

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

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May 10, 2024

Suzi Merriam, Director
Community Development Department
City of Watsonville
250 Main Street
Watsonville, CA 95076

Dear Suzi Merriam:

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

Thank you for submitting the City of Watsonville's (City) draft housing element received for review on February 12, 2024, along with revisions received on April 29, 2024. Pursuant to Government Code section 65585, the California Department of Housing and Community Development (HCD) is reporting the results of its review. Our review was facilitated by a conversation on April 8, 2024 with the City's housing element team. In addition, HCD considered comments from David Kellogg 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 enclosed Appendix describes the revisions needed to comply with State Housing Element Law.

As a reminder, the City's 6th cycle housing element was due December 15, 2023. As of today, the City has not completed the housing element process for the 6th cycle. The City's 5th cycle housing element no longer satisfies statutory requirements. HCD encourages the City to revise the element as described above, adopt, and submit to HCD to regain housing element compliance.

For your information, pursuant to Assembly Bill 1398 (Chapter 358, Statutes of 2021), as the City did not adopt a compliant housing element within 120 days of the statutory deadline (December 15, 2023), any rezoning to accommodate the regional housing needs allocation (RHNA) or make prior identified sites available must be completed no later than one year from the statutory deadline. Otherwise, the local government's housing element will no longer comply with State Housing Element Law, and HCD may revoke its finding of substantial compliance pursuant to Government Code section 65585, subdivision (i). Please be aware, if the City does not adopt a compliant housing element within one year from the statutory deadline, the element cannot be found in substantial

Suzi Merriam, Director

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compliance until rezones are completed pursuant to Government Code sections 65583, subdivision (c)(1)(A) and 65583.2, subdivision (c) are completed.

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 and dedication 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 Mao Lee, of our staff, at Mao.Lee@hcd.ca.gov.

Sincerely,



Paul McDougall
Senior Program Manager

Enclosure

APPENDIX CITY OF WATSONVILLE

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

Housing element technical assistance information is available on HCD's website at <https://www.hcd.ca.gov/planning-and-community-development/hcd-memos>. Among other resources, the housing element section contains HCD's latest technical assistance tool, *Building Blocks for Effective Housing Elements (Building Blocks)*, available at <https://www.hcd.ca.gov/planning-and-community-development/housing-elements/building-blocks> and includes the Government Code addressing State Housing Element Law and other resources.

A. Housing Needs, Resources, and Constraints

1. *Affirmatively further[ing] fair housing in accordance with Chapter 15 (commencing with Section 8899.50) of Division 1 of Title 2...shall include an assessment of fair housing in the jurisdiction. (Gov. Code, § 65583, subd. (c)(10)(A).)*

Enforcement and Outreach: The element must describe capacity to provide enforcement and outreach which can consist of actions such as the ability to investigate complaints, obtain remedies, or engage in fair housing testing. The element currently describes services provided by Watsonville Law Center and California Rural Legal Assistance but should also describe education and outreach and the process and manner of complaint referral. The analysis could also evaluate data and the results from any fair housing testing.

Disproportionate Housing Needs, Including Displacement Risk: The element includes some general information on persons experiencing homelessness and housing conditions but should also evaluate patterns and trends, including areas of higher need. For persons experiencing homelessness, the element should examine disproportionate impacts on people with protected characteristics and services available and patterns of need or areas with higher concentrations of persons experiencing homelessness, including access to transportation and services. For housing conditions, the element should discuss areas of the City that have a higher number of units in need of rehabilitation and replacement. The element should utilize local data and knowledge such as service providers and code enforcement officials to assist this analysis.

Contributing Factors to Fair Housing Issues: Based on the outcomes of a complete analysis, the element should re-assess and prioritize contributing factors to fair housing issues and make revisions to policies and programs as appropriate.

2. *Include an analysis and documentation of household characteristics, including level of payment compared to ability to pay, housing characteristics, including overcrowding, and housing stock condition. (Gov. Code, § 65583, subd. (a)(2).)*

While the element uses the housing stock age as a proxy for the number of units in need of rehabilitation or replacement, the element must also complement this data using local code enforcement data on the number of units in need of repair. For example, the element can include the number of code enforcement cases every year and use code enforcement data to provide this estimate.

