



AGENDA

Joint Special Meeting of the
**Scotts Valley City Council and
 Planning Commission**
In-Person and Remote Access
Date: April 5, 2023
Time: 6:00 PM

CONTACT INFORMATION	MEETING LOCATION	POSTING
City of Scotts Valley 1 Civic Center Drive Scotts Valley, CA 95066 (831) 440-5600	City Council Chambers 1 Civic Center Drive Scotts Valley, CA 95066 OR Zoom Video Conference https://us02web.zoom.us/j/88193797756	The agenda was posted on 3-31-2023 at City Hall, SV Senior Center, SV Public Works and on the Internet at www.scottsvalley.org .

ELECTED OFFICIALS	CITY STAFF MEMBERS
Jack Dilles, Mayor Randy Johnson, Vice Mayor Donna Lind, Council Member Derek Timm, Council Member Allan Timms, Council Member	Mali LaGoe, City Manager Kirsten Powell, City Attorney Taylor Bateman, Community Development Director Cathie Simonovich, City Clerk Lauren Lambert, Deputy City Clerk
PLANNING COMMISSIONERS	
Lori Gentile, Chair Chuck Maffia, Vice Chair David Hodgins, Commissioner Steven Horlock, Commissioner Shawn Mosley, Commissioner	

MEETING NOTICE AND AGENDA PACKET MATERIALS
<p>Notice regarding City Council Meetings: The City Council meets regularly on the 1st and 3rd Wednesday of each month at 6:00 PM in the City Hall Council Chambers located at 1 Civic Center Drive, Scotts Valley, CA 95066, and via Zoom Webinar remote access.</p> <p>Agenda and Agenda Packet Materials: The City Council agenda and the complete agenda packet are available for review by 5:00 PM the Friday before the Wednesday meeting on the Internet at the City's website: www.scottsvalley.org and in the lobby of City Hall at 1 Civic Center Drive, Scotts Valley, CA. Pursuant to Government Code §54957.5, materials related to an agenda item, submitted after distribution of the agenda packet, are available for public inspection in the lobby of City Hall during normal business hours, Monday-Friday, 8am-12 pm and 1-5 pm. In accordance with AB 1344, such documents will be posted on the City's website at www.scottsvalley.org.</p> <p>Public Participation: The meeting will be available on Zoom and livestreamed to the City of Scotts Valley's YouTube channel: City of Scotts Valley, California - YouTube</p>

For those wishing to participate via Zoom you can join the following ways:

Zoom Webinar meeting link: <https://us02web.zoom.us/j/88193797756>

Or dial one of these numbers: (669) 900-9128 or (669) 444-9171

Webinar ID: 881 9379 7756

Whether attendance is in-person or remote, you will be given opportunities to provide public comment at the appropriate times throughout the meeting. The time limit is up to 3 minutes for an individual, or 5 minutes for someone who is representing a group of three or more, at the discretion of the Mayor. Please note that this is not a question-and-answer time, but simply a time to provide comments to the Council. At the appropriate times during the meeting for public comment, on items not on the agenda, and on specific agenda items, the Mayor will announce that public comment will be accepted.

How to comment via in-person attendance:

Please proceed to the public comment podium when the Mayor opens the item for public comment.

How to comment via Zoom Webinar:

Use the webinar attendee option to “raise hand” when the Mayor opens the item for public comment. The Clerk will unmute you when it is your turn. If you have joined via Zoom phone call, dial *9 or your phone to “raise your hand”, and the Clerk will unmute you when it is your turn.

CALL TO ORDER 6:00 PM

PLEDGE OF ALLEGIANCE and MOMENT OF SILENCE

ROLL CALL

REGULAR AGENDA

Persons wishing to speak on any item may do so by raising their hand to be recognized by the Mayor.

1. 6th Cycle Housing Element - Potential Candidate Sites Strategies to Address RHNA and Considerations Per State Law Updates

ADJOURNMENT

ADA NOTICE

The City of Scotts Valley does not discriminate against persons with disabilities. The City Council Chambers is an accessible facility. If you wish to attend a City Council meeting and require assistance such as sign language, a translator, or other special assistance or devices in order to attend and participate at the meeting, please call the City Clerk's office at (831) 440-5600 five to seven days in advance of the meeting to make arrangements for assistance. If you require the agenda of a City Council meeting be available in an alternative format consistent with a specific disability, please call the City Clerk's Office. The California State Relay Service (TTY/VCO/HCO to Voice: English 1-800-735-2929, Spanish 1-800-855-3000; or, Voice to TTY/VCO/HCO: English 1-800-735-2922, Spanish 1-800-855-3000), provides Telecommunications Devices for the Deaf and Disabled and will provide a link between the TDD caller and users of telephone equipment.

