/policies added for the 2015-2023 Housing Element.

B. SIGNIFICANT ACTIONS ACCOMPLISHED IN 2009–2014

During the time period of 2009-2014, the City of Monte Sereno has revised their Municipal Code to include the following housing related changes:

Reasonable Accommodations (March 2011): This section of the Municipal Code (MC 10.23) was added to provide a process for persons with disabilities for making a request for reasonable accommodations. In specific, this section applies to any person who requires reasonable accommodation in the application of a zoning law, which may be acting as a barrier to fair housing opportunities.

Transitional and Supportive Housing (May 2012): Municipal Code Section 10.05 was revised to allow residential care homes, supportive housing and transitional housing as a use “by right” in all single-family residential districts.

Emergency Shelters (June 2012): Emergency Shelters are now allowed as a use “by right” in areas zoned as “public” according to Municipal Code Section 10.05.045. Emergency shelters are those that meet the definition as contained in California Health and Safety Code 50801(e).

Density Bonus (June 2012): Chapter 10.24 was added to the Municipal Code to allow for density bonuses under certain conditions. The density bonus program described in this chapter was developed pursuant to State Government Code, commencing with Section 65915 of Division 1 of Title 7.

Establishment of New Zoning Designation (2013): The City’s Municipal Code was amended (MC 10.05.043) to include a new zoning classification, RM- Multi-Family Residential District. This zone allows up to 3 residential units per acre.

Revisions to Second Unit Program (2009-2014): The City has systematically introduced changes and improvements to its existing Second Unit Program. These include:

- allowing second units of up to 1,200 square feet,
- eliminate covered parking requirement,
- providing incentives for rent restricted units,
- improving data collection system,
- increasing public awareness and knowledge of the program, and
- establishing an amnesty program.

C. SUMMARY OF HOUSING PRODUCTION (RHNA)

The Association of Bay Area Governments (ABAG) establishes specific housing production objectives for communities within their jurisdiction, which includes the City of Monte Sereno. These objectives are known as the Regional Housing Needs Allocation or RHNA and are further broken down by income classification. The City's overall RHNA was to plan for 41 units for the 4th RHNA cycle. This 41-unit objective by units affordable to specific income category is as follows:

13 very low income (extremely low and very low income combined) units
9 low income units
11 moderate income units
8 above moderate income units
41 TOTAL UNITS

The City's 2009-2014 Housing Element included these RHNA objectives. However, the 2009-2014 Element adjusted these figures to account for units built or approved during the 4th cycle prior to the preparation of the 2009-2014 Element. Table HE-9 of the 2009-2014 Housing Element indicates the following revised totals for the 4th cycle RHNA:

10 very low income (extremely low and very low income combined) units
7 low income units
9 moderate income units
6 above moderate income units
32 TOTAL UNITS

The table on the following page illustrates the City's revised RHNA and the actual production of units in the 2009-2014 planning cycle.

TABLE HE- 5 HOUSING PRODUCTION AND REVISED RHNA, 2009-2014

	Very Low Income (includes extremely low income)	Low Income	Moderate Income	Above Moderate Income	TOTAL
2009-2014 RHNA	10	7	9	6	32
Second Units Built or Approved *	5	8	2	1	16
Single Family Homes Built or Approved *				8	8
Total Units Built or Approved	5	8	2	9	24
% of RHNA achieved	50%	100%**	22%**	100%	75%

*Includes units built/approved between January 1- July 1, 2014.

** Units from lower income categories can be used in higher income categories to meet RHNA. For example, there is an excess of 1 unit in the low-income category. This 1 unit can be added to the moderate-income category for a revised total of 3 units instead of 2 units, thereby achieving a revised rate of 33% rather than 22%.

As the chart above indicates, production of units has occurred in every income category. During the 2009-2014 period, the City achieved 75% of its total RHNA objective. In reviewing lower income categories (very low and low income), there were 13 units produced, thereby achieving 76% of the total objective of 17 units.

D. PROGRESS IN IMPLEMENTATION AND CONTINUED APPROPRIATENESS

Appendix A of this document includes the complete goals, policies and programs from the 2009-2014 Housing Element. Following is an evaluation of the progress in implementing the housing goals from 2009-2014 and recommendations on whether to continue existing policies and programs.

Production of New Units (Goals H-1 and H-3):

Quantified Objectives:

The 2009-2014 Housing Element (Table HE-13, Page 56) identified an objective of 18 new single-family units and 30 second units, or 48 units total. During the 2009-2014 time period, 8 single family homes and 16 second units were produced, or 24 units total.

The 24 units represent 50% of the total 48 unit objective. It should be noted that the 48 unit goal was an ambitious goal and exceeded the RHNA objectives. The 48 units represent 16 more units than required by the RHNA and Housing Element regulations. At the time that the 48 unit goal was developed, construction activity in Monte Sereno was at an all time high and it was projected that the trend would continue. However, the recessionary period that followed suppressed housing construction activity.

The following programs were identified in Table HE-13 of the 2009-2014 Housing Element to achieve these new housing production objectives:

TABLE HE -6 HOUSING ELEMENT PROGRAM STATUS

Program	Status of Program (2014)
<i>H-3.1 Amend the zoning code to increase the maximum permitted size of second units to 1200 square feet and to eliminate covered parking requirements.</i>	✓ COMPLETED: Second Unit program has been revised to allow a maximum size of 1200 square feet and eliminate covered parking requirements.
<i>H-3.2 In order to encourage the development of secondary dwelling units and single room occupancies affordable to extremely low income households, the City will adopt new incentives that may include such things as waiving planning fees of secondary dwelling units and single room occupancies and/or regulatory concessions.</i>	✓ COMPLETED: Second Unit program has been revised to include incentives such as reduced fees and fast tracking for second units that qualify as rent restricted units.
<i>H-3.3 The City will continue to track and monitor the construction and affordability of levels of new second units through building permits and an affordability questionnaire. The affordability questionnaire will be updated and distributed by 2011.</i>	✓ COMPLETED: The City has continued to track the construction and affordability levels of second units on an annual basis. The questionnaire was updated. In addition, the City established a process where staff completes a survey with property owner at the time of permit issuance in order to ensure that the questionnaire is completed.
<i>H-3.4 Initiate an intensive public outreach campaign to publicize incentives for the construction of new second units and the amnesty program for existing unpermitted second units. By 2011, the City will initiate a secondary unit public outreach program. Information will be provided on the City's website, through e-mailings and the City's quarterly newsletter.</i>	✓ COMPLETED: The amnesty program was initiated and there has been extensive public outreach continuously during this time period.

During the 2009-2014 time period, the City was effective in providing adequate sites and reducing governmental constraints towards the production of new units. The City revised its second unit program during the last several years in order to encourage the development of more second units. Included in these changes were increasing the maximum square footage to 1200 square feet, eliminating covered parking requirements, creating an amnesty program and increasing public awareness and knowledge of the program.

Additionally, the City established a new multi-family zoning designation providing additional opportunities and eliminating a governmental constraint to providing a variety of housing types. This action accomplished the intent of Program H-3.10 in the 2009-2014 Housing Element, which was to evaluate the impacts of annexing parcels suitable for a variety of residential development in the sphere of influence. The City managed a multi-year project to conduct an analysis (including extensive environmental review) for an approximate 4.45 acre site (APN 510-08-018 and -019) in the City's sphere of influence. As a result of that analysis, the City pre-zoned the site with a newly established zoning category of multi-family, RM district.

