

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

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October 28th, 2022

Angelica Frausto-Lupo, Director
Community Development Department
City of South Pasadena
1414 Mission Street
South Pasadena, CA 91030

Dear Angelica Frausto-Lupo:

RE: South Pasadena's 6th Cycle (2021-2029) Revised Draft Housing Element

Thank you for submitting the City of South Pasadena's (City) revised draft housing element received for review on September 15, 2022. Pursuant to Government Code section 65585, subdivision (b), the California Department of Housing and Community Development (HCD) is reporting the results of its review. HCD considered comments from Active San Gabriel Valley, Californians for Homeownership, Victor Tang and Josh Albrekston pursuant to Government Code section 65585, subdivision (c).

The revised draft element addresses many statutory requirements described in HCD's July 8, 2022 review; however, revisions will be necessary to comply with State Housing Element Law (Article 10.6 of the Gov. Code), as follows:

1. *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 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... (Gov. Code, § 65583, subd. (c)(1).)

Suitability of Nonvacant Sites: As found in the previous reviews, the element must include additional discussion of recent experience in redevelopment and either remove sites or include additional analysis of the extent existing uses impeded additional development. In response, the

element removed and added several sites and added additional discussion of sites but must still demonstrate the existing uses and circumstances do not impede additional development, as follows:

- *Site 5 (Liquor Store Site)*: The element notes the age of the structure but should discuss other factors demonstrating the potential for redevelopment or remove the site. Other factors include existing versus allowable floor area and indicators the uses will likely discontinue such as lack of investment, past vacancy or turnover in use. The element should further discuss why the developer polling (Appendix B) deemed the site only somewhat likely to develop in the planning period.
- *Site 9 (Meridian Site)*: The element should discuss how the proposed regulatory framework encourages redevelopment, especially given height limits of three stories. The element could utilize input from the developer panel to assist in this analysis.
- *Site 16 (Pavillions Parking Lot)*: Although there is owner interest and it was polled highly by the development community, the element should discuss the impacts of parking for the existing use on the feasibility of development, including plans for replacement parking and parking needs during construction.
- *Site 17 (Office Building and Parking Lot)*: The element notes there is an existing lease on the property but should discuss the length of that lease and whether that impedes additional development in the planning period. The element could utilize input from the developer panel to assist in this analysis.

In addition, because the housing element relies upon nonvacant sites to accommodate more than 50 percent of the regional housing needs allocation (RHNA) for lower-income households, it 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 as part of the 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.

City-Owned Sites: While the element now includes information on compliance with the Surplus Land Act, it should still discuss whether existing uses impede additional development and any known conditions that preclude development in the planning period. For Site 8 (Public Works Yard), the element should discuss the impacts of the underground gasoline tank and filing station and soil contamination on the timing and cost of development in the planning period. For Site 13 (City-Owned Parking Lot), the element should discuss the timing of the short-term lease and impacts on the timing of development in the planning period.

Environmental Constraints: While the element now removes several sites, it should still discuss whether there are any other known constraints (e.g., shape, access) that impede development on identified sites in the planning period.

Programs: As noted above, 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. In addition, the element should be revised, as follows:

- *Program 3.b (Mixed Use Development)*: The Program should be revised based on the outcomes of a complete analysis. In addition, while the element includes actions to engage with property owners and developers, it should include specific commitment to go beyond “consider reducing” parking requirements and also establish incentives (beyond state density bonus law) by a specified date such as increased density, relaxation of development standards, fee reductions and expedited permit processing.
 - *Program 3.0 (No Net Loss)*: The Program should commit to evaluate the effectiveness of identified sites at least once in the planning period (e.g., 2024) and make adjustment as necessary such as increasing densities, modifying development standards, removing sites and rezoning additional sites.
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... (Gov. Code, § 65583, subd. (c)(3).)*

While the element now includes potentially meaningful programs to address governmental constraints, programs should be revised as follows:

- *Program 2.m (Update Inclusionary Housing Regulations)*: The Program should commit to engage and incorporate comments from the development community (including smaller developers and property owners) as part of the feasibility analysis and make adjustments as appropriate. In addition, while the element includes Program 2.i (Inclusionary Housing Regulations) to monitor affordability from the inclusionary requirement, Programs 2.i or 2.m should commit to a mid-term evaluation of inclusionary regulations in terms of constraints on development and make adjustments as necessary by a specified date.
- *Program 2.n (Citywide Height Limit Ballot Initiative)*: The Program should be revised with specific commitment to actual outcomes with a beneficial impact in the planning period. For example, the

Program should go beyond working to facilitate densities higher than 45 feet and should make a commitment to target at least a minimum height and number of stories to address constraints and encourage maximum densities. In addition, the Program should go beyond evaluating options for exceptions and establish exception processes by a specified date. Finally, the Program should make a specific commitment to establish alternative actions toward outcomes by a specified date (e.g., rezone additional sites by October 2024) and consider dates earlier in the planning period.

- *Program 3.n (Zoning Changes)*: The Program notes the types of standards that need revising (e.g., heights, open space, parking and design review findings) but should specifically commit to revise and reduce or modify the development standards and approval findings and ensure the changes will not constrain development. For example, the Program should specifically commit to remove subjective approval findings or limit the findings to objective design and development standards that promote approval certainty and do not constrain development.

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).)*

While the element modifies several programs to affirmatively further fair housing (AFFH), it should include specific commitment and additional actions to improve housing mobility and increase new housing choices and affordability in higher resource or income areas (not limited to the RHNA) throughout the City. For example, the element could add programs for affirmative marketing and utilization of regional rental registries, homesharing, accessory dwelling units (ADUs) or conversion of existing space beyond ADU law. Also, the element should modify Program 3.m (Implement SB 9 and SB 10) to go beyond exploring SB 10 and adopting “feasible” amendments and instead commit to amendments that affirmatively implement (without constraints) and go beyond the statutory requirements such as commitment to allowing missing middle housing types in residential zones.

4. *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).)*

Previous reviews found the element could consider conservation objectives beyond 5 units in the planning period. In response, the City adjusted its target to 20 units and did not increase objectives in this most recent revised draft. HCD encourages the City to target a higher impact for the eight year planning period. For example, the element could include

anticipated outcomes from Program 1.b (Convert CalTrans Homes to Affordable Housing).

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

As a reminder, the City's 6th cycle housing element was due October 15, 2021. 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), if a local government fails to adopt a compliant housing element within 120 days of the statutory deadline (January 31, 2023), then any rezoning to make prior identified sites available or accommodate the RHNA, including for lower-income households, shall 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, since the City failed to adopt a compliant housing element within one year from the statutory deadline, the element cannot be found in substantial compliance until rezones to accommodate a shortfall of sites pursuant to Government Code section 65583, subdivision (c) (1) (A) and Government Code section 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 must continue to engage the community, including organizations that represent lower-income and special needs households, by making information regularly available while 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.

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. This is especially important for determining sites that have been utilized in multiple planning periods and are subject to by-right provisions. Please see HCD's housing element webpage at <https://www.hcd.ca.gov/community-development/housing-element/index.shtml#element> for a copy of the form and instructions. The City can reach out to HCD at sitesinventory@hcd.ca.gov for technical assistance.

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 Strategic Growth Council and HCD's Affordable Housing and Sustainable Communities programs; 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.

HCD appreciates the hard work and dedication you and the rest of the City's housing element team provided during the 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 assistance, please contact Connor Finney at Connor.Finney@hcd.ca.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "Paul McDougall", with a stylized flourish at the end.

Paul McDougall
Senior Program Manager