PROCEDURAL INFORMATION FOR THE PUBLIC

THE FOLLOWING IS THE PROCEDURE COUNCIL SHOULD TAKE IN APPROVAL OF A RESOLUTION:

1. Move the Resolution number for approval.
2. Second the motion.
3. Vote by body, a roll call vote is not required.

THE FOLLOWING IS THE PROCEDURE COUNCIL SHOULD TAKE IN INTRODUCTION/ADOPTION OF AN ORDINANCE:

1. Move the Ordinance number for introduction (or adoption).
2. Move the Ordinance be introduced by title only and waive the reading of the text.
3. Read the Ordinance title.
4. Second the motion.
5. Vote by body, a roll call vote is not required.

THE FOLLOWING IS THE PROCEDURE COUNCIL SHOULD TAKE IN PUBLIC COMMENT/PUBLIC HEARINGS:

Unless otherwise determined by the presiding officer of the meeting:

1. Three minutes allowed per individual to speak.
2. Five minutes allowed per individual representing a group of three or more.



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City of Scotts Valley

CITY COUNCIL STAFF REPORT

DATE: April 5, 2023

TO: Honorable Mayor, City Council, and Planning Commission

FROM: Taylor Bateman, Community Development Director

APPROVED: Mali LaGoe, City Manager

SUBJECT: **6th Cycle Housing Element - Potential Candidate Sites Strategies to Address RHNA and Considerations Per State Law Updates**

BACKGROUND

The Housing Element is one of seven mandated elements of the City's General Plan. It identifies the current and future housing needs of the City with proposed actions to facilitate the provision of housing to meet those needs at all income levels. Updates to the Housing Element is required by State law every eight years and reflects the State's housing goal of "attaining decent housing and a suitable living environment for every California family," as well as incorporating the unique concerns of the community. The current Housing Element, which was adopted by the City Council in March 2016 and certified by the State, covers the planning period from 2015 to 2022 (the 5th Cycle). The next Housing Element Update (the 6th Cycle) must be adopted by December 2023, to address the period from 2023 to 2031. State law establishes a series of very specific requirements as to the scope, content, and process by which a Housing Element is updated and adopted, including review and approval (known as certification) by the California Department of Housing and Community Development (HCD).

Unlike the majority of the other required General Plan elements, the Housing Element must include very specific information. In accordance with State law, Scotts Valley's Housing Element must look at housing trends, zoning, market constraints, and evaluate various approaches to meeting housing needs across income levels. The inventory of available sites, or "Sites Inventory," will be a key component of the Housing Element in which the City must identify land zoned for housing to meet the Regional Housing Needs Allocation (RHNA)¹.

During the Housing Element Update, the City Council, Planning Commission, and the public will have the ability to provide input on each key project milestone. The City plans to host community workshops (one of which has already been held), public meetings and study sessions with Planning Commission and City Council, and provide a public review period of the Draft 6th Cycle Housing Element.

The timely development and implementation of a Housing Element is essential to avoid consequences that come from failing to do so. Among these could be the inability of the City to qualify for certain state or federal funding programs for transportation, infrastructure, and housing; shortened deadlines for completing any necessary rezones associated with Housing Element Law compliance; "Builder's Remedy" projects²; lawsuits from third party organizations; suspension of local control on building matters; and fines. In a

¹ <https://www.hcd.ca.gov/planning-and-community-development/regional-housing-needs-allocation>

² Government Code section 65589.5(d)(5) prevents jurisdictions without a substantially compliant Housing Element from denying residential projects that meet specific requirements even if they do not comply with the Zoning Code or General Plan. These projects must be predominantly made up of residential uses and meet the affordability threshold.

growing effort by the State to increase accountability and enforcement of new State housing laws (see Attachment 1) and to better address the housing needs of Californians, HCD increased its accountability efforts and formed the Housing Accountability Unit (HAU). The HAU is in charge of holding jurisdictions accountable for their Housing Element commitments, as well as compliance with other State housing laws. Violations of these laws may lead to consequences including revocation of housing element certification and/or referral to the California Office of the Attorney General.