In summary, 75% of the RHNA new housing objective was achieved during 2009-2014. This is significant because this time period was concurrent with the housing "slump" resulting from the economic downturn and "great recession." In spite of this economic environment and the extremely high land and construction costs in the San Francisco Bay Area, approximately $\frac{3}{4}$ of the identified new housing objective was achieved. For the 2015-2023 time frame, it is recommended that:

1. The City continues to refine and improve its Second Unit Program as a primary mechanism for achieving its affordable housing goal. For further information on how Second Units are an integral part of the Monte Sereno's housing strategy, please refer to the supplemental information in the Appendix of this document.
2. The City continues to evaluate additional sites both within the City as well as the Sphere of Influence for additional residential site opportunities.

Maintenance of Existing Housing and Energy Conservation (Goals H-2 and H-6):

Quantified Objectives:

The 2009-2014 Housing Element identified an objective of 10 rehabilitated units. This included 5 moderate and 5 above moderate income units. There were no specific objectives for energy conservation opportunities. There were approximately 450 permits issued by the City for remodeling activities during the 2009-2014 time period. The income levels of households who remodeled is not available but it is assumed that the City's quantified objectives were definitely achieved for above moderate income units.

It is recommended that the 2014-2023 Housing Element include continued support for the maintenance of existing housing units and continue to comply with all State guidelines for energy conservation practices and include incentives for energy or other green building activities.

Housing for Special Needs Population (Goal H-4):

Quantified Objectives:

The 2009-2014 Housing Element did not include any specific objectives for special needs population groups.

During 2011-2012 the City revised its Municipal Code in order to address specific needs of certain types of households. Transitional and Supportive housing is now allowed as a use “by right” in all residential neighborhoods. Emergency shelters are also allowed in areas zoned as public land. Procedures for Reasonable Accommodations were adopted for persons with a disability who requires reasonable accommodation in the application of a zoning law, which may be acting as a barrier to fair housing opportunities. These actions specifically address the goals of Programs H-4.2, H-4.3 and 4.4 of the 2009-2014 Element.

The 2015-2023 Housing Element should continue to include policies and programs that will support housing for all population groups, including special needs. Because demographic trends indicate an aging of the Monte Sereno population base, special emphasis should be placed on housing opportunities for 60+ year population groups.

Equal Housing Opportunities (Goal H-5):

Quantified Objectives:

The 2009-2014 Housing Element did not include any specific objectives for providing equal housing opportunities.

The City implemented Programs H-5.1, H-5.2 and H-5.3 during the 2009-2014 time period and should continue those efforts in the policies and programs for the 2015-2023 Housing Element.

SECTION 5: HOUSING CONSTRAINTS

State law requires that Housing Elements include an analysis of governmental and nongovernmental constraints upon the maintenance, improvement, or development of housing for all income levels. Governmental constraints include land use controls, building codes and their enforcement, fees and exactions, and permitting procedures. Nongovernmental constraints are primarily market-driven and include land costs, construction costs and the availability of financing.

Governmental Constraints

General Plan

The Monte Sereno General Plan is the City's primary land use control policy document. The General Plan Land Use Element identifies permitted land uses and development intensities for all land within city boundaries. Permitted uses in Monte Sereno include residential, public and open space. As an exclusively residential community, the General Plan does not designate any areas in Monte Sereno as commercial or mixed-use. Table HE-75 identifies the residential land use designations and their maximum permitted densities as established in the General Plan Land Use Element.

Structural Coverage - The City does not consider structural coverage a constraint on the maintenance, improvement, and development of housing. Applying the structural coverage limit to the various zoning districts throughout the City would result in allowable structural footprints of up to 20,000 sq. ft.

Lot Size - The City does not consider minimum lot size a constraint on the maintenance, improvement, and development of housing. Allowable house size in Monte Sereno ranges from 2,600~~3,300~~ sq. ft. to 6,600 sq. ft. depending on the lot size. In addition 71%~~73%~~ of the parcels Citywide are large enough to qualify for an additional secondary dwelling unit of 900 sq. ft. or more.

Zoning Code

The Monte Sereno Zoning Code (Monte Sereno Municipal Code Title 10 - Planning and Zoning) implements the General Plan by establishing standards and regulations for all development in Monte Sereno. To this end, the Zoning Code establishes four zoning districts: R-1-8, R-1-20, R-1-44 and RM. Development standards that apply to these districts are summarized in Table HE-7~~HE-6~~. In all districts single-family homes are permitted as-of-right if they comply with all applicable development standards. In the RM zone multi-family uses are permitted as-of-right if they comply with all applicable development standards. Second units are also permitted as-of-right in the four districts if the units comply with all applicable development standards. The approval process of secondary dwelling units is ministerial.

During the 2009-2014 time frame, the City established a new multi-family zoning designation providing additional opportunities and eliminating a governmental constraint

to providing a variety of housing types. This action accomplished the intent of Program H-3.10 in the 2009-2014 Housing Element, which was to evaluate the impacts of annexing parcels suitable for a variety of residential development in the sphere of influence. The City managed a multi-year project to conduct an analysis (including extensive environmental review) for an approximate 4.45 acre site (APN 510-08-018 and -019) in the City's sphere of influence. As a result of that analysis, the City pre-zoned the site with a newly established zoning category of multi-family, RM district.

TABLE HE-7: RESIDENTIAL LAND USE DESIGNATIONS IN GENERAL PLAN

<u>Designation</u>	Maximum Density
<u>Low Density Residential (R-1-44)</u>	0 - 1 dwelling unit per acre
<u>Medium Density Residential (R-1-20)</u>	1 - 2 dwelling units per acre
<u>Higher Density Residential (R-1-8)</u>	3 - 5 dwelling units per acre
<u>Multi-Family Residential (RM)</u>	3 dwelling units per acre

Monte Sereno welcomes group living arrangements that can be accommodated in single-family homes and that are consistent with the existing community character. Single Room Occupancies and manufactured homes are allowed by right in all single family residential zones within Monte Sereno. - Residential care homes, transitional and supportive housing are allowed as a use "by right" in R-1 districts. To clarify regulations relating to group homes, Program H 4.4 of this Element calls for the City to amend the Zoning Code to allow transitional housing, supportive housing and residential care homes as of right in a single family home. Single Room Occupancies and manufactured homes are allowed by right in all single family residential zones within Monte Sereno and are subject to the same regulations as Single Family Residences.

Development standards in the Zoning Code do not constitute a constraint to the development of affordable housing. The primary constraint is the cost of land. Reducing minimum lot size or relaxing other development standards would not provide for additional housing that is affordable to lower-income households. The key to providing affordable housing in Monte Sereno, as discussed below, is promoting the construction of secondary dwelling units.

Although in the R-1-8 zone, 8,000 square foot lot minimum is required, the cumulative effect of this restriction does not pose a significant impact on the supply of housing because these parcels are zoned to allow a secondary dwelling unit in addition to a main dwelling unit. The maximum allowed structure size is 3,300 square feet plus a 9900 square foot secondary dwelling unit.

