



City Council Agenda Item Staff Report

CITY OF SAN BRUNO

DATE: March 22, 2022

TO: Honorable Mayor and Members of the City Council

FROM: Jovan Grogan, City Manager

PREPARED BY: Pamela Wu, Director

SUBJECT: Receive the 2021 Housing Element Annual Progress Report and Authorize Transmittal to the California Department of Housing and Community Development and Governor's Office of Planning and Research

BACKGROUND: California Government Code Section 65400 requires all jurisdictions in California to prepare and submit an annual progress report (APR) on the status and progress in implementing its Housing Element of the General Plan to Office of Planning and Research (OPR) and Housing and Community Development (HCD) by April 1st of each year. Cities and counties with a compliant housing element and up-to-date submissions of APRs remain eligible for SB 2 Building Homes and Jobs Act funds. The APR evaluates the status of the implementation programs and housing production for the time period between January 1, and December 31, 2021. Prior to submittal, the city is required to hold a public meeting to review the city's progress towards implementing its housing element programs and how the share of the Regional Housing Needs Allocation (RHNA) is met. Public comments received during the meeting will be forwarded to HCD as well. The 2021 Annual Housing Element Report can be found in Attachment 1.

DISCUSSION: The APR is a tool to assist the City in implementing its Housing Element and to monitor progress in addressing the City's housing programs and goals. HCD provides standard forms to report information required for the Housing Element APR, which includes several main sections that are summarized below:

- **Table A:** Tables A and A2 provide information on new residential development in various stages of the development process and affordability levels during 2021.
- **Table B:** This table provides information on the permitted housing units by affordability levels to document City's progress in meeting the City's Regional Housing Needs Allocation (RHNA).
- **Table C:** List sites identified or rezoned to accommodate shortfall housing need and No Net-Loss Law.
- **Table D:** This table provides the status and progress of how each identified Housing Element program and policy has been implemented.
- **Table E:** Lists projects that were approved for a commercial development bonus.
- **Table F:** This table provides information on units that were rehabilitated, preserved and acquired for alternative adequate sites.
- **Table G:** This table provides information on locally owned lands Included in the Housing Element Sites Inventory that have been sold, leased, or otherwise disposed of.

- **Table H:** This table lists an inventory of locally owned surplus sites.
- **REAP Reporting:** This is a reporting mechanism for any Regional Early Action Planning (REAP) Grant funding that was received.

In the seventh year of the planning cycle (2021) the City issued building permits for 83 dwelling units, and a total of 286 dwelling units over the planning cycle to date. The summary table below shows the City's current housing production against the RHNA allocation of 1,155 new units for the eight-year period from 2015-2023. This leaves a remaining obligation of 868 housing units. The table details how many building permits were issued by each income level against the RHNA target. The City issued building permits for 14 single-family dwellings which includes homes at the Skyline Ridge development and others scattered around the city. It is worth noting the City issued building permits for 68 ADUs in 2021 which highlights their importance in providing an additional housing type in the city. The city has entitled many more housing units over the course of the planning cycle which are not reflected in the housing production table below because HCD only counts building permit issuance towards the RHNA allocation.

Because the City has not met its RHNA allocation for any income category for this year, it remains subject to the provisions of Senate Bill 35, which affords developers ministerial (staff level) review within a statutory timeframe for qualifying housing projects. The City will remain subject to these provisions until it has met its proportional pro-rated RHNA allocation sum for any given year by income category.

Income Level	RHNA	2015	2016	2017	2018	2019	2020	2021	Total	Remaining
Very Low	358	0	0	0	0	0	0	20	20	338
Low	161	1	4	14	6	42	7	23	97	64
Moderate	205	1	41	0	0	5	0	21	68	135
Above Moderate	431	9	42	1	0	2	28	18	100	331
Total Units	1,155	11	87	15	6	49	35	82	286	868

Having less than one year remaining in the current Housing Element cycle, the city will not meet its RHNA allocation and will begin looking towards the sixth Housing Element cycle with the update underway. Housing units that receive their certificate of occupancy after June 30, 2022, will be counted towards the sixth Housing Element cycle and will be considered "pipeline projects" in meeting the RHNA allocation. A summary of several development projects and their status are listed below:

- **Residential Projects Under Construction** – The following dwelling units currently under construction:

Skyline College Residential Project – A total of 70 units were approved by the City Council in February 2018 including 30 multi-family units and 40 single-family homes. All of the single-family homes have received final inspection and are occupied. The two multi-family buildings are under construction and are anticipated to be completed by Spring 2022. The buildings include 11 affordable units (6 low-income and 5 moderate-income).

