



CITY OF SAN MATEO

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Agenda Report

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TO: City Council
FROM: Drew Corbett, City Manager
PREPARED BY: Community Development Department
MEETING DATE: January 19, 2021

SUBJECT:
General Plan and Housing Element – Next Steps

RECOMMENDATION:
Consider the next steps and provide feedback for the General Plan and Housing Element update processes.

BACKGROUND:
The General Plan Update (GPU) effort was kicked off in Fall 2018 and began with a series of visioning workshops and community meetings. In April 2019, the scope of work was modified to provide more opportunities for community outreach and include additional tools for engagement. From April 2019 through March 2020, significant progress was made on the GPU project. Then, in early March 2020, the San Mateo County Health Officer began issuing Shelter in Place (SIP) orders due to the COVID-19 pandemic, and City staff canceled all remaining in-person community outreach events scheduled in March and beyond. On June 15th, the City Council directed staff to pause outreach activities until after the November election due to two competing land use related ballot measures, the SIP, and a variety of external factors that could create public confusion or require duplication of work. On August 17, 2020, staff returned to Council with a revised project schedule, virtual outreach plan, scope of work, and related project revisions. At the same time, the City entered into an agreement with a consultant to commence work on the Housing Element of the General Plan and adjusted the General Plan scope to include the environmental review associated with that. While outreach activities were postponed, the GPU team reversed the order of tasks to prioritize non-outreach related tasks and made substantial progress on the internal review and evaluation of the Goals and Policies of the General Plan. Since that time two things have occurred that necessitate further Council guidance on next steps related to the Housing Element and General Plan:

- On November 3, 2020, San Mateo voters passed Measure Y, which limits building height and density of new developments in the City through 2030.
- The draft Regional Housing Needs Allocation (RHNA) numbers were released in December 2020, and indicate San Mateo will need to provide a clear path forward for the development of approximately 7,000 new housing units, plus a buffer of anywhere from 15%-50% in case some allocated sites are ultimately developed without housing.

DISCUSSION:
The following includes a high-level overview of State housing element requirements including RHNA, limitations due to Measure Y, and their effect on the Housing Element and the General Plan update processes.

Housing Element

Since 1969, State law¹ requires that jurisdictions throughout California complete a Housing Element. The City itself is not responsible for building housing, but it must demonstrate that it has policies and programs in place to support housing construction for all income levels, as well as available land appropriately zoned to accommodate new housing. The Housing Element must include a variety of statistics on housing needs, constraints to development, and policies and programs to implement a variety of housing-related land use actions, and a detailed inventory of “opportunity sites” on which future housing may be built. The Housing Element is the only element of a locality’s General Plan that must be approved (“certified”) by the State, through its Department of Housing and Community Development (HCD) to ensure it meets all statutory requirements. Having a certified Housing Element is a prerequisite for many State grants and funding programs. The Housing Element must be consistent with the General Plan.

Regional Housing Needs Allocation Process (RHNA)

Working with the State Department of Finance (which provides population and housing projections), HCD assigns future growth in eight-year cycles to every Council of Government in the State (in our case, the Association of Bay Area Governments, or ABAG). We are currently planning for the “6th cycle,” which covers the 8-year planning period from January 2023 to January 2031. ABAG then assigns units to each jurisdiction, which must ensure that there is enough land zoned at appropriate densities to accommodate the assigned Regional Housing Needs Allocation (RHNA), which is distributed among a range of income categories. The methodology used to allocate units is the same for all jurisdictions within the nine-county Bay Area and are set by ABAG’s Housing Methodology Committee (HMC). The HMC consists of elected officials and staff from each county, as well as stakeholders representing open space preservation, public transit, public health, and other interest groups. While the precise number of units has yet to be determined, ABAG has adopted the HMC’s recommended methodology for the distribution of the Bay Area’s regional housing need of 441,176 housing units established by HCD, which must approve the methodology in the next several months. San Mateo’s 6th Cycle RHNA is expected to be approximately 7,081 units, distributed among four income categories that range from Very Low Income to Above Moderate Income.

In comparison to 6th Cycle RHNA, San Mateo’s 5th Cycle allocation was 3,100 units. The draft allocations throughout the Bay Area are high in part because the region’s bulk allocation from HCD is more than double the last Housing Element Cycle’s allocation, which was about 189,000 units. As noted above, although the RHNA allocation is not a direct requirement to build units, the State legislature has enacted increasingly stringent requirements on localities to ensure they are doing everything possible for housing to be built and to remove common barriers to housing construction. This includes demonstrating in an opportunity sites inventory that the allocation can be met, plus providing a buffer of *at least* 15%-30%. Opportunity sites and buffers are discussed below.