TABLE HE-8 RESIDENTIAL DEVELOPMENT STANDARDS

Zoning	Minimum Lot Area (SqFt)	Setbacks			Maximum Height	Maximum Building Size (SqFt)	Maximum Structural Lot Coverage	Maximum Units/Acre
		Front	Side	Rear				
R-1-8	8,000	25' First & 30' Second-story	6' First & 10' Second-story	30' First & 30' Second-story	Single-story bldg.	21'	40%	5
					Two-story bldg.	30'		
					Accessory bldg.	12'		
R-1-20	21,780	30' First & 40' Second-story	15' First & 20' Second-story	30' First & 40' Second-story	Single-story bldg.	21'	30%	2
					Two-story bldg.	30'		
					Accessory bldg.	21'		
R-1-44	43,560	30' First & 45' Second-story	30'20' First & 40' Second-story	30' First & 40' Second-story	Single-story bldg.	21'	20%	1
					Two-story bldg.	30'		
					Accessory bldg.	21'		
RM	14,520 per lot	25' First & 30' Second-story	6' First & 10' Second-story	30' First & 30' Second-story	Single-story bldg.	21'	40%	38
					Two-story bldg.	30'		
					Accessory bldg.	12'		

Allowing secondary dwelling units throughout the City has significantly increased the supply in housing as compared to only permitting main dwelling units. Please see the discussion of the Second Unit Program in Section 6 of this document as well as Section ~~CB~~ of the Appendix for a more thorough discussion of the Second Unit Program in Monte Sereno. ~~The City has met and exceeded its regional Housing Need Allocation numbers in the past planning period and has the clear capacity to continue to provide increased housing opportunities through its secondary dwelling unit program. The current Housing Element includes a policy to consider increasing the allowable size of second units to further encourage increased production. The Element also includes a program that requires the City to actively monitor the production of housing during the planning period. If the City finds it is not meeting the RHNA numbers using the methodology proposed in the Plan, the City will consider alternative land use densities including multifamily, and/or density increases.~~

~~Recent State law requires all Cities to identify a zone or zones where emergency shelters are allowed as a permitted use without a conditional use or other discretionary permit. Monte Sereno has 3 parcels within the Public zoning district, containing approximately 12 acres. Emergency shelters are permitted on parcels zoned Public in Monte Sereno. The parcels currently zoned Public contains uses that are compatible with emergency shelters. These parcels are also larger and in locations that are easily accessible. Existing relationships are in place with current property owners to allow the properties to be used for emergency response.~~

Emergency Shelters are allowed as a use "by right" in Public Zones in the City. Although Monte Sereno does not currently have any Emergency Shelters or any significant homeless population, ~~has very limited, if any homeless needing emergency shelters,~~ the City commits to continue to work the American Red Cross and the Santa Clara County Office of Emergency Services to evaluate need for emergency shelters and ensure that the need is met. The City contribution to the development, ongoing operation, and management of the shelter is limited to allocation of staff for training and educations of the programs offered. The American Red Cross or other private organizations will be responsible for the ongoing operations and management of the shelter.

Permitting Fees

Housing development is subject to Monte Sereno Development Standards, shown in Table ~~HE-8~~ HE-6, which are the existing standard. Housing development is also subject to permit processing and impact fees. These fees help to compensate the public for any impact associated with the new development. These fees are collected by the City as well as other agencies providing public services in Monte Sereno. An estimate of fees associated with the development of a single family home with a building permit valuation of approximately \$1,000,000 (the average building permit valuation from 2013-2014 in Monte Sereno) 2,000 square foot single family home in Monte Sereno are identified in Table ~~HE-9~~ HE-7.

Permit Processing Procedures

The construction of new homes and the major remodels of existing homes require a Site Development Permit and a public hearing before the City Site and Architecture Commission. Permit approval requires the Commission to find the application consistent with site and building design requirements and the required findings. Typical permit processing times are one to two months for a remodel and two to three months for a new home, including a 10 day public notice period.

Permit processing procedures for single family dwelling units require a design review approval. The design review does not pose a significant cost impact because the cost of application ranges from \$360 for a basic remodel to \$2,750 for a complex hillside home construction project. Compared with other construction costs such as the cost of materials, this application fee is nominal.

The findings required for design review approval for a proposed structure requires the compatibility of the location, size, and design of the structure with the surrounding neighborhood. This does not place a significant cost on the applicant, but more often requires minor architectural alterations and/or landscaping to minimize unreasonable impacts on surrounding properties. ~~-The majority of design review applications are approved within one month from the date of submittal. Consequently, permit processing procedures and fees do not appear to be a constraint to housing development. According to City records, for the past 5 years, all projects for design review have eventually been approved. This allows applicants to have certainty of approval if their proposal mitigates the unreasonable impacts on the neighborhood.~~

Building Codes and Code Enforcement

Monte Sereno has adopted the ~~2007~~ 2013 editions of the California Building, Fire, Plumbing, Mechanical, Electric and Health and Safety Codes. The City has not adopted any amendments to these codes that significantly increase housing costs. The City Building Official regularly inspects development projects to ensure compliance with all applicable codes. Code enforcement is pursued as a result of Building Official inspections and resident complaints.

On/Off-Site Improvement Standards

Due to the low-density and semi-rural character of Monte Sereno, the City typically requires only minimal on- and off-site improvements as a condition of approval for new residential development, particularly compared to the requirements of neighboring communities. Most new housing development occurs on existing lots that are already served by necessary infrastructure. Fees associated with the provision of infrastructure to serve new development are identified in Table HE-9 ~~HE-7~~.

NON-GOVERNMENTAL CONSTRAINTS

Land and Construction Costs

Land is expensive in Monte Sereno due to the limited availability of buildable sites, as well as the scenic setting and the area's existing upscale character. The current market price for unimproved land is over \$1,000,000 per acre. Similarly, high construction costs in the Bay Area also contribute to the high cost of housing in Monte Sereno. Based upon City building permit data, construction costs for new single-family homes typically range from \$1,000,000 to \$2,000,000. Land and construction costs in Monte Sereno represent the primary barrier to affordable housing in the community. Programs included in this Element to promote the development of second units in Monte Sereno are intended to address this constraint.

Availability of Financing

As a stable and affluent community, private housing financing is readily available in Monte Sereno. There are no mortgage-deficient areas in the City and no identifiable underserved groups in need of financing assistance.

~~*Constraints on Housing for Persons with Disabilities*~~

~~State law requires the Housing Element to include an analysis of governmental constraints upon the maintenance, improvement or development of housing for persons with disabilities. Housing Elements also must include programs to remove these constraints to the extent possible and to provide reasonable accommodations for housing designed for and occupied by persons with disabilities.~~

~~The primary constraint in Monte Sereno on housing for persons with disabilities is the absence of a reasonable accommodation ordinance. To address this, Program H 4.2 calls for the City to develop and adopt a reasonable accommodation ordinance within two years of adopting this Housing Element. This ordinance will establish procedures and guidelines for the City in responding to requests for adjustments to standards and regulations to enable persons with disabilities to access and occupy housing in Monte Sereno. As stated previously, this Element also includes programs to clarify that transitional housing, supportive housing and residential care homes are permitted as-of-right in a single-family home.~~

TABLE HE-9: MONTE SERENO DEVELOPMENT AND PLANNING FEES (2014)

Item	Cost
Building Permit Fee	\$5,554
Building PC Fee	\$5,956
Energy PC Fee	\$180
Green Building Fee	\$180
Building	\$11,895
Plumbing	\$383
Electrical	\$408
Mechanical	\$378
Grading and Drainage	\$1,449
Storm Drain	\$1,704
Construction Tax	\$2,996
School Fees (\$3.20/sq. foot)*	\$6,400
Sewer Connection	\$510
Water Connection*	\$7,300
Road Impact Fee	\$5,165
Microfilm, Copies and Miscellaneous Other Fees	\$290
Total	\$50,748

Note: Estimate is for a home with a construction valuation of \$1,000,000, which was the average building permit valuation in Monte Sereno for 2013-2014.

* Indicates a fee paid to other entity.