3. *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).)*

Realistic Capacity: The element appears to assume residential development on sites with zoning that allows 100 percent nonresidential uses, but to support this assumption, the element must analyze the likelihood of residential development in zoning where 100 percent nonresidential uses are allowed. The analysis should be based on factors such as development trends including nonresidential, performance standards requiring residential uses or other relevant factors such as enhanced policies and programs.

Suitability of Nonvacant Sites: The element identifies nonvacant sites to accommodate the regional housing need for households of all incomes. To support this information, the element reviews recent built and entitled residential developments and provides a brief description of the use prior to redevelopment. However, the element does not reflect the conditions cited in prior redevelopment and instead appears to use a different set of criteria to evaluate the likelihood that sites identified in the inventory will redevelop. The element must provide a complete analysis demonstrating the extent to which existing uses may impede additional residential development, development trends, market conditions, and regulatory or other incentives or standards encourage additional residential development on these sites. Absent this analysis, these sites are not considered suitable to meet the regional housing need allocation (RHNA).

In addition, for some sites, the element provides letters from property owners to support the likelihood of redevelopment. However, these letters alone do not constitute affirmative statements of interest in residential development in the planning period. The element should either clarify interest or include additional analysis to demonstrate the potential for redevelopment within the planning period.

Lastly, specific analysis and actions are necessary if the housing element relies upon nonvacant sites to accommodate more than 50 percent of the RHNA for lower-income households. For your information, the housing element must demonstrate existing uses are not an impediment to additional residential development and will likely discontinue in the planning period. (Gov. Code, § 65583.2, subd. (g)(2).) Absent findings (e.g., adoption resolution) based on substantial evidence, the existing uses will be presumed to impede additional residential development and will not be utilized toward demonstrating adequate sites to accommodate the RHNA.

Environmental Constraints: The element explains there are no environmental constraints to development on identified sites but should also describe any other known constraints that preclude development in the planning period. Examples of other known conditions include shape, contamination, property conditions, easements, Williamson Act contracts, conservation easements, overlays, and airport and military compatibility.

Zoning for a Variety of Housing Types (Manufactured Housing): Manufactured homes that are built on a permanent foundation must be allowed in the same manner and in the same zones as conventional or stick-built structures. Specifically, manufactured homes on a permanent structure should only be subject to the same development standards that a conventional single-family residential dwelling would be subject to. The element must demonstrate consistency with this requirement or add or modify programs as appropriate.

4. *An analysis of potential and actual governmental constraints upon the maintenance, improvement, or development of housing for all income levels, including the types of housing identified in paragraph (1) of subdivision (c), and for persons with disabilities as identified in the analysis pursuant to paragraph (7), including land use controls, building codes and their enforcement, site improvements, fees and other exactions required of developers, and local processing and permit procedures... (Gov. Code, § 65583, subd. (a)(5).)*

Land Use Controls: The element must identify and analyze all relevant land use controls impacts as potential constraints on a variety of housing types. The analysis should specifically address requirements related to multifamily heights in the DC, DN, and DI zones. For example, while the element provides a project to demonstrate the likelihood projects at higher densities (85 and 125 dwelling units) can be built in zones limited to four and six stories, respectively, the project is a half-acre in size and not similarly sized to other sites identified in the element. The element should provide theoretical project examples to justify that the height limits do not pose a constraint to achieving these higher densities.

Local Processing and Permit Procedures: The element should evaluate processing and permit procedures for impacts on timing, cost, and approval certainty. The element discusses the City's Administrative Review Permit, Design Review, and Conditional/Special Use processes and approval findings, but does not evaluate for impacts on timing, cost, and approval certainty. Specifically, the approval findings that requires the proposed use will be "compatible with and preserves the character". This standard is subjective and potentially impacts approval certainty and should either be closely evaluated or removed to better promote certainty in the approval process. In particular, the element should consider this and other standards when evaluating residential care facilities.

On/Off-Site Improvements: While the element provides an overview of the types of on/off-site improvements that could be imposed on residential development, the element should also provide specific examples of these improvements. For example, the element must identify subdivision level improvement requirements, such as

minimum widths (e.g., 40-foot minimum street width), and analyze their impact as potential constraints on housing supply and affordability.

Streamlining Provisions: The element should clarify whether the City has procedures consistent with streamlining procedures pursuant to Government Code section 65913.4 and include programs as appropriate.