REGIONAL HOUSING NEEDS ALLOCATION (RHNA)

Through the Housing Element update, the City must show that it can accommodate its RHNA. For the 6th Cycle, the City of Scotts Valley was allocated a total of 1,220 housing units (as detailed in Table 1). Table 2 illustrates the increase in RHNA between the 5th and 6th Cycle as a result of increased pressure from the State to address the growing housing need.

Table 1 – 6th Cycle RHNA

Income Category	Percent of Area Median Income (AMI)	Income Range*		RHNA (Housing Units)
		Minimum	Maximum	
Very Low Income	0 – 50%	--	\$77,750	392
Low Income	51 – 80%	\$77,751	\$124,750	257
Moderate Income	81 – 120%	\$124,751	\$143,150	154
Above Moderate	>120%	\$143,150	--	417
TOTAL:				1,220 units

Table 2 – 5th Cycle vs. 6th Cycle RHNA

Income Category	5 th Cycle RHNA	6 th Cycle RHNA	Unit Difference
Very Low Income	34	392	+358
Low Income	22	257	+235
Moderate Income	26	154	+128
Above Moderate	58	417	+359
Total:	140 units	1,220 units	+1,080 units

The City is required to identify parcels with the capacity to accommodate the entirety of the RHNA plus a buffer to avoid a “No-Net-Loss” situation. This refers to a site developing less units than identified in the Housing Element and thus falling below the required RHNA; in that case, the City would have to update its Housing Element and identify new sites to accommodate the shortfall. To avoid this, HCD recommends each jurisdiction accounts for buffers of 15 to 30 percent at each income category.

In addition, State law requires additional analysis of Affirmatively Furthering Fair Housing (AFFH), such as fair housing practices and segregation trends, placing a greater obligation on the City to demonstrate that the City is affirmatively furthering fair housing. Regarding candidate site and AFFH, the City cannot create concentrations of lower income housing units and must show the future affordable housing developments have convenient access to community resources, employment, and public transportation.

STRATEGIES TO ADDRESS RHNA

One of the Housing Element's main goals is to show that the City has capacity to accommodate its RHNA at all income levels. For units to count towards the lower income category, the site must be zoned to allow for at least 20 dwelling units per acre, as established in the HCD Sites Inventory Handbook (2020) for a suburban jurisdiction.

The following details the steps and strategies the City may use:

Step 1. Projects in the Pipeline and Projected ADUs

Strategy 1. Pipeline Projects- The City can account for the total units that are currently in the City's review pipeline. For Scotts Valley, this currently accounts for a total of 369 units. This number may change throughout the update process if projects are finalized or if new applications are submitted.

Strategy 2. ADUs- The City may also use past performance in permitting ADUs as a method of projecting assumed future development. This is done by taking the average of ADUs permitted since 2018 (10 total ADUs and an average of 3) and allocating that total to the following eight years – resulting in 20 total projected ADUs throughout the Planning Period.

Table 3 identifies the number of units that can be accommodate at each income level for these two strategies.

Table 3 – Projects in the Pipeline and ADUs

Strategies	Very Low and Low	Moderate	Above Moderate	TOTAL
Pipeline Projects	42	13	314	369
ADUs	12	6	2	20
TOTAL	51	26	335	389

Step 2. Existing Zoning Capacity

Strategy 3. Residentially Zoned Property- The City can utilize existing capacity within its residential zone and through Specific Plans. The City currently has five vacant, residentially zoned parcels with capacity to accommodate the future development of 16 total units.

Strategy 4. Underutilized Residential Sites- An additional five residentially zoned parcels have existing uses but are considered underutilized (land value exceeds improvement value), and as such have capacity to accommodate an additional 72 units.

Strategy 5. Town Center Specific Plan- The Town Center Specific Plan was studied to accommodate 250 residential units.