SECTION 6: HOUSING NEEDS AND RESOURCES

A. FUTURE HOUSING NEEDS

As identified earlier in this document, the more significant housing issues facing Monte Sereno in the 2015-2023 time frame are expected to be:

- Growing senior population,
- Limited amount of vacant, developable land,
- Expensive housing costs, and
- Restricted City financial resources for addressing housing issues.

In addition to the housing needs identified above, there is also a specific, quantified number of units needed in order to meet the City's Regional Housing Needs Allocation (RHNA). As specified in State Housing Element law, regional Council of Governments identify specific housing objectives (known as RHNA) for individual communities for a specified planning period. ABAG, the Association of Bay Area Governments, has identified the following RHNA objectives for Monte Sereno for the planning period from 2014 to January 2023. These objectives are the minimum number of housing units necessary to accommodate the City's regional share of population growth for all household income levels. The City's obligation is to provide zoning and adequate land at sufficient densities to allow the following proportion of units to be built.

TABLE HE-10: REGIONAL HOUSING NEEDS ALLOCATION: JANUARY 2014 - JANUARY 2023

Household Income	Number of Units
Very Low Income	23 units
Low Income	13 units
Moderate Income	13 units
Above moderate Income	<u>12 units</u>
TOTAL UNITS	61 units

Housing Produced January 1, 2014 to July 1, 2014

Monte Sereno is allowed to count housing constructed/approved beginning January 1, 2014 through the completion of this Housing Element document, which is July 1, 2014, towards the 61 units needed for this planning period. As shown in Table HE-11 on the following page, a total of three units were added to the housing stock during the first half of 2014. One unit is a single-family unit and assumed to be affordable to an above moderate income households. The two remaining units are second units, one is affordable to a low income household and the other is assumed to be affordable to an above moderate income household.

TABLE HE-11: REVISED REGIONAL HOUSING NEED ALLOCATION 2014-2023

<u>Household Income</u>	<u>Number of Units</u>	<u>Units Produced</u> <u>Jan. 1-July 1, 2014</u>	<u>Revised RHNA</u>
Very Low Income	23 units	0	23 units
Low Income	13 units	1	12 units
Moderate Income	13 units	0	13 units
Above moderate Income	12 units	2	10 units
TOTAL UNITS	61 units	3	58 units

In regard to determining affordability levels for the two Second Units added to the housing stock in the first half of 2014, the City has developed a methodology to identify household affordability levels for Second Units. This process is described in more detail in Section B of the Appendix to this document.

The revised RHNA total for Monte Sereno for the 2014-2023 period is a total of 58 units. As discussed below, Monte Sereno can accommodate this housing need with new single-family homes and new second units. It is projected that the 10 above moderate income units projected will be achieved through the construction of single-family homes. The site inventory that follows details the land available to accommodate a minimum of 10 single-family units. The remaining 48 unit objective can be achieved through the City's Second Unit Program, as described below in Part C of this Section.

B. SITE INVENTORY

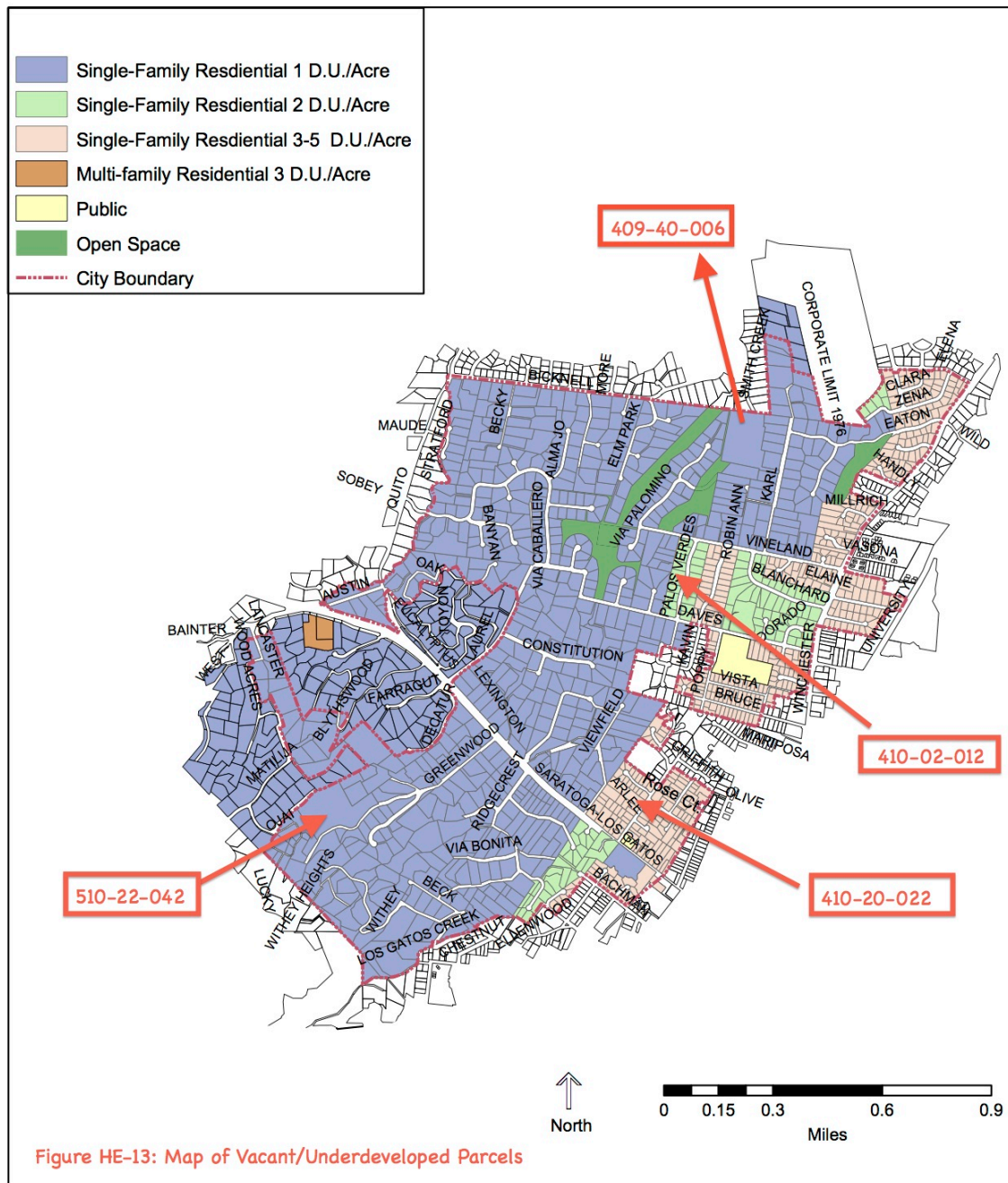
There are 4 parcels of vacant/underdeveloped land zoned for residential use

TABLE HE-12: VACANT/UNDERDEVELOPED PARCELS, CITY OF MONTE SERENO 2014

<u>APN</u>	<u>Zoning</u>	<u>Acres</u>	<u>Allowable Density</u>	<u>Realistic Unit Capacity</u>
409-40-006	R-1-44	10	1 unit/acre	5 units
410-20-022	R-1-8	1.9	3-5 units/acre	8 units
510-22-042	R-1-44	5.7	1 unit/acre	3 units
410-02-012	R-1-20	2	2 units/acre	2 units
Total Potential Units				18 units

Please see Figure HE-13 on the following page for the location of these parcels.

The site inventory above indicates that the City has sufficient land for 18 single-family units, exceeding the City's RHNA objective of 10 units for above moderate income units. The "realistic unit capacity" estimate is based on allowances for slope and existing structures on the parcels.