5. *An analysis of potential and actual nongovernmental constraints upon the maintenance, improvement, or development of housing for all income levels, including... requests to develop housing at densities below those anticipated in the analysis required by subdivision (c) of Government Code section 65583.2, and the length of time between receiving approval for a housing development and submittal of an application for building permits for that housing development that hinder the construction of a locality's share of the regional housing need in accordance with Government Code section 65584... (Gov. Code, § 65583, subd. (a)(6).)*

Approval Time and Requests Lesser Densities: The element must include analysis of requests to develop housing at densities below those identified in the sites inventory and the length of time between receiving approval for a housing development and submittal of an application for building permits that potentially. The element must address any hinderance on the development of housing and include programs as appropriate.

6. *Analyze any special housing needs such as elderly; persons with disabilities, including a developmental disability; large families; farmworkers; families with female heads of households; and families and persons in need of emergency shelter. (Gov. Code, § 65583, subd. (a)(7).)*

While the element generally quantifies the special housing needs within the City, the element should describe the current available resources to large households and female-headed households. Currently, the element adds a program to encourage more resources, but does not describe the level of already-existing resources.

The element includes data on farmworkers, but it should analyze their housing needs to better formulate policies and programs. The analysis should address trends, characteristics, disproportionate needs, the effectiveness of resources and strategies, the magnitude of the housing need, including disproportionate housing need and the effectiveness of past policies, programs, and funding to help address those gaps. The analysis may utilize past farmworker housing studies and other studies generally applicable to their special housing needs. For example, the element could utilize past studies and plans in the Monterey region or a recent study conducted by University California at Merced that is available at https://clc.ucmerced.edu/sites/clc.ucmerced.edu/files/page/documents/fwhs_report_2.2.2383.pdf. Based on the outcomes of the analysis, the element should add or modify programs to address this special housing need in the region.

B. Housing Programs

1. *Identify actions that will be taken to make sites available during the planning period with appropriate zoning and development standards and with services and facilities to accommodate that portion of the city's or county's share of the regional housing need for each income level that could not be accommodated on sites identified in the inventory completed pursuant to paragraph (3) of subdivision (a) without rezoning, and to comply with the requirements of Government Code section 65584.09. Sites shall be identified as needed to facilitate and encourage the development of a variety of types of housing for all income levels, including multifamily rental housing, factory-built housing, mobilehomes, housing for agricultural employees, supportive housing, single-room occupancy units, emergency shelters, and transitional housing. (Gov. Code, § 65583, subd. (c)(1).)*

As noted in Finding A3, the element does not include a complete site analysis; therefore, the adequacy of sites and zoning were not established. Based on the results of a complete sites inventory and analysis, the City may need to add or revise programs to address a shortfall of sites or zoning available to encourage a variety of housing types.

2. *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. The program shall remove constraints to, and provide reasonable accommodations for housing designed for, intended for occupancy by, or with supportive services for, persons with disabilities. (Gov. Code, § 65583, subd. (c)(3).)*

As noted in Findings A4 and A5, the element requires a complete analysis of potential governmental and non-governmental constraints. Depending upon the results of that analysis, the City may need to revise or add programs and address and remove or mitigate any identified constraints.

3. *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).)*

As noted in Finding A1, the element requires a complete fair housing analysis. Depending upon the results of that analysis, the City may need to revise or add programs. In addition, goals and actions must have specific commitment, metrics or numeric targets, geographic targeting, and milestones and must address, as appropriate, housing mobility enhancement, new housing choices and affordability in relatively higher opportunity or income areas, place-based strategies for community preservation and revitalization, and displacement protection.

4. *The housing program shall preserve for low-income household the assisted housing developments identified pursuant to paragraph (9) of subdivision (a)... (Gov. Code, § 65583, subd. (c)(6).)*

Program A.3 should be revised to state there are units at-risk during the planning period and include proactive actions to ensure continued affordability, including complying with noticing requirements and coordinating with qualified entities that can acquire and manage at-risk developments.

C. Quantified Objectives

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

The element must include quantified objectives estimating the number of housing units by income category, including extremely low-income households that can be constructed, rehabilitated, and conserved. For more information, please see HCD's *Building Blocks*.