Accessory Dwelling Units – The City issued building permits for 68 ADUs in 2021, a significant increase over the previous year. The reason for the substantial increase is that in 2020 the City was still requiring a separate Planning review for ADUs and we issued 51 ADU entitlements but only seven were issued building permits. HCD measures ADU production based on building permits issued. Therefore, City's 2020 ADU production was dampened by the two-step review process. The City no longer requires a two-step ADU process which lead to a significant increase in building permits issued for ADUs in 2021 though the overall number of ADU applications submitted was consistent. Projecting forward, staff estimates ADU construction to be more in line with the City's 2020 and 2021 productions.

ABAG conducted an analysis of ADU affordability and concluded that in most jurisdictions, the following assumptions are generally applicable. Staff has chosen to use this methodology in lieu of conducting our own ADU affordability analysis.

Percent	Income Category
30%	Very low income
30%	Low income
30%	Moderate income
10%	Above moderate

• **Residential Projects with Approved Entitlements** – A total of 521 new residential units are pending building permit issuance.

111 San Bruno Avenue – The proposal is to demolish the shopping center at 761 – 767 Huntington Avenue and construct a five-story, mixed-use building with a total of 62 dwelling units. The project would include a total of 11 affordable units. The project developer recently submitted a request to abandon the project and receive a refund for any remaining fees. Staff is in the process of responding to the request. The developer will be resubmitting an entitlement application for a smaller project with 43 dwelling units.

500 Sylvan Avenue – Nine multi-family rental units – This project was approved in May 2019. Similar to the project above, it was first extended in 2020 and then qualified for an automatic entitlement extension pursuant to Assembly Bill 1561. Building permits for the project are ready for issuance.

Mills Park Center (601-611 and 643-799 El Camino Real; 701-751 Camino Plaza; 711-777 Kains Avenue) – The mixed-use development with 427 multi-family residential units and ground floor commercial space was approved in August 2020. The project includes a total of 64 onsite affordable units, including 26 very-low-income units, 19 low-income units and 19 moderate units. Building permits have yet to be submitted.

271 El Camino Real – 23 multi-family for-sale condominium units. The project was approved in September 2021 and is pending building permit submittal. The project will provide three affordable units on site and pay a partial in-lieu fee.

• **Residential Projects that are being Processed** – A total of 325 new residential units are currently under review and pending entitlement.

Glenview Terrace – The proposal is for a residential subdivision of 29 for-sale single-family homes, with four on-site affordable units across a 3.28 acre development site. The planning application will be reviewed by the Planning Commission in April 2022 and then City Council.

Engvall - The project proposes a residential subdivision of 118 for-sale single family homes and common open spaces across the 21-acre site which is the former location of Willard Engvall Elementary School. A minimum of 15% of the units would be affordable. The planning application and environmental review are both currently under review.

170 San Bruno Ave. - The city received preliminary plans initiating the Transit Corridors Plan pre-submittal process for a new mixed-use development located at the northeast corner of San Bruno Avenue West and Mills Avenue. The project proposes the demolition of the existing vacant building and the construction of a new 6-story, mixed-use building with 42 dwelling units and approximately 1,114 square feet of ground floor commercial space. The applicant is seeking to take advantage of the State Density Bonus Program to increase the residential density for the project. The project includes 6 affordable units, all of which are designated at the very low-income Area Median Income (AMI) level.

732 – 740 El Camino Real – This project is the city's first application received pursuant to Senate Bill 35. The project proposes 136 dwelling units, with 8 very low-income units, 59 low-income units, 6 moderate-income units, and 61 market rate units. Although the project was found to be inconsistent with objective planning and building standards, staff is working with the applicant and anticipates the project will be resubmitted in Spring/Summer 2022.

Progress in Implementing Housing Programs

The Housing Element identifies six goals and 51 programs. The six Housing Element goals are:

1. Protect the quality and stability of existing neighborhoods through the conservation, rehabilitation, and improvement of the existing housing supply.
2. Accommodate regional housing needs through a community-wide variety of residential uses by size, type, tenure, affordability, and location.
3. Expand the variety of construction and financing techniques available to achieve new affordable housing and maintain it over time.
4. Achieve energy and environmental conservation in residential design, particularly techniques that would also reduce noise impacts on housing, while maintaining the affordability of housing units.
5. Ensure the continued availability of affordable housing for very-low, low, and moderate-income households, seniors, persons with disabilities, single-parent households, large families, and other special needs groups.
6. Support the needs of those with extremely low incomes, including access to counseling, referrals, dispute resolution, supportive housing, and emergency shelter.

Table G of the Annual Progress Report tracks San Bruno's progress in implementing the 51 programs listed in the Housing Element. Below is a summary of the important program achievements accomplished in 2021.

- **Zoning Ordinance Update.** The City adopted the second phase of the zoning code update

which focused on properties within the Transit Corridors Plan (TCP) area and along El Camino Real. The much-needed rezoning and zoning code update were required to achieve consistency with the General Plan and was funded through SB2 Grant funding. The rezoning permits mixed-use residential/commercial development to provide capacity for the City to satisfy its RHNA obligation. The rezoning became effective in April 2021 and completes Program 2-A of the Housing Element. The update will significantly simplify the housing entitlement process in former commercial districts, as a result, staff anticipates an uptick in multi-family housing production in the city.

- **Support identified housing opportunities.** In 2021, the city approved the 23 residential unit project at 271 El Camino Real. The site is listed as a housing opportunity site in the city's Housing Element and its approval satisfies Program 2-C of the Housing Element, to encourage redevelopment of the city's identified housing opportunity sites.

- **Below market rate housing ordinance.** San Bruno updated its below market rate housing ordinance in 2021 to reallocate the amount of affordable units required for moderate, low, and very-low income households based on ownership or rental status of the unit. The update also requires onsite units for all future residential development as the default and in-lieu payment as a Council approved alternative. The change to onsite units is designed to increase the supply of affordable housing in the city and ensure the availability of affordable units is not delayed until the city has accumulated sufficient in-lieu funds to commence a city-owned affordable housing construction project. The update to the City's affordable housing ordinance advances Program 5-A of the Housing Element.

- **Density Bonus.** In 2021, the city rescinded and replaced its Density Bonus Ordinance to achieve consistency with current State Law. The updated ordinance furthers Program 5-B of the City's Housing Element.

- **REAP Grant.** Staff secured Regional Early Impact Planning (REAP) Grant funds from ABAG in the amount of \$42,498. The funds must be used for regional and local housing planning activities to accelerate housing production and facilitate compliance in implementing the sixth cycle of the [Regional Housing Needs Allocation](#). Such funding has been committed to complete the City's Housing Element update.

- **Reuse former school sites.** Program 2-D of the Housing Element encourages the redevelopment of former school sites in San Bruno. In 2021, the city received an application to redevelop the Willard Engvall School site with a residential project containing 118 housing units. A minimum of 15% of the units would be designated for low- and moderate-income households as required by the city's inclusionary housing ordinance.

- **Support Home Sharing Programs.** The city continues to implement Program 6-C of the Housing Element by supporting the Housing Investment Partnership (HIP) program, which coordinates shared housing opportunities. As of December 31, 2021, there were 20 individuals in a home sharing arrangement in the city.

Significant New State Housing Laws in 2021

On September 16, 2021, Governor Gavin Newsom signed legislation intended to expand housing production in California, streamline the process for cities to zone for multi-family

housing, and increase residential density, all in an effort to help ease California's housing shortage. The suite of housing bills includes California Senate Bill ("SB") 8 (Skinner), SB 9 (Atkins), and SB 10 (Weiner). What follows is a summary of each bill.

