



CITY COUNCIL STAFF REPORT

ITEM NO. 6.1

DATE: March 25, 2024

TO: Honorable Mayor and City Council

FROM: Paul Spence, Assistant City Manager

SUBJECT: Hearing to consider the Housing Element Annual Progress Report, which tracks the City's progress towards implementing the Housing Element of the General Plan and meeting its Regional Housing Needs Allocation (RHNA), pursuant to Government Code Section 65400.

RECOMMENDED ACTION

Staff recommends the City Council adopt a resolution accepting the 2023 General Plan Housing Element Annual Progress Report.

SUMMARY

On March 13, 2023, the City Council adopted the updated 2023-2031 General Plan Housing Element, and it was certified by the California Housing and Community Development Department on March 24, 2023. The purpose of a Housing Element is to identify the current and projected housing needs for the City of Livermore and establish goals, policies, and programs to address those needs. The Annual Progress Report describes the City's progress completing the programs in the Housing Element and meeting its Regional Housing Needs Allocation (RHNA).

Overall permitting for residential development was lower in 2023 than previous years, likely reflecting ongoing supply chain constraints, increasing construction costs, higher mortgage rates during this period, and continued litigation preventing construction of approved projects. Residential permitting activity is likely to increase over the next few years with the construction of approved projects in the Isabel Neighborhood Specific Plan, Arroyo Vista Neighborhood Plan, and additional residential projects currently in the entitlement process.

In 2023, Livermore made progress towards its RHNA targets for the above moderate- and moderate-income categories but did not make contributions to its targets for low and very low-income categories. However, the City continues to make progress toward implementing housing programs and securing funding to increase housing opportunities for community members across the lower income levels.

Government Code Section 65400 requires the City to submit the Annual Progress Report to both the State Housing and Community Development Department and the Governor's Office of Planning and Research by April 1, 2024. Government Code Section 65400 also requires that City Council consider the report and allow public comment. If City Council accepts the report, staff will file it with the State prior to the April 1, 2024, deadline.

DISCUSSION

Background

In March 2010, the California Department of Housing and Community Development (HCD) adopted Housing Element regulations that specify for cities and counties how to complete annual reports on Housing Element progress. Since 2010, the State has passed extensive housing legislation due to concerns about the lack of housing production and housing affordability. Included in that legislation are expanded reporting requirements for Annual Progress Reports (APRs). APRs require local jurisdictions to report the following information:

- Building permits issued for housing units by income level to show progress meeting RHNA targets.
- Progress implementing Housing Element programs to maintain, improve, and develop housing opportunities for all income levels.
- Housing development applications submitted.
- Housing units receiving a planning entitlement.
- Housing units receiving a certificate of occupancy or other form of readiness (such as a final building permit inspection).
- Housing units proposed, approved, or constructed pursuant to the streamlining provisions in Senate Bill 6, Senate Bill 35 or Assembly Bill 2011.
- Housing units constructed, and lot splits approved pursuant to Senate Bill 9.
- Housing units constructed in conjunction with a commercial development bonus.
- Housing units rehabilitated, preserved, or acquired for alternative adequate sites.
- Above moderate-income units converted to moderate income units.
- List of locally owned lands included in the Housing Element Sites Inventory that have been sold, leased, or otherwise disposed of.
- List of sites identified as surplus publicly owned land.
- Student housing units approved for lower income students for which a density bonus was granted.
- Disclosure of local tenant preference policy, if established.
- Status of projects that received Local Early Action Planning (LEAP) funding.

In addition to being required by State law, compliance with the filing requirement is a criterion of eligibility for several regional and State grants. For example, the One Bay Area Grant (OBAG) competitive grant program administered by the Alameda County Transportation Commission using regional funds requires on-time filing of the APR (by April 1) for eligibility. In the past, the City has received other grants from HCD for first-time homebuyer assistance (Cal Home), affordable housing development (Local Housing Trust), and other park and public amenity projects predicated on timely submittal of the APR. Filing the APR will sustain the City's eligibility for these grant programs and others in the future.

City Council is required to review and accept the APR before staff files it with the State Housing and Community Development Department and the Governor's Office of Planning and Research by the April 1 deadline. The 2023 APR is included as Exhibit A to the Resolution and includes tables that show all the

required information listed above, consistent with State legislation.