Opportunity Sites Inventory

State law requires that the Housing Element contain a site-by-site inventory of land suitable for development of all housing types, including multifamily. As has been the case for the last three Housing Elements, staff has conducted a City-wide review of parcels that are either vacant or underutilized to discern if these sites are appropriate for development. These sites may or may not eventually be developed for housing, as the choice is, and always will be, the owner’s decision. Some factors considered in the development of the site inventory include, but are not limited to:

1. Whether a site has an underperforming use on it;
2. Whether other sites in the area have seen recent redevelopment to housing;
3. Whether the site has sufficient infrastructure available to it;
4. Whether the site’s topography makes it suitable for housing development; and,
5. Whether the site is of a sufficient size to be developed for housing.

The constraints facing the City with respect to developing the opportunity sites inventory are significant, in part because there is very little vacant land available for development. As a consequence, the City must analyze sites with existing uses that may be redeveloped. In addition, the sheer size of the anticipated allocation indicates that some rezoning will be

¹ (http://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=GOV§ionNum=65584).

needed to ensure sufficient capacity to accommodate all of the units, along with an appropriate buffer (see discussion, below). Further, Measure Y imposes height and density limits that will limit the amount of development that can be built on any site in San Mateo through 2030. All of these factors will present challenges in developing an acceptable opportunity sites inventory for the current and future RHNA Cycles solely within the current GPU study areas.

Buffer

The City's previous Housing Element included a RHNA allocation of 3,100 units along with a "buffer" of 1,623 units (about 52% of the allocation)—that is, the Housing Element identified enough land zoned at appropriate densities to accommodate a total of 4,723 units. A buffer is necessary to ensure that if the sites listed in the housing opportunity sites inventory are developed without housing, or are developed with less than the full amount of housing claimed in the inventory, there is remaining capacity to ensure an ongoing supply of sites for the full RHNA during the eight years of the Housing Element Cycle. HCD recommends a buffer of least 15%-30%, but many jurisdictions provide a buffer of up to 50%.

The need for a substantial buffer is even more important during this cycle because of new rules in the Housing Accountability Act's "no net loss" provisions. SB 166 of 2017 requires that the opportunity sites inventory in the Housing Element must always include sufficient sites to accommodate the unmet RHNA during the entirety of the eight-year cycle *by income category*. When a site identified in the Element as available for the development of housing to accommodate the lower-income portion of the RHNA is actually developed with housing for a higher income group, the City must either (1) identify and re-zone, if necessary, an adequate substitute site, or (2) demonstrate that the land inventory already contains an adequate substitute site. A buffer will be critical to ensuring that City remains compliant with these provisions.

In order to plan for these units, the City must consider where to re-zone segments of San Mateo in order to accommodate an allocation of approximately 7,081 units, plus a buffer of some percentage above this amount. Were the City to use a buffer of 50%, which is the City's past practice and the amount recommend by the City's housing consultant, the total number of units needing to be accommodated would total about 10,622 units (7,081 units allocated plus 3,541 buffer). While some additional changes may occur with the allocation, based on potential modifications by the State in its ongoing review of the methodology, it is unlikely there will be dramatic changes to the outcome.

At this time, staff is working with its housing consultant to review sites in the existing inventory to determine which sites can be re-used for the 6th Cycle Housing Element. Staff is also conducting a review of potential sites that previously have not been included in the opportunity sites inventory, primarily within the General Plan study areas. Following this review, staff will be able to discern how many units of the 7,081 allocation plus the buffer can be accommodated within the identified General Plan Study Areas (discussed below), and what potential zoning changes may be needed to accommodate the full 6th Cycle allocation.