In addition to the parcels identified previously, in 2013 the City rezoned a 4.45 acre site in the City's Sphere of Influence. The site is the location of the La Hacienda restaurant and is located at 18840 Saratoga Los Gatos Road. The site is zoned RM-Multi Family Residential, which allows up to 3 units per acre. The minimum net lot size is 14,520 square feet per unit or the minimum as required by the City's Slope Density formula. Assuming that the entire net acreage of the site is buildable and that the parcel is developed to the maximum density allowed, the total number of units that could be built is 12-13 units. Because this property is in the City's sphere of influence and the property owner has indicated that he does not intend to annex the property with this pre-zoning designation, the parcel is not included in the inventory of potential parcels. Should circumstances change in the future, this parcel could potentially be the site for additional units.

C. SECOND UNIT PROGRAM

Second Units are independent homes located on the same lot as a primary, larger dwelling unit. Generally, Second Units are typically more affordable than other rental units.

The City's Second Unit programs allows for either attached or detached units. The unit must have its own kitchen and must meet all current building codes. Either the primary residence or the Second Unit must be the principal residence of a legal owner of the property.

The City has administered a Second Unit Program for over 15 years. During that time, the program has evaluated on a periodic basis and revised as necessary to ensure its effectiveness. For example, in 2013-2014, the City refined its survey method and replaced mail questionnaires with person-to-person interviews to gather rent and occupancy information on newly approved Second Units. In addition, the City also revised the program with the following changes:

- allowing second units of up to 1,200 square feet,
- eliminating covered parking requirements,
- providing incentives for rent restricted units,
- increasing public awareness and knowledge of the program, and
- establishing an amnesty program.

Affordability of Second Units

The City calculates the affordability of Second Units based on the rent and the size of the units. The rents are then compared to household income limits defined by the State for very low, low and moderate income households. These income limits are revised on an annual basis by the State and the City then updates their rent affordability levels accordingly. For example, in 2014, the City would identify a Second Unit studio as a very low income unit if the rent charged did not exceed \$928 per month. A Second Unit

of 1 bedroom would be classified as a low income unit if the maximum rent was \$1266 or less.

TABLE #HE-14 PRODUCTION OF SECOND UNITS, 2007-2014

Income Level	2007-2008*	2009	2010	2011	2012	2013	2014**	Total
Very Low	1	0	0	0	1	4	0	6
Low	4	0	1	2	2	2	1	12
Moderate	1	2	0	0	0	0	0	3
Above Moderate	0	0	0	0	0	0	1	1
Totals	6	2	1	2	3	6	2	22

* As reported in Annual Progress Reports to State of California Department of Housing and Community Development

** Partial Year Data (January 1-July 1, 2014)

Of all the second units produced between 2007-2014 (22 units total), following is the percentage breakdown by income level:

Very Low Income	27% (6 units)
Low Income	54% (12 units)
Moderate Income	14% (3 units)
Above Moderate	5% (1 unit)

These percentages are similar to results of a study conducted in 2014 by the San Mateo County “21 Elements” task force. This study looked at recent research on second units in the San Mateo County area (which borders Santa Clara County) and, in particular, the community of Hillsborough (which is similar in demographics and housing costs to Monte Sereno). That study concluded “overall secondary units are a more affordable option for lower income households” and determined that:

- approximately 25-60% of secondary units are affordable to extremely low income households,
- another approximately 10-25% of secondary units are affordable to very low income households,
- another approximately 15-20% of secondary units are affordable to low income households,
- approximately 10-20% more of secondary units are affordable to moderate income households,
- and approximately 5% of secondary units are affordable to above moderate income households.

The study varied its percentages depending on the income characteristics of a community—in particular, citing that wealthier communities where secondary units are

available at no rent to household members or domestic help and, therefore, are affordable to very low and low income households.

As shown above, Second Units can be a critical component in the production of more affordable housing units in a community. However, Second Units can also play other roles in a community, such as making more efficient use of land by increasing density on already developed parcels. Please see Appendix : Part C for more information regarding why Second Units are a vital part of Monte Sereno's housing strategy.

Adequate Sites for Second Units

Second Units are built on already developed or newly developed residential parcels. They can be either attached or detached from the main structures. In Monte Sereno, there are adequate sites for the 48 Second Units projected during the 2015-2023 planning period.

Based on building permit data, there are 1,250 existing detached single family units in Monte Sereno in 2014. Allowing for the 87 second units that currently exist on parcels, it is estimated that there are a remaining 1,163 residential parcels. It is further estimated that 71% of these parcels are of sufficient size to qualify for a Second Unit. Therefore, the net number of parcels on which a Second Unit could theoretically be built is 826 or a total capacity for 826 Second Units. This exceeds the RHNA 48 unit estimate for lower and moderate income housing.

SECTION 7: HOUSING PROGRAM STRATEGY

A. GOALS, OBJECTIVES, POLICIES AND PROGRAMS

Following are the goals, policies, programs and quantified objectives for the City's 2015-2023 housing strategy.

Goals determine what should be done, and where. **Policies and programs** establish who will carry out the goals, how and when. **Quantified objectives** are required by Government Code to "establish the maximum number of housing units by income category that can be constructed, rehabilitated, and conserved over a five year time period." Quantified objectives are noted for those programs where goals/objectives are specific and can be measured. Not all programs will have quantified objectives.

The Goals, Policies and Programs adopted in the 2009-2014 Monte Sereno Housing Element have basically been retained. However, based on the City's experience and success since then, some have been removed, others have been added, and text wording has been revised in some instances. (See Section 8: Appendix of this document for the full text of the 2009-2014 goals, policies and programs.)

GOAL H-1: PROVIDE HOUSING CONSISTENT WITH THE CHARACTER OF THE COMMUNITY.

Policy H-1.1 Ensure that new residential development is compatible with the existing neighborhood character.

Policy H-1.2 Require that residential development is well-integrated into the natural environment and physical landscape of the site.

Policy H-1.3 Ensure that new residential development preserves valued scenic qualities such as hills, ridgelines and views and mitigates adverse visual impacts to the extent possible.

Program H-1.1 Continue to require Site Development Permit approval for all new homes and to require project consistency with the City Design Guidelines.

Responsibility: City Staff and Council

Time Frame: 2015-2023

Quantified Objective: 10 above moderate income units

GOAL H-2: CONSTRUCT ADDITIONAL HOUSING TO MEET THE IDENTIFIED NEEDS OF ALL INCOME GROUPS IN MONTE SERENO.

- Policy H-2.1 Encourage the construction of new second units through incentives, regulatory relief and increased public outreach.
- Policy H-2.2 Remove constraints to the production and availability of housing to the extent consistent with other General Plan policies.
- Policy H-2.3 Expedite the review process, where appropriate, for special needs housing and affordable housing for extremely low, very low, low- and moderate-income households.
- Policy H-2.4 Evaluate rezoning land both within and adjacent to the City, if necessary to provide additional housing opportunities.

- Program H-2.1** The City will continue to administer and improve the Second Unit Program in order to encourage the construction of additional Second Units. Specific tasks that the City will manage include:
- track and monitor the construction and affordability levels with verifiable documentation,
 - publicize incentives for construction of new second units with a systematic approach utilizing all forms of media and outreach,
 - improve and continue amnesty program,
 - explore other innovative uses of second units such as providing housing for multi-generational uses (small families, aging in place, etc.), and
 - amend Second Unit Program if necessary to achieve RHNA production goals.