2023-2031 Housing Element Update

To comply with State law, the City's General Plan Housing Element must be updated every eight years to ensure the City's policies and programs can accommodate estimated housing growth needs identified in the Association of Bay Area Government's (ABAG) Regional Housing Needs Allocation (RHNA). On March 13, 2023, the City Council adopted the 2023-2031 General Plan Housing Element to demonstrate its ability to accommodate housing needs in Livermore and it was certified by the California Housing and Community Development Department on March 24, 2023.

Regional Housing Needs Allocation

The RHNA refers to the fair share of regional housing that the City needs to accommodate during the Housing Element planning period. The City is not required to construct housing to meet the RHNA. Rather, Housing Element legislation requires cities to demonstrate the availability of land with zoning appropriate to accommodate future additional residential units. In addition to a residential land inventory, the Housing Element also includes programs to develop, preserve, and improve the housing stock.

The City's RHNA for the 2023-2031 Housing Element cycle is 4,570 dwelling units, distributed among four income categories (1,317 very low, 758 low, 696 moderate, and 1,799 above moderate). The affordable housing income limits that define above moderate, moderate, low and very low-income are established for each county and adopted annually by Council resolution (Attachment 1).

Consistent with the RHNA for most Bay Area cities, Livermore's overall housing need is greatest in the very low-income (29 percent of RHNA) and above moderate-income (39 percent of RHNA) categories of the RHNA. Livermore's RHNA also reflects a need for workforce and senior housing in the low- and moderate- income categories, which represents 17 percent and 15 percent of the RHNA, respectively.

Building Affordable Housing in Livermore

State Housing Element Law allows jurisdictions to use density as a proxy for affordability when demonstrating the availability of residentially zoned land for low-income RHNA categories; however, HCD issued guidance starting with the 2017 APR noting that affordability of built units may not rely on density and must be based on actual sales/rental prices. As such, higher density product types no longer qualify as affordable based on density alone.

The City's inclusionary housing ordinance requires new residential projects to include affordable units by contract (i.e., deed-restricted) with the City as follows:

- For-sale units: 15 percent of all for-sale housing units built in the City must be affordable to low and moderate-income households. Of the 15 percent, a minimum of 7.5 percent of the units must be for low-income households.
- Rental units: 15 percent of all rental housing units built in the City must be affordable to very low and low-income households. Of the 15 percent, a minimum of 7.5 percent of the units must be for very-low-income households.

- 10 percent of for-sale housing units built in the Downtown Specific Plan shall be affordable to low-income households.
- 20 percent of both for-sale and rental units built in the Isabel Neighborhood Specific Plan shall be affordable housing as follows:
 - For-sale units: The affordable housing units for for-sale residential developments must be sold to median- and moderate-income households. Of the total number of dwelling units (20 percent) set aside, at least five percent shall be reserved for sale to median-income households with the balance set aside for moderate-income households.
 - Rental units: The affordable housing units for rental residential developments must be designated or reserved for rental to very-low-income, and low-income, median-income, and moderate-income households. Of the total number of dwelling units (20 percent) set aside, at least six percent shall be reserved for rental to very-low-income households, at least seven percent shall be reserved for low-income households, and at least four percent shall be reserved for median-income households, with the balance set aside for moderate-income households.
- Inclusionary units are required to be the same quality as market rate units and evenly distributed throughout each residential project.

The City Council can approve alternative means of meeting the inclusionary housing requirements above (e.g., in-lieu fees, donation of land, etc.). The City uses in-lieu fees for the construction of affordable housing, such as the Vineyard 2.0 and Avance projects. Due to high sales and rental costs, all low and very low-income units produced in the city require a subsidy. The City does not have sufficient affordable housing funds to subsidize enough units to reach the RHNA goals in these categories. Therefore, the inclusionary housing requirement on market-rate development is critical to meeting the city's affordable housing targets.

State and local policies aside, attached unit types tend to cost less than single-family detached units and are more attainable to first-time homebuyers and other households with less ability to afford large down payments. Rental units and accessory dwelling units offer options for households that cannot afford to buy. These housing types are important for diversifying housing choices in Livermore.

2023 Housing Permit Activity

Attachment 2 includes summary tables from the Annual Progress Report showing housing permit activity in 2023. The City issued building permits for 70 units, which is lower than previous years. The reduced activity likely reflects the current market conditions, ongoing supply chain constraints, increasing construction costs, higher mortgage rates during this period, and continued litigation preventing construction of approved projects like Eden Housing and Garaventa Hills. Most of the permits issued in 2023 were for accessory dwelling units (approximately 70 percent). Multi-family units and single-family detached units were approximately 17 and 13 percent of the total, respectively.