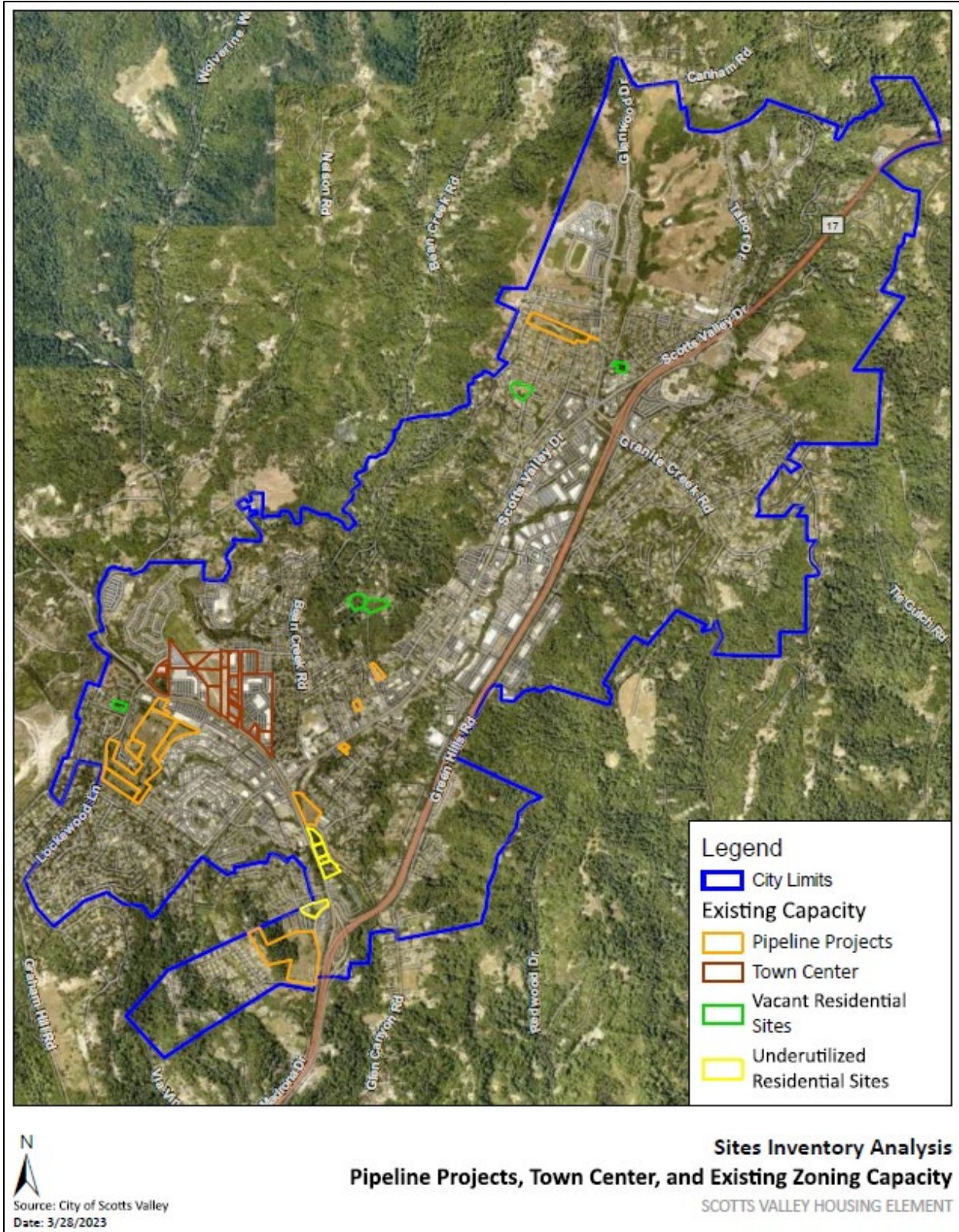
Table 4 identifies the number of units that can be accommodated at each income level for these three strategies. Figure 1 shows their location, in addition to the location of the pipeline projects.

Table 4 – Existing Zoning Capacity

Strategies	Very Low and Low	Moderate	Above Moderate	TOTAL
Vacant Residential Sites*	0	0	12	12
Underutilized Residential	12	2	58	72
Town Center Site Plan	50	12	188	250
TOTAL	62	14	258	334

**No affordable units are identified on these sites as they do not meet the required 20 dwelling unit per acre zoning requirement established by HCD.*

Figure 1 – Existing Zoning Capacity Sites Map



Step 3. Zoning Code Amendments

Through Steps 1 and 2, the City cannot fully meet its RHNA. As such, “Opportunity Areas³” have been identified to accommodate potential future units through Zoning Code amendments. These include sites that have property owner interest, that are considered underutilized, and/or that have potential for redevelopment through lot consolidation. To accommodate lower income units, the City must identify sites that are between 0.5 and 10 acres, have access to utilities, and allow for at least 20 dwelling units per acre.