- **Senate Bill 8** - This is a clean-up bill impacting several previous housing initiatives. Notably, it extends key provisions of SB 330, also known as the Housing Crisis Act of 2019 (previously set to expire in 2025), until January 1, 2030. The bill further states that affordable and market rate residential projects with two or more units; mixed-use projects of which two-thirds of the square footage is residential; emergency shelters; and transitional or supportive housing may qualify for review pursuant to the Housing Accountability Act.

SB 8 further amends the Government Code to state that with respect to land where housing is an allowable use, an affected jurisdiction, as defined by HCD, cannot change the general plan land use designation, specific plan land use designation, or zoning of a parcel or parcels of property to a less intensive use or reducing the intensity of land use within an existing general plan land use designation, specific plan land use designation, or zoning district in effect at the time of the proposed change. "Reducing the intensity of land use" includes, but is not limited to, reductions to height, density, or floor area ratio, new or increased open space or lot size requirements, new or increased setback requirements, minimum frontage requirements, or maximum lot coverage limitations, or any other action that would individually or cumulatively reduce the site's residential development capacity.

SB 8 further provides that a city or county may not approve a housing development project that will require the demolition of occupied or vacant protected rental units unless all requirements are met. These requirements include that the project will replace all existing or demolished protected units and that the housing development project will include at least as many residential dwelling units as the greatest number of residential dwelling units that existed on the project site within the last five years.

- **Senate Bill 9** – This bill allows property owners to subdivide a single-family residential property into two lots, where two units can be built on each newly created lot. This would allow up to a total of four units in an existing R-1 zoned property with a ministerial review process.

- **Senate Bill 10** – This legislation creates a voluntary process for local governments to pass ordinances prior to January 1, 2029 to zone any parcel for up to ten (10) residential units if located in transit rich areas and urban infill sites. Adopting a local ordinance or a resolution to amend a general plan consistent with such an ordinance would be exempt from review under the California Environmental Quality Act (CEQA). This provides cities an increased ability to upzone property for housing without the processing delays and litigation risks associated with CEQA. However, if the new housing authorized by the general plan would require a discretionary approval to actually build the housing (for example, a subdivision map or design review), CEQA review would be required for those subsequent approvals.

Progress in Removing Constraints to Housing Development

This section describes local efforts to remove governmental constraints to the maintenance, improvement, and development of housing.

- **Rezoning** - Phase II of the Zoning Code update removed governmental constraints to housing production in San Bruno by aligning the Zoning Code with the General Plan and the Transit

Corridor Plan, permitting mixed-use housing along commercial corridors where previously it was not permitted by the zoning. The rezoning removed the need to rezone commercial properties on a project level, thus removing the legislative approval process from the housing approval process.

• **Accessory Dwelling Unit Ordinance** - Phase II of the Zoning Code update also brought San Bruno's Accessory Dwelling Unit (ADU) ordinance into conformance with state law and established a streamlined review process that only requires a building permit submittal, facilitating ADU production by establishing a ministerial review process.

Despite adverse challenges felt across the City of San Bruno during the COVID-19 pandemic, staff has strived to provide and uphold outstanding service to the community. The focus on housing production remains a high priority. In conclusion, the city will continue to pursue implementation of the 2015-2023 San Bruno Housing Element as efforts transition to the 2023 – 2031 Housing Element update. Closing out the current planning cycle, the city anticipates additional residential units to be entitled in 2022 as the recently adopted zoning code update and associated rezoning will facilitate the entitlement of more mixed-use, residential development within the Transit Corridors Plan area, furthering interest in development opportunities within this area of the city.

FISCAL IMPACT:

There is no fiscal impact. Program implementation may have impacts to staffing resources and/or projects/priorities and will be considered as part of the City's annual budget process

ENVIRONMENTAL IMPACT:

The action is not a project subject to CEQA. City Council's action is not considered a "Project" per CEQA Guidelines and therefore no further environmental analysis is required.

RECOMMENDATION:

Receive the Housing Element Annual Progress Report for 2021 and authorize transmittal to the California Department of Housing and Community Development (HCD) and Governor's Office of Planning and Research (OPR).

ALTERNATIVES:

Direct revisions to the 2021 Housing Element APR prior to submittal to the State Department of Housing and Community Development.

ATTACHMENTS:

1. 2021 San Bruno Housing Element Annual Progress Report