Responsibility: City Staff and Council

Time Frame: Ongoing

Quantified Objective: 48 Total New Second Units, as follows:

23 Very Low Income Units
12 Low Income Units
13 Moderate Income Units

Program H-2.2 The City will explore other options to provide additional housing opportunities within its existing housing stock. For example, shared housing or renting rooms would be most appropriate for a community such as Monte Sereno that has a majority of housing units being very large and capable of housing larger numbers of people. Shared Housing programs match persons needing housing with homeowners and others who have space to rent. Assuming that the spaces would be subject to City standards, these options could be viable methods to provide more housing opportunities.

Responsibility: City Staff and Council

Time Frame: 2015-2023

Quantified Objective: 5 Low and 5 Very Low Households

Program H-2.3 By the end of 2017, the City will evaluate progress towards meeting its RHNA, in particular new construction objectives for very low, low and moderate income households. If the City determines that additional efforts are needed, the City shall evaluate potential parcels both in the City and adjacent to the City for suitability for mixed income housing. As part of this analysis, the City will consider revising its multi-family zoning standards and density calculations.

Responsibility: City Staff and Council

Time Frame: 2015-2017

by *Quantified Objective: If at least 12 affordable second units (25% of total RHNA lower/moderate income goal) are not built/approved the end of 2017, the City will evaluate potential land sites and site development revisions to provide more affordable units.*

Program H-2.4 The City will work with nearby communities to explore countywide housing needs and solutions. On an annual basis, the City Manager will provide a summary report of activities in cooperation with other jurisdictions/agencies to further increase the supply of affordable housing in the County of Santa Clara. Also, included in this report will be a description of the City's efforts to meet its RHNA goals.

Responsibility: City Staff and Council

Time Frame: 2015-2023

- Policy H-3.1 Support the efforts of property owners to maintain and improve homes in Monte Sereno.
- Policy H-3.2 Ensure adequate investments in public services and facilities to maintain a high-quality living environment in older residential neighborhoods.
- Policy H-3.3 Encourage energy conserving practices in the maintenance of existing dwellings and in new residential development .

Program H-3.1 The City will continue to pursue code enforcement on homes that are not maintained in compliance with City codes.

Responsibility: City Staff and Council
Time Frame: 2015-2023
Quantified Objective: Not applicable (NA)

Program H-3.2 The City will review on a biannual basis the Capital Improvement Program (CIP) to identify public infrastructure priorities that will maintain the community's older residential neighborhoods.

Responsibility: City Staff and Council
Time Frame: 2015-2023
Quantified Objective: Not applicable (NA)

Program H-3.3 The City will encourage energy conservation practices for new existing residential dwelling units by enforcing State and local regulations and encouraging incentives for energy conservation "best practices."

Responsibility: City Staff and Council
Time Frame: 2015-2023
Quantified Objective: Not applicable (NA)

GOAL H-4: SUPPORT A CONTINUUM OF HOUSING OPPORTUNITIES FOR MEMBERS OF THE MONTE SERENO COMMUNITY IN ALL STAGES OF LIFE, INCLUDING THOSE WITH OR WITHOUT SPECIAL NEEDS .

Policy H-4.1 Support special need population groups gaining access to decent housing.

Policy H-4.2 Assist seniors as a growing proportion of the Monte Sereno Community in identifying and developing suitable living situations.

Program H-4.1 The City will continue to monitor transitional/supportive housing and emergency shelter facilities as provided in the City's Municipal Code and as stipulated by State laws or regulations.

Responsibility: City Staff and Council

Time Frame: 2015-2023

Quantified Objective: Not applicable (NA)

Program H-4.2 Working with other local organizations and agencies, the City will work to develop a plan to meet the changing needs of seniors. As Monte Sereno's population ages, issues such as "aging in place" and better utilization of existing housing become paramount. The City can take a lead role in thoughtfully addressing these important issues while developing some potentially innovative housing solutions.

Responsibility: City Staff and Council

Time Frame: 2015-2023

Quantified Objective: Not applicable (NA)

GOAL H-5: ENSURE EQUAL HOUSING OPPORTUNITIES

Policy H-5.1 Work to ensure that individuals and families seeking housing in Monte Sereno are not discriminated against on the basis of age, sex, family structure, national origin, or other arbitrary factors.

Program H-5.1 The City will continue to implement its “Reasonable Accommodations” procedures as contained in the Municipal Code.

Responsibility: City Staff and Council

Time Frame: 2015-2023

Quantified Objective: Not applicable (NA)

Program H-5.2 The City will work with other organizations to promptly address complaints of discrimination in the sale, rent and development of housing in Monte Sereno.

Responsibility: City Staff and Council

Time Frame: 2015-2023

Quantified Objective: Not applicable (NA)

TABLE HE-15: SUMMARY OF QUANTIFIED OBJECTIVES, 2015-2023

Program	Very Low Income	Low Income	Moderate Income	Above Moderate Income	TOTAL
H.H-1: Continue to require site development permit approval for all new homes and to require project consistency with the City Design Guidelines.				10 units	10 units
H-2.1: The City will continue to manage and improve the Second Unit Program in order to encourage the construction of additional Second Units.	23 units	12 units	13 units		48 units
TOTAL	23 units	12 units	13 units	10 units	58 units
RHNA Objectives	23 units	12 units	13 units	10 units	58 units
<i>Other Objectives Not Applicable to RHNA</i>					
H-2.2: The City will explore other options to provide additional housing opportunities within its existing housing stock-such as shared housing.	5 households	5 households			

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SECTION 8: APPENDIX

A. REVIEW OF 2009–2014 HOUSING ELEMENT GOALS AND POLICIES

Listed below are the goals, policies and programs from the 2009-2014 Housing Element. Comments on the relevance and continued appropriateness of the goals, policies and programs for the 2015-2023 are **marked in bold**.

Goals, Policies and Programs

Goal H-1	Provide needed housing in Monte Sereno in a way that preserves the low-density and semi-rural character of the community.
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Policy

Policy H-1.1	Ensure that new residential development is compatible with the existing neighborhood character.
Policy H-1.2	Require that residential development is well-integrated into the natural environment and physical landscape of the site.
Policy H-1.3	Require that new residential development preserves valued scenic qualities such as hills, ridgelines and views and mitigates adverse visual impacts to the extent possible.

Program

Program H-1.1	Continue to require Site Development Permit approval for all new homes and to require project consistency with the City Design Guidelines.
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Recommendation: Continue to include goals, policies and programs that encourage housing consistent with the character of the community.

Goal H-2	Maintain and improve the existing housing stock in Monte Sereno.
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Policy

Policy H-2.1	Support the efforts of property owners to maintain and improve homes in Monte Sereno.
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- Policy H-2.2 Enforce City regulations requiring adequate maintenance and upkeep of residential properties.
- Policy H-2.3 Ensure adequate investments in public services and facilities to maintain a high-quality living environment in older residential neighborhoods.

Program

- Program H-2.1 The City will continue to monitor residential neighborhoods for housing in need of rehabilitation.
- Program H-2.2 The City will continue to participate with Santa Clara County in the Federal Community Development Block Grant Program to provide housing rehabilitation loans and weatherization services for extremely low, very low, low and moderate-income households. As part of the Urban County the City commits that by 2011 it will develop a local plan and process for citizen participation in review of any City project proposals. The City will detail proposed project activities, detail the Urban County's need that the project is addressing and detail a project implementation timeline. The City will prepare quarterly progress reports during the program year activities are being carried out. The City also will provide any additional information necessary for the completion of the Urban County's Consolidation Plan, including a detailed description of the City's commitment to provide assistance to extremely low, very low, low and moderate-income persons.
- Program H-2.3 The City will continue to monitor the availability of additional State and Federal funds to assist in the rehabilitation of housing in Monte Sereno. The City will also apply for and assist with the application process for funds by January 2011 and continue on an annual basis. Funding sources to consider are CDBG and California Communities (California Statewide Communities Development Authority).
- Program H-2.4 The City will continue to pursue code enforcement on homes that are not maintained in compliance with City codes.
- Program H-2.5 The City will review on a biannual basis the Capital Improvement Program (CIP) to identify public infrastructure priorities that will maintain the community's older residential neighborhoods.