Strategy 6- Rezone Opportunity Areas- One option Staff has explored (and illustrated in Table 5 below) involves rezoning Opportunity Areas to allow 40 dwelling units per acre at varying redevelopment percentages of between 50 and 70 percent. Staff identified 40 as it is the minimum density to allow the City to meet its RHNA with a buffer on the sites selected and identified in this Staff Report and in order to meet the affordability levels required by the City’s RHNA. Staff continues to study the proposed zoning for candidate sites to account for site characteristics and surrounding uses which may result in lower densities on some sites and higher densities on others. The redevelopment percentages account for the possibility of mixed-use development with non-residential use components as well as environmental and site constraints.

Table 5 establishes affordability assumption breakdowns. This assumes that for a site that meets the lower income requirements, 20 percent of the total units would be affordable to lower income households, 5 percent affordable to moderate income households, and the remaining 75 percent would be market-rate. These affordability assumptions were established to allow a mix of incomes and set conservative assumptions given the City’s relatively low affordable housing development trends. Through this methodology, the above moderate-income category is additionally amplified. Staff is currently looking into options to decrease that buffer by potentially increasing affordability assumptions on certain sites.

A number of options exist for the implementation of these Zoning Code amendments. The City may consider the adoption of overlay districts to keep the underlying zoning of candidate sites and provide property owners with additional options for the use of their property. The City may also adopt full rezonings to further incentivize the development of residential projects on candidate sites. A third option is to amend existing development standards to allow for greater percentages of residential uses in mixed-use developments or to incentivize affordable housing units. These options are being studied and the City may choose to select one or a combination of the three as most appropriate.

Table 5 details the number of units that can be accommodated at each income level for the four Opportunity Areas and Figure 2 shows their location in the City.

³ “Opportunity Areas” refer to groupings of sites proposed for rezoning, overlays, or other similar action(s). “Candidate Sites” refer to each individual parcel identified in the Housing Element with capacity to accommodate housing units. This may include sites in Opportunity Areas, pipeline projects, or sites with existing residential capacity.

Table 5 – Zoning Code Amendments

Opportunity Areas	Very Low and Low	Moderate	Above Moderate	TOTAL
<i>Affordability Assumptions</i>	20%	5%	75%	
Residential	46	10	230	286
Commercial	337	70	1,489	1,896
Industrial	129	31	498	658
Other – Public/Quasi Public	206	51	784	1,041
TOTAL	718	162	3,001	3,881

As Figure 2 shows, commercially-zoned sites have been identified along Scotts Valley Drive. These are sites that could be well-suited for mixed-use and higher density residential development along the corridor as they are accessible, meet size requirements, and may be combined to allow for more units. As noted above, through the AFFH analysis the City must show an equitably spread-out selection of sites to accommodate lower income units. Through the inclusion of the selected sites, Staff has identified opportunities along the corridor that are the most appropriate and likely to gather residential development interest. The City may consider adding additional sites along the Scotts Valley Drive should there be interest, or larger sections may be selected as part of an overlay district.