General Plan Update

When San Mateo County began to shelter-in-place in early March 2020, the General Plan team was in the process of vetting three draft land use alternatives that consider a range of possible land use designations and growth scenarios *within* ten Study Areas. These draft land use alternatives will be refined through a series of community workshops and public meetings. Once the range of alternatives is established through a public process, the GPU team will conduct an in-depth evaluation to compare the pros, cons, and outcomes of each alternative on housing, traffic, public services, health and equity, environmental sustainability, and other topics. The following are links to two online documents that describe the draft land use alternatives, summarize the alternatives evaluation process, and answer frequently asked questions about the draft alternatives:

http://strivesanmateo.org/wp-content/uploads/2020/03/AlternativesRange_Handout_Welcome.pdf

http://strivesanmateo.org/wp-content/uploads/2020/03/AlternativesRange_Handout_FAQ.pdf

Summary of Draft Land Use Alternatives				
	Existing (2018)	Alternative A (Net New)	Alternative B (Net New)	Alternative C (Net New)
Homes	39,200	+10,910	+15,820	+20,830

Summary of Draft Land Use Alternatives				
	Existing (2018)	Alternative A (Net New)	Alternative B (Net New)	Alternative C (Net New)
Population	104,500	+33,050	+39,235	+58,320
Jobs	52,800	+15,430	+15,430	+14,990
Source: PlaceWorks, 2020.				

Influencing Factors

Since the General Plan land use alternatives process was paused in March in response to public health orders, several important changes have happened that could influence the amount and type of development considered in the three land use alternatives: the publication of the anticipated 6th Cycle RHNA, the passage of Measure Y, and the ongoing Covid-19 pandemic. It is important to consider as early as possible how and if the land use alternatives need to change in response to any of these external factors. Changing the land use alternatives or Study Area boundaries would necessitate additional public outreach to explore these potential changes with the community, General Plan Subcommittee, and decision makers that is not included in the existing GPU schedule or scope of work.

- 6th Cycle RHNA (January 2023 to January 2031).** The Housing Element team is working to analyze how and where the City can build multifamily housing to meet the 6th Cycle RHNA within the height and density limits of Measure Y. Based on the outcomes of that analysis, the land use alternatives may need to be updated to reflect potential land use changes required to demonstrate to the State's satisfaction that there are adequate sites zoned for multifamily housing to accommodate the 6th Cycle RHNA. All three draft alternatives were developed to accommodate the number of units in the City's anticipated 6th Cycle RHNA, with a buffer.
- Future RHNAs (2031 through 2040).** The General Plan 2040 is being developed to replace the existing General Plan 2030. Assuming continued 8-year RHNA cycles, and that the General Plan's expected life cycle is until 2040, the GPU would ideally designate sufficient residential land to accommodate the future 7th Cycle (Jan. 2031 to Jan. 2039) and early 8th Cycle (Jan. 2039 to Jan. 2047). Although the scale of future housing allocations is unknown, the City can rely upon ABAG projections, past allocations, and other forecasting tools to estimate future allocations. If the 7th Cycle RHNA is in the same proportion to the existing number of homes as the 6th Cycle RHNA, it would call for 8,000 to 8,500 new units, for a minimum of about 15,000 new units over the 6th and 7th cycles combined. This does not include any additional "buffer" for the two RHNA cycles, nor additional capacity for the 8th Cycle RHNA. If the City does not designate adequate residential sites to meet the future RHNAs as part of the General Plan Update, the next Housing Element, eight years from now, will need to include a process to identify and rezone additional sites to accommodate the future RHNAs.
- Measure Y.** Measure Y imposes height and density limits that limit the amount of development that can be built on any site in San Mateo through 2030. The land use alternatives could be revised to assume that voters renew the same Measure Y height and density limits again in 2030 and that these limits remain in place until the 2040 horizon year of the General Plan. In this case, since future housing and job growth would not be able to be located in taller or denser buildings, the land use alternatives may need to consider:
 - Expanding Study Area boundaries or identifying new Study Areas to include areas that are currently excluded in order to increase the amount of land designated for residential development.
 - Revising the proposed land use categories in the land use alternatives to change some existing or proposed commercial sites to residential sites. For example, sites designated for Commercial, Mixed-Use or Office uses would need to be changed to Residential categories, and lower density residential sites could be rezoned to allow for more units within Measure Y limits.
- Covid-19 Pandemic.** City staff and the General Plan consultant team, including economists from Economic & Planning Systems (EPS), reexamined the draft land use alternatives to consider whether changes are needed to reflect effects of the Covid-19 pandemic. The team concluded that, by the year 2040, the effects of the current

pandemic will not be discernable from other social and economic changes. Current economic predictions are that residential demand will continue to increase even though some parts of the Bay Area may be experiencing a temporary dip in the rental market. Although the Covid-19 pandemic could result in more people working from home, there will continue to be a strong office market demand as employers see value in face-to-face work. In addition, other types of work, such as research and development in a lab environment, cannot feasibly happen from home. The decline of traditional retail is likely to be permanently accelerated by online shopping habits built during the pandemic, but retail is not a significant proportion of the jobs or development foreseen in the land use alternatives. Overall, the range of possible futures contemplated in the draft land use alternatives remain a valid and feasible range of outcomes to analyze for housing and work over the next 20 years, taking COVID-19 into account, and the draft land use alternatives do not need to be revised to reflect the pandemic.

Land Use Alternatives

The immediate next step in the land use alternatives process is to come to community consensus on the range of alternatives to evaluate, then conduct the evaluation. The evaluation will provide much more information on how each alternative will perform, and what its pros and cons will be. However, based purely on the estimated number of jobs and housing units under each alternative, some initial comparison can be made to the 6th Cycle RHNA, Measure Y limits, and anticipated future RHNAs. Specifically:

- **Land Use Alternative A (10,910 new housing units):** Land Use Alternative A would comply with Measure Y and could likely accommodate the 6th Cycle RHNA and a buffer within the designated Study Areas. This alternative would necessitate a substantial update to the Land Use, Circulation, and Housing Elements in order to account for future RHNA cycles, including the 7th Cycle, which is due for certification in January 2031. This means that staff and consultants would need to reconvene to begin working on these updates, and any related updates triggered by the changes, as soon as 2028 or 2029, only 4-5 years after General Plan 2040 is expected to be completed.
- **Land Use Alternative B (15,820 new housing units):** Land Use Alternative B could likely accommodate the City's 6th and 7th Cycle RHNAs and at least small buffer, and would allow for Land Use and Circulation Elements that align more closely with the desired life cycle of General Plan 2040, assuming future allocations follow current trends. Alternative B would comply with Measure Y height and density limits in some Study Areas, but would require voter approval of increased height and density in at least some targeted areas Downtown, along El Camino Real, and near the Hillsdale Station (Study Areas 1, 3, and 4).
- **Land Use Alternative C (20,830 new housing units):** Land Use Alternative C would provide the most assurance in terms of meeting future RHNA cycles and buffers within the Study Areas and corresponding with the projected life cycle of General Plan 2040. However, implementation of Alternative C would require voters to eliminate Measure Y height and density limits or relax them in several of the Study Areas at some point during the life of General Plan 2040.

The final Preferred Scenario is likely to incorporate pieces of all three land use alternatives, as well as new ideas generated during the community engagement process. Regardless of what the community ultimately identifies as the Preferred Scenario for General Plan 2040, if voters extend Measure Y in 2030 and heights and densities remain restricted as they are today, the City will likely need to consider meeting future RHNAs by identifying housing opportunity sites outside of the current Study Areas.

General Plan and Housing Element Schedules

The anticipated schedule for the coordinated processes of the General Plan and Housing Element is outlined below. Note that each step of the General Plan process is accompanied by public outreach events, General Plan Subcommittee review, and Planning Commission and Council review. This schedule was formed prior to the publishing of the anticipated 6th Cycle RHNA and passing of Measure Y, and assumes the General Plan Update will move forward with the public review of the existing draft land use alternatives as is. However, as described above, it is possible that the preferred Land Use Alternatives will either not provide for General Plan longevity, will require allowing for residential growth outside of the Study Areas, and/or will require voter approval.

Based on the current schedule, the preferred alternative should be identified during the first half of 2022. This is when the draft Housing Element is due for completion in order to account for the HCD Certification deadline of January 2023. This timeline is problematic in that it requires the City to develop a draft Housing Element while the Land Use alternatives are still being vetted. Further study and data analysis is needed to confirm whether the sites identified in Land Use Alternative A would be able to accommodate the 6th Cycle RHNA and a buffer within the designated Study Areas. Should it become evident that Alternative A is insufficient, then consideration would need to be given to: 1) place a measure on the ballot to revise Measure Y height and density limits to be consistent with the Preferred Scenario, and/or 2) look outside the Study Areas. The Housing Element certification deadline is established by State legislation and would take an action of the State legislature to amend; extensions cannot be granted by HCD.

Should the Council wish to explore changes to the draft land use alternatives, the General Plan schedule below would need to be extended to allow for staff and consultant time to make the changes and for additional public outreach and further education about how and where growth can happen, what that growth would look like, and the City's obligation to provide a path forward for housing creation.

Approximate Timeframe	General Plan	Housing Element
January 2021 to June 2021	Finalize range of land use and circulation alternatives for evaluation, community meetings	Community Profile and analysis of housing constraints; community meetings, Receive Draft RