

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

2020 W. El Camino Avenue, Suite 500
Sacramento, CA 95833
(916) 263-2911 / FAX (916) 263-7453
www.hcd.ca.gov



October 3, 2023

Katie Herlihy, Director
Community Development Department
City of Capitola
420 Capitola Avenue
Capitola, CA 95010

Dear Katie Herlihy:

RE: City of Capitola's 6th Cycle (2023-2031) Draft Housing Element

Thank you for submitting the City of Capitola's (City) draft housing element received for review on July 5, 2023, along with revisions received on September 19, 2023. Pursuant to Government Code section 65585, subdivision (b), the California Department of Housing and Community Development (HCD) is reporting the results of its review. Our review was facilitated by a conversation on September 6, 2023, with the City's housing element team. In addition, HCD considered comments from Santa Cruz YIMBY pursuant to Government Code section 65585, subdivision (c).

The draft element addresses many statutory requirements; however, revisions will be necessary to substantially comply with State Housing Element Law (Gov. Code, § 65580 et seq). The revisions needed to comply with State Housing Element Law are as follows:

1. *Promote and affirmatively further fair housing opportunities and promote housing throughout the community or communities for all persons regardless of race, religion, sex, marital status, ancestry, national origin, color, familial status, or disability, and other characteristics... (Gov. Code, § 65583, subd. (c)(5).)*

Goals, Actions, Metrics, and Milestones: Promoting housing mobility removes barriers to higher opportunity and income areas and strategically enhances access to housing choices and affordability. The element must include significant actions to promote housing mobility within the City and relative to the region to promote more inclusive communities. While the element includes some potentially meaningful actions, largely, these actions are limited to the regional housing need allocation (RHNA) or geographically targeted to high and highest resource areas which is the entire City. Instead, programs to promote housing mobility should consider geographic targeting such as highest resource and relatively higher median income areas or areas of lesser intensity. In addition, the element should consider additional actions with numerical targets (e.g., 200

units) beyond rehabilitation, accessory dwelling units (ADU) and following state laws. Examples of additional actions could include upzoning areas, increasing housing choices (e.g., duplexes to fourplexes), targeting funding, allowing conversion of existing space beyond state ADU and junior accessory dwelling unit (JADU) laws and homesharing.

2. *An inventory of land suitable and available for residential development, including vacant sites and sites having realistic and demonstrated potential for redevelopment during the planning period to meet the locality's housing need for a designated income level, and an analysis of the relationship of zoning and public facilities and services to these sites. (Gov. Code, § 65583, subd. (a)(3).)*

Identify actions that will be taken to make sites available during the planning period with appropriate zoning and development standards and with services...(Gov. Code, § 65583, subd. (c)(1).)

Capitola Mall: While the element provides information regarding the current uses on the Capitola Mall site, it must still describe the extent to which existing uses may continue to constitute an impediment to residential development. For example, the element cites a previous application and trends in commercial uses but should also evaluate the extent to which existing commercial uses may preclude residential development in the planning period. For example, the element could address existing lease agreements, easements or property conditions that may preclude residential development, whether uses will discontinue or how uses will continue through redevelopment, replacement parking and site planning consideration, potential phasing of the project, development on non-commercial portions of the site, and other factors that support the site's redevelopment during the planning period.

Additionally, given the reliance on the Capitola Mall site to meet the RHNA, the element should include a program that commits to facilitating development and monitoring approvals of the projects (e.g., coordination with applicants to approve entitlements, supporting funding applications, expanding approvals, and monitoring of project progress, including rezoning or identification of additional sites, if necessary).

Realistic Capacity: While the element lists recent projects in the MU-N and C-C zones to estimate realistic development capacity on those sites, the element must further analyze the likelihood of 100 percent nonresidential development and account for this likelihood in the calculation of residential capacity.

Suitability of Nonvacant Sites and Zoning for Lower-Income Households: The element includes sites in the R-1 zone (with a maximum density of 8.7 du/ac) with existing congregational or educational uses currently listed as sites appropriate to meet the lower-income RHNA. However, the element must demonstrate densities appropriate to accommodate housing for lower-income households. For communities with densities that meet specific standards (at least 20 units per acre for Capitola), no analysis is required. (Gov. Code, § 65583.2,

subd. (c)(3).) Otherwise, an analysis must demonstrate appropriate densities based on factors such as market demand, financial feasibility, and development experience within identified zones. In addition, the element should further evaluate the extent existing uses impede additional development. For example, the element mentions excess surface parking and underutilized buildings but should discuss whether those uses will continue or discontinue and if continuing, how the use impacts additional development. Based on the outcomes of this analysis, the element should add or modify programs, including, if applicable, meeting by right requirements pursuant to Government Code section 65583.2, subdivision (h) and (i).