State Law Updates Concerning Candidate Sites

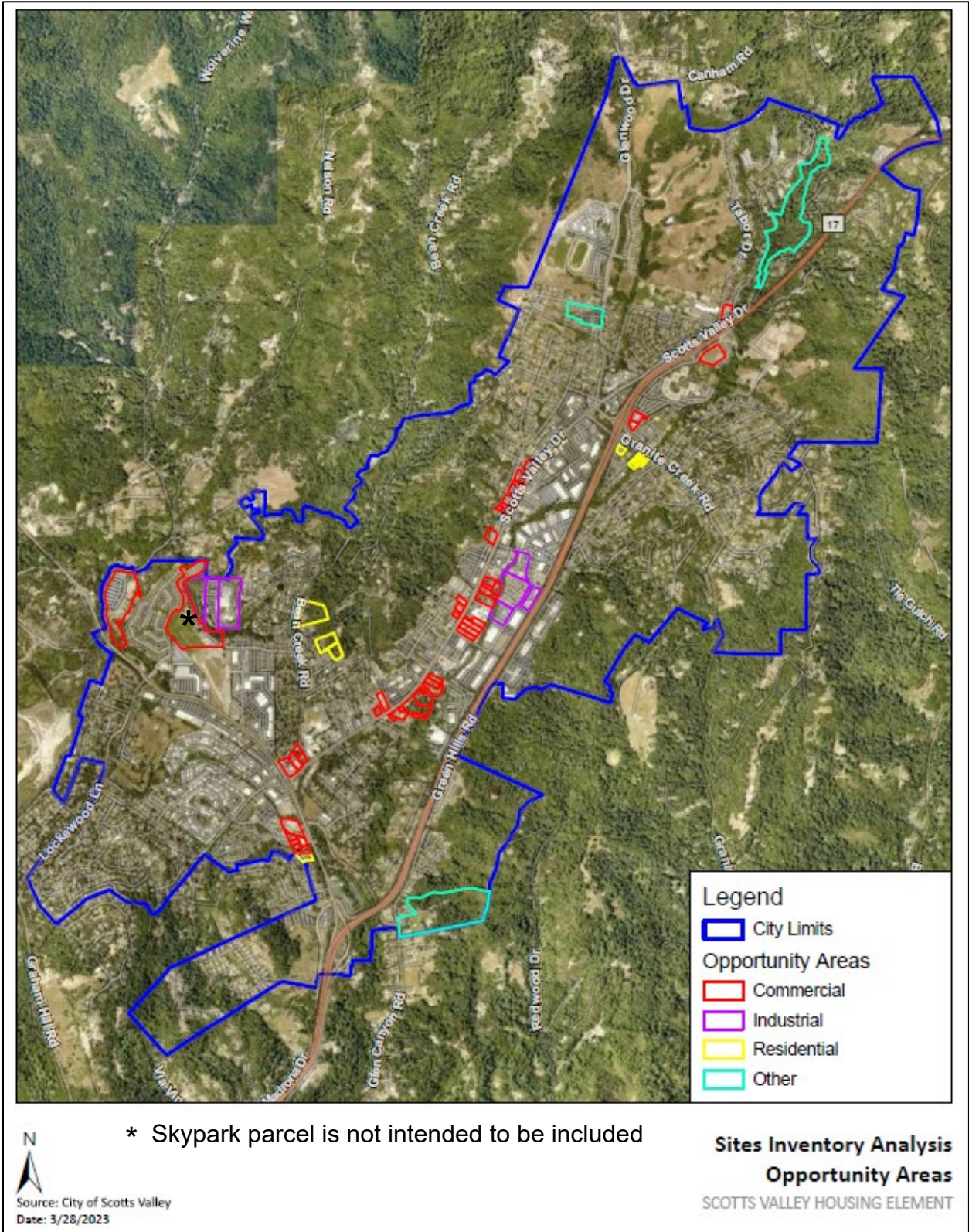
Recent updates in State housing law (AB 2011 and SB 6) allow for the by-right development of affordable units in zones that permit commercial, office, and parking uses, as detailed above. These projects would need to meet additional requirements relating to affordability, labor, and environmental. While the City cannot rely on these two bills as a method of meeting the RHNA, the proposed Zoning Code amendment strategies would identify areas the City believes are appropriate for high-density and mixed-use housing development in areas that provide convenient access to community resources and services, transit, and commercial and retail needs.

Additionally, SB 330 allows for the by-right approval⁴ of projects proposing at least 20 percent affordable units on non-vacant sites identified in the 5th Cycle Housing Element or vacant sites identified in both the 4th and 5th Cycle Housing Elements. For such projects, the City may only impose compliance with Objective Design Standards. The City of Scotts Valley does have adopted Objective Standards that establish requirements for height, setbacks, and other development standards.

Additional details on State law updates are provided in Attachment 1.

⁴ Government Code Section 65583.2(i) prohibits jurisdictions from requiring a Conditional Use Permit, Planning Unit Development Permit, or any other discretionary, local-government review or approval that would constitute a “project” as defined in Section 21100 of the Public Resources Code (California Environmental Quality Act (CEQA)).