Recommendation: Continue to encourage the maintenance and improvement of existing housing units.

Goal H-3	Construct additional housing to meet the identified housing needs for all income groups in Monte Sereno.
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Policies

Policy H-3.1	Encourage the construction of new second units through incentives, regulatory relief and increased public outreach.
Policy H-3.2	Remove constraints to the production and availability of housing to the extent consistent with other General Plan policies.
Policy H-3.3	Expedite the review process, where appropriate, for special needs housing and affordable housing for extremely low, very low, low- and moderate-income households.
Policy H-3.4	Consider the annexation of land adjacent to Monte Sereno if it is needed to increase the supply of affordable housing.

Programs

Program H-3.1	Amend the zoning code to increase the maximum permitted size of second units to 1,200 square feet and to exclude covered parking from the second unit building size calculation.
Program H-3.2	In order to encourage the development of secondary dwelling units and single room occupancies affordable to extremely low income households the City will adopt new incentives that may include such things as waiving planning fees of secondary dwelling units and single room occupancies and/or regulation concessions.
Program H-3.3	The City will continue to track and monitor the construction and affordability of levels of new second units through building permits and an affordability questionnaire. The affordability questionnaire will be updated and distributed within by 2011.
Program H-3.4	Initiate an intensive public outreach campaign to publicize incentives for the construction of new second units and the amnesty program for existing un-permitted second units. By 2011 the City will initiate a secondary unit public outreach program. Information will be provided on the City's web site, through e-mailings, and the City's quarterly newsletter.
Program H-3.5	The City will monitor the second unit ordinance to ensure that standards and regulations are not prohibiting the construction of new second units needed to meet the City's share of the region's housing needs. The City will amend the second unit ordinance if needed to facilitate the construction of second units for very-low, low and moderate income households.

- Program H-3.6 The City will continue to track and monitor the construction and affordability levels of new second units. On an annual basis, the City will compare the results of the tracking system with its regional housing needs allocation (RHNA) for extremely low, very low, low, and moderate-income families. If the RHNA is not being met, the City will develop alternate strategies for addressing the housing needs for extremely low, very low, low, and moderate-income families. When the City receives an application for assistance to develop affordable housing, the City will apply for funds within three months of receiving an application.
- Program H-3.7 The City will continue to evaluate existing development review procedures and identify ways to reduce the time and associated development costs for extremely low, very low, low, and moderate-income housing.
- Program H-3.8 The City will continue to participate in efforts to provide affordable housing for all income groups in Santa Clara County. These efforts include programs administered by the Housing Trust of Santa Clara County, the Housing Authority of Santa Clara County and the Santa Clara County Office of Affordable Housing by 2010.
- Program H-3.9 The City will continue to monitor the availability of State and federal funds to assist in the development of affordable housing in Monte Sereno, especially for extremely low income households. The City will also apply for and assist with the application process for funds by January 2011 and continue on an annual basis. Funding sources to consider are CDBG and California Communities (California Statewide Communities Development Authority).
- Program H-3.10 Evaluate the fiscal impacts of annexing parcels suitable for a variety of residential development in the sphere of influence. This evaluation should be confined to areas that are surrounded by urban development and have access to services. The City has approximately 11 acres in its sphere of influence suitable for evaluation. Given the current zoning of one to four units per acre on these parcels, the additional dwelling unit capacity is 20 units. However, in addition, the City will consider higher density multifamily uses on annexed parcels to facilitate the development of a variety of housing types including housing for extremely low, low and moderate-income households. In evaluating a variety of housing types the City will prepare guidance for development standards such as building height, setbacks, grading quantities, and lot coverage to encourage and facilitate higher density multifamily housing such as 15-20 units per acre. The City will target financial resources (see Program H-3.9) to promote extremely low income housing where multifamily opportunities are being explored.
- Evaluate annexation of parcels in the sphere of influence for annexation and initiate annexation by July 2011. The process to evaluate annexation will include community outreach to provide information, answer questions and gather input from the public. The City will also conduct at least two public hearings with formal notification to property owners within the annexation areas.

The City will evaluate progress of this program by July 2012 and if zoning and sites are not made available for multifamily developments, the City will immediately amend the Housing Element to identify and establish other sites and zoning to encourage and facilitate multifamily development. Zoning to allow multifamily development will be established by December 2012.

Program H-3.11 The Planning Director (PD) will prepare an annual report to the City Council which describes the amount and type of housing produced and the extent to which this housing meets the identified need of all income groups in Monte Sereno.

Program H-3.12 The City will adopt an ordinance that complies with State density bonus law (Government Code Section 65915) to facilitate the economic feasibility of affordable housing development.

Recommendation: Continue programs and policies that will provide for new housing opportunities for households of all income levels.

Goal H-4	Provide adequate housing for special needs populations
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Policy

Policy H-4.1 Support the availability of housing for seniors, the disabled and other persons with special housing needs.

Policy H-4.2 Remove constraints on the provision of housing for special needs populations to the extent possible.

Policy H-4.3 Cooperate with neighboring jurisdictions to provide a year-round emergency shelter in west Santa Clara County. Programs:

Program H-4.1 The City will continue to annually review the Zoning Ordinance and Building Code to identify and remove constraints on the production and availability of housing for special needs populations.

Program H-4.2 The City will develop and adopt a reasonable accommodation ordinance within two years of the adoption of this Housing Element. This ordinance will establish procedures and guidelines for the City to respond to requests for adjustments to standards and regulations to enable persons with disabilities to access and occupy housing in Monte Sereno.

Program H-4.3 The City will amend the Zoning Code to allow transitional housing, supportive housing and residential care homes, both group homes for six or less and seven or more, as-of-right in a single-family home within all residential zones within the City. Transitional and Supportive

housing will only be subject to those restrictions that apply to other residential uses of the same type in the same zone.

Program H-4.4 The City will allow emergency shelters on all parcels zoned Public within Monte Sereno. The parcels currently zoned Public contains uses that are compatible with emergency shelters. These parcels are also larger and in locations that are easily accessible. Existing relationships are in place with current property owners to allow the properties to be used for emergency response.

The City will commit to establish development and management standards to encourage and facilitate the development of emergency shelters. Emergency shelters will be permitted by right without a conditional use permit or other discretionary action. Emergency shelters will only be subject to those restrictions that apply to other residential uses of the same type in the same zone.

Program H-4.5 In order to purpose the development of emergency shelters the City's Emergency Manager will work with the American Red Cross and the Santa Clara County Office of Emergency Services to develop an inventory of existing shelter and a needs assessment for additional space.

The City will also continue to participate in the annual County wide homeless count to determine shelter need by locality.

Recommendation: Continue to refine and improve policies and programs that assist households with special needs.

Goal H-5	Ensure equal housing opportunities for all households in the City.
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Policy

Policy H-5.1 Work to ensure that individuals and families seeking housing in Monte Sereno are not discriminated against on the basis of age, sex, family structure, national origin, or other arbitrary factors.

Programs

Program H-5.1 Work to ensure that individuals and families seeking housing in Monte Sereno are not discriminated against on the basis of age, sex, family structure, national origin, or other arbitrary factors.

Program H-5.2 The City will continue to cooperate with and support efforts of organizations dedicated to working toward elimination of discrimination in housing.

Program H-5.3 The City will promptly address complaints of discrimination in the sale, rent, and development of housing in Monte Sereno. The City will provide information regarding fair housing on the City's website, front counter, e-mailings and quarterly newsletter.

Recommendation: Continue to encourage and support equal housing opportunities for all households in the City.

Goal H-6	Encourage energy conserving practices in the maintenance of existing dwellings and in new residential development
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Policy

Policy H-6.1 Encourage energy conservation practices for new and existing residential dwellings.

Programs

Program H-6.1 Enforce the State's Energy Conservation Standards for new residential construction and additions to existing structures.

Program H-6.2 Continue to encourage innovative designs to maximize passive energy efficiencies through the Site Development Permit approval process.

Program H-6.3 Continue to disseminate relevant information to the public regarding energy conservation, and support efforts by public utilities to encourage home conservation practices.

Program H-6.4 Adopt new incentives, including but not limited to waiving fees for installing solar panels and other green building permits, to encourage the use of green building practices.

Recommendation: Continue to encourage and promote energy conservation activities.

B. 2014 HOUSEHOLD INCOME LIMITS AND SECOND UNIT AFFORDABLE RENTS

Household Income Limits 2014

Household Income Category	1 Person	2 Person	3 Person	4 Person
Extremely Low	\$22,300	\$25,500	\$28,650	\$32,850
Very Low	\$37,150	\$42,450	\$47,750	\$53,050
Low	\$59,400	\$67,900	\$76,400	\$84,900
Moderate	\$88,600	\$101,300	\$113,950	\$126,600

Second Unit Affordable Rents 2014

<u>Income Category</u>	<u>Maximum Rent</u>		
	Studio	1-Bedroom	2-Bedroom
Extremely Low	\$553	\$633	\$712
Very Low	\$923	\$1061	\$1194
Low	\$1107	\$1266	\$1424
Moderate	\$2030	\$2321	\$2611

| **Notes for calculation of Second Unit Rents:**

Median incomes for Santa Clara County from HCD Memo, *State Income Limits for 2014* (California Code of Regulations, Title 25, § 6932).

Assumed household size of 1 person for studio unit; 2 persons for 1-bedroom unit; 3 persons for 2-bedroom unit.

Maximum rents based on Health & Safety Code Section 50053(b), as follows:

Extremely low income maximum rent = 30% of 30% of median income for assumed household size, divided by 12.

Very low income maximum rent = 30% of 50% of median income for assumed household size, divided by 12.

Low income maximum rent = 30% of 60% of median income for assumed household size, divided by 12.

Moderate income maximum rent = 30% of 110% of median income for assumed household size.

C. WHY ARE SECOND UNITS A VITAL AND NECESSARY COMPONENT OF MONTE SERENO'S HOUSING PROGRAM?

Second Units, defined as a self-contained dwelling unit, complete with its own kitchen and at least one bathroom, is located on the same property as a single-family house, and is significantly smaller than the main dwelling unit. The Second Unit can be either attached to the main unit or detached.

In communities such as Monte Sereno, Second Units can be an effective and vital component of the City's housing strategy. Monte Sereno is a well-established community with scarce land availability, very high housing costs and limited public funding for housing programs. However, the existing land patterns and housing types are very conducive to a successful Second Unit program. Minimum lot sizes are larger than average in Monte Sereno thereby providing more opportunities for the construction of Second Units.

Several recent articles and papers have established the importance and effectiveness of Second Units in communities such as Monte Sereno and in the San Francisco Bay area. The first article, published in the Journal of Urbanism: International Research on Placemaking and Urban Sustainability ("Hidden density in single-family neighborhoods: backyard cottages as an equitable smart growth strategy," February 2014), provides data research on Second Units in the San Francisco Bay area. One of the conclusions of the article is

Secondary units, or apartments added to low-density residential properties via either micro-infill or the partitioning of existing structures can potentially add as much or more density, at a fraction of the cost, as large scale development. Because secondary unit development is readily implementable in higher-income neighborhoods, the strategy contributes to neighborhood diversity and helps meet fair housing goals. By adding small rental units to neighborhoods dominated by large homeowner-occupied units, the strategy provides flexibility. For instance, more families are able to age in place. This in turn leads to more ecological (and fiscal) sustainability by relying on existing infrastructure in places otherwise unlikely to redevelop (Page 308).

The article further concludes that

Backyard cottages (Second Units), then, could yield infill housing production levels exceeding the results of an aggressive conventional infill scenario that would take decades to realize. What is more, unlike market rate multi family development, backyard cottage projects require comparatively small injections of capital (frequently under US \$100,000, as compared with millions of dollars for even a small five-unit project), and can be easily completed within a year. By

contrast, multifamily projects take several years from conception to planning (Page 316).

In addition to addressing the effectiveness of Second Units in land utilization, the article also provides insight into the affordability of Second Units.

Secondary units appear to be considerably likelier to bolster income diversity through addition to the stock of modestly priced rental apartments in high-opportunity neighborhoods than are other types of unsubsidized rental housing. In addition, and unlike absentee-owned rental housing, secondary units have the potential to provide an income stream to existing homeowners. Thus, in addition to facilitating the entry of non-affluent residents into otherwise unattainable neighborhoods, secondary units can further contribute to income diversity by helping existing homeowners age in place even amidst transformative life events such as job loss, retirement, and health setbacks (Page 320).

Another recent research paper also validates the importance of Second Units in providing affordable housing opportunities. A task force of communities (“21 Elements”) in the County of San Mateo produced a research paper titled “Affordability of Secondary Dwelling Units” (April, 2014). Their study assessed the affordability of secondary dwelling units throughout San Mateo County (located adjacent to Santa Clara County) and, in particular secondary dwelling units in the Town of Hillsborough. Hillsborough is very similar to Monte Sereno in terms of household income levels, type of housing stock and housing costs. The study found very high levels of affordability for existing second units, such as:

- Approximately 60% of secondary units are affordable to Extremely Low Income households,
- An additional approximately 10% of secondary units are affordable to Very Low Income households,
- Another approximately 15% of secondary units are affordable to Low Income households, and
- Approximately 10% more of secondary units are affordable to Moderate Income households.

The report also concluded that the results noted above are “most applicable to wealthier communities where secondary units are more likely to be available to domestic help or family members at free or heavily subsidized rates.”

Both of the studies referenced above support the City of Monte Sereno’s decision to utilize Second Units as an important and vital component of its overall housing strategy. Second Units have been demonstrated to not only **succeed in efficient utilization of available land and infrastructure but can also add much needed housing units at a faster rate and a more affordable price than conventional multi-family housing units.**

D: Abbreviations

ABAG: Association of Bay Area Governments, the Bay Area's COG

AMI: Area Median (Household) Income

BMR: Below-market-rate dwelling unit

CEQA: California Environmental Quality Act

CHFA: California Housing Finance Agency

CIP: Capital Improvements Program

COG: Council of Governments

EIR: Environmental Impact Report

FAR: Floor Area Ratio

FY: Fiscal Year

GMI: Gross Monthly Income

HCD: Housing and Community Development Department of the State of California

HUD: U.S. Dept. of Housing and Urban Development

NA: Not Applicable

PUD: Planned Unit Development

PMSA: Primary Metropolitan Statistical Area

RHNA: Regional Housing Needs Allocation

SOI: Sphere of Influence