Small Sites: Sites smaller than half an acre are deemed inadequate to accommodate housing for lower-income households unless it is demonstrated, with sufficient evidence, that sites of equivalent size and affordability were successfully developed during the prior planning period or other evidence demonstrates the suitability of these sites. The element mentions some past production on small sites and reports that most of the small sites are under common ownership but should also discuss the potential for consolidation. For example, the element could evaluate the circumstances potentially leading to consolidation such as existing shared access, necessity for consolidation to share access, necessity for consolidation to promote financial feasibility, meet development standards or facilitate site planning. Based on the outcomes of this analysis, the element should add or modify action to encourage lot consolidation. For example, the element could consider graduated density as an additional incentive to promote lot consolidation.

Publicly-Owned Sites: The element mentions publicly-owned sites but should also discuss their suitability for development in the planning period, including status, anticipated schedule, and any known barriers to development in the planning period. Based on the outcomes of this analysis, programs should be added or modified to comply with surplus land act requirements, if applicable, target numerical objectives consistent with the inventory and commit to a schedule of actions to facilitate development, including alternative actions if necessary.

Environmental Constraints: While the element generally describes a few environmental conditions within the City, it must relate those conditions to identified sites and describe any other known environmental or other constraints that could impact housing development on identified sites in the planning period, such as lot shape, access, contamination, overlays, and easements.

Electronic Sites Inventory: For your information, pursuant to Government Code section 65583.3, the City must submit an electronic sites inventory with its adopted housing element. The City must utilize standards, forms, and definitions adopted by HCD. Please see HCD's housing element webpage at <https://www.hcd.ca.gov/planning-and-community-development/housing-elements> for a copy of the form and instructions. The City can reach out to HCD at sitesinventory@hcd.ca.gov for technical assistance.

Programs: Based on the results of a complete sites inventory and analysis, the City may need to add or revise programs to address a shortfall of sites or zoning available to encourage a variety of housing types.

3. *An analysis of potential and actual governmental constraints upon the maintenance, improvement, or development of housing for all income levels, including... ..land use controls, building codes and their enforcement, site improvements, fees and other exactions required of developers, and local processing and permit procedures...(Gov. Code, § 65583, subd. (a)(5).)*

Address and, where appropriate and legally possible, remove governmental and nongovernmental constraints to the maintenance, improvement, and development of housing, including housing for all income levels and housing for persons with disabilities...(Gov. Code, § 65583, subd. (c)(3).)

Fees and Exaction: While the element provides a general overview of fees in the City, it should further analyze the total fees as a proportion to the overall development cost. Upon this analysis, the element may need to add or modify programs to reduce fees, as appropriate.

Other Locally Adopted Ordinances – Incentives for Community Benefit: While the element provides some general information on the City's Incentives for Community Benefit Ordinance, it should analyze the Ordinance's impact on housing supply and affordability. For example, the element should describe the process which applicants must go through to qualify for these incentives, including any discretionary hearings or standards that might apply. Upon this analysis, the element may need to add or modify a program, as appropriate.

Constraints on Housing for Persons with Disabilities: Program 3.4 commits to permit large residential care facilities in zones where residential uses are permitted but should also clarify these uses will be permitted regardless of licensing and similar to other uses of the same type in the same zone.

Programs: Upon a complete analysis of potential governmental constraints, the City may need to revise or add programs and address and remove or mitigate any identified constraints.

The element will meet the statutory requirements of State Housing Element Law once it has been revised and adopted to substantially comply with the above requirements pursuant to Government Code section 65585.

Public participation in the development, adoption, and implementation of the housing element is essential to effective housing planning. Throughout the housing element process, the City should continue to engage the community, including organizations that represent lower-income and special needs households, by making information regularly

available and considering and incorporating comments where appropriate. Please be aware, any revisions to the element must be posted on the local government's website and to email a link to all individuals and organizations that have previously requested notices relating to the local government's housing element at least seven days before submitting to HCD.

Several federal, state, and regional funding programs consider housing element compliance as an eligibility or ranking criteria. For example, the CalTrans Senate Bill (SB) 1 Sustainable Communities grant, the Affordable Housing and Sustainable Communities program, and HCD's Permanent Local Housing Allocation consider housing element compliance and/or annual reporting requirements pursuant to Government Code section 65400. With a compliant housing element, the City will meet housing element requirements for these and other funding sources.

For your information, some general plan element updates are triggered by housing element adoption. HCD reminds the City to consider timing provisions and welcomes the opportunity to provide assistance. For information, please see the Technical Advisories issued by the Governor's Office of Planning and Research at: <https://www.opr.ca.gov/planning/general-plan/guidelines.html>.

HCD appreciates the hard work, dedication, and responsiveness the City's housing element team provided during the update and review. We are committed to assisting the City in addressing all statutory requirements of State Housing Element Law. If you have any questions or need additional technical assistance, please contact Jose Ayala, of our staff, at Jose.Ayala@hcd.ca.gov.

Sincerely,



Paul McDougall
Senior Program Manager