Figure 2 – Opportunity Areas Sites Map



Step 4. No-Net-Loss Buffer

It is important to note that the City must not only show it can accommodate its RHNA, but that it also has a “buffer.” HCD recommends a buffer between 15 and 30 percent at each income category. This buffer allows development to occur at potentially lower rates than anticipated in the Housing Element while maintaining adequate sites to accommodate the total RHNA, and thus avoiding “No Net Loss.” If the City were to fall below the RHNA (“No Net Loss”), it would need to amend the Housing Element and potentially identify new sites to be rezoned to maintain adequate sites to accommodate RHNA – as required by SB 166. A lower buffer could be considered if the City has tangible and concrete evidence showing the candidate sites selected are certain to be developed at the affordability assumptions established in the Housing Element.

Steps 1 through 3 identified above establish buffers above 15 percent for all income categories, as shown in Table 6.

Table 6 – No-Net-Loss Buffer

Buffer	Very Low and Low	Moderate	Above Moderate	TOTAL
Units Over RHNA	182	48	3,177	3,407
Percent Buffer	28%	31%	762%	279%

DISCUSSION

Staff requests the Planning Commission and City Council provide feedback and recommendations on the strategies to meet the 6th Cycle RHNA as detailed in this Staff Report – particularly on the Town Center Site Plan and the four Opportunity Areas. Listed below are questions to guide discussion:

1. Should industrial sites be included in the Opportunity Areas?
2. Should we proceed with studying the remaining Commercial, Residential, and Other Opportunity Areas?
3. Should we reach out to applicants of Pipeline projects to discuss potentially increasing unit capacity/density?
4. Should we consider additional capacity at Town Center beyond the previously studied 250 units?
5. Should parts of Scotts Valley Drive be used for potential mixed-use, higher-density development?

FISCAL IMPACTS

There is no financial impact anticipated as a result of this initial discussion. The cost of the Housing Element Update is included as part of the contract agreement approved by City Council on October 5, 2022.