Staff anticipates building permit activity to increase over the next several years due to construction of recently approved projects in the Arroyo Vista Neighborhood Plan and Isabel Neighborhood Specific Plan, which allows for over 435 and 4,000 new residential units at build-out, respectively. Grading activities commenced for two of the approved projects in the Isabel Neighborhood Specific Plan in 2023, with the projects yielding over 400 units upon completion. In addition, several new development

applications submitted in 2023 are currently under entitlement review and collectively propose over 1,800 new housing units at a range of densities and affordability levels.

Progress Meeting RHNA for the 2023-2031 Cycle

Table B of the Annual Progress Report (Attachment 3) shows the City's progress meeting its RHNA numbers in 2023, which is the first year of the planning period for the sixth RHNA cycle. RHNA progress is determined through building permits issued by income level. The City made progress towards its RHNA targets for the above moderate and moderate-income categories. The City did not permit any residential units for the low and very low-income categories during 2023 and, therefore, did not contribute to RHNA targets in those categories.

Progress Implementing Housing Programs

In addition to planning for and entitling housing at a range of densities and affordability levels, the City implements a variety of housing programs to address affordability challenges in Livermore. Table D of the Annual Progress Report lists the goals, policies, and programs in the Housing Element and the status towards implementing and completing these programs. Many of the Housing Element programs outlined in Table D are ongoing as the updated Housing Element was adopted in early 2023. Below are accomplishments in 2023 that highlight implementation of the City's 2023-2031 Housing Element.

- The City continued to make progress on the General Plan Update, including a comprehensive evaluation and community engagement campaign around the land use alternatives previously approved by the City Council. City staff presented to, and met with, over 1,100 people from October to December 2023 to evaluate and compare the alternatives. The feedback received from these efforts will inform the selection of a Preferred Land Use Scenario for further study.
- The City initiated the first phase of a comprehensive Development Code Update, last updated in 2010. The comprehensive Development Code Update will incorporate amendments to respond to new state housing laws and create objective design standards to streamline design review and facilitate development for a variety of housing types, densities, and income levels.
- In December 2023, construction was completed for the Vineyard 2.0. The project provides 24 units, including 23 supportive housing units for extremely low, very low-income, and formerly homeless households. In addition, the project offers approximately 10,000 square feet of commercial space for a resource center serving persons who are homeless and a commercial food kitchen benefiting food insecure people in Livermore.
- In 2023, the City executed Low Income Housing Agreements with developers of three new residential for-sale projects, securing 92 affordable units for low and moderate-income buyers in the future.
- The City provided grants and supported programs that expand the supply of housing units for individuals with disabilities through partnerships with MidPen, Tri-Valley REACH, and various community non-profit organizations. In May 2023, MidPen welcomed new residents at the official opening for Avance, consisting of 43 affordable units of services-enriched housing for persons with developmental disabilities.

- With grant funds awarded to the City from the State of California's Family Homelessness Challenge Grant program, two homeless or at-risk of homelessness families in the Livermore Unified School District have been placed in units and are receiving Intensive Case Management Services.

CEQA DETERMINATION

Accepting the 2023 Annual Progress Report is not a project as defined by the California Environmental Quality Action (CEQA) Guidelines Section 15378 because it will not cause a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment.

FISCAL AND ADMINISTRATIVE IMPACTS

There are no direct fiscal impacts resulting from preparation of the 2023 Annual Progress Report. City Council acceptance of the report and staff submittal of the report to the State will retain the City's eligibility for competitive grant funding for transportation projects and other grants that may be available from HCD in 2024.

COMMUNITY PILLAR

1: A Safe Community that Thrives

GOAL CATEGORY

7: Expand and preserve the supply of affordable housing opportunities

GUIDING DOCUMENT

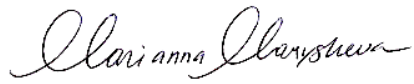
2023-2031 Housing Element

ATTACHMENTS

1. [2024 Affordable For-Sale Prices and Rental Rates](#)
2. [2023 Building Permit Activity Summary](#)
3. [2023-2031 RHNA Progress](#)
4. [Resolution](#)
5. [Exhibit A - 2023 Annual Progress Report](#)

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