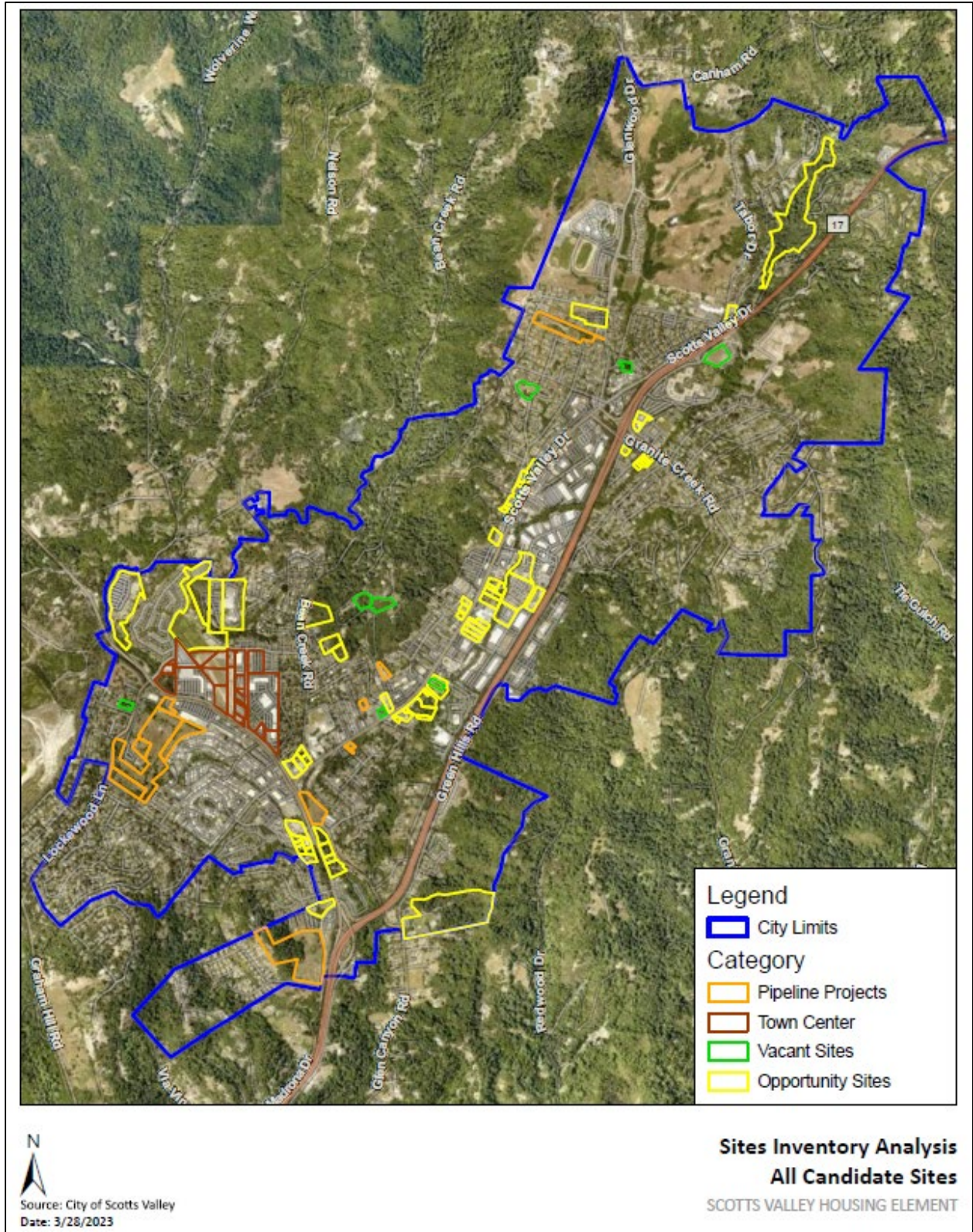
ATTACHMENTS

1. Relevant Updates to State Housing Law
2. Map of all Candidate Sites with Aerial
3. Map of all Candidate Sites with Scotts Valley Zoning Map

Attachment 1 – Relevant Updates to State Housing Law

- **Adequate Housing Element Sites (AB 1397)** - Strengthens local governments' obligation to identify a supply of adequate sites available to meet their share of regional housing needs at all income levels.
- **Housing Crisis Act (SB 330)** - Makes changes to land use and zoning law to encourage housing production, by limiting the scope of local review of housing projects to objective design standards only for qualifying projects; limiting the ability of cities to change the general plan land use designation, specific plan land use designation, or zoning to a less intensive use or reduce the intensity of land use within an existing general plan land use designation, specific plan land use designation, or zoning district below that which was in effect on January 1, 2018; limiting the number of public hearings for projects; and shortening review timeframes.
- **Streamlined Ministerial Approval Process (SB 35)** - Requires a streamlined ministerial approval process for development in cities that have not yet made sufficient progress towards their allocation of their RHNA. Eligible developments must include a specified level of affordability, be on an infill site, comply with existing residential and mixed-use general plan or zoning provisions, and comply with other requirements.
- **Accessory Dwelling Units (Multiple bills)** – In recent years, the State has facilitated the development of accessory dwelling units (ADUs) by adopting and updating laws limiting local regulation of this housing type. These may be counted toward a local agency's RHNA through the processes established by HCD.
- **Commercially-Zoned Land (AB 2011)** – Allows for ministerial, by-right approval for affordable housing on commercially-zoned land, and also allows such approvals for mixed-income housing along commercial corridors, as long as the projects meet specified affordability, labor, and environmental criteria. The bill also requires that all projects seeking approval under its provisions ensure all construction workers earn prevailing wages and receive health benefits.
- **Middle Class Housing Act (SB 6)** – Deems a housing development project an allowable use on a parcel that is within a zone where office, retail, or parking are a principally permitted use if specified conditions are met, including requirements relating to density, public notice, comment, hearing, or other procedures, site location and size, consistency with sustainable community strategy or alternative plans, prevailing wage, and a skilled and trained workforce.
- **Parking Near Public Transit (AB 2097)** – Prohibits local jurisdictions from imposing minimum parking requirements in a certain proximity to public transit, as defined. (The City of Scotts Valley does not have frequent enough transit service for developments to qualify for this provision.)
- **No Net Loss (SB 166)** - Requires jurisdictions to maintain adequate sites to always accommodate its remaining regional housing needs allocation throughout the housing element planning period, rather than only at adoption.
- **Housing Element Enforcement (AB 72)** - Allows HCD to review any action or lack of action by a jurisdiction that is allegedly inconsistent with its housing element. HCD can revoke housing element compliance and notify the California Office of the Attorney General.

Attachment 2 – Proposed Candidate Sites



Attachment 3 – Proposed Candidate Sites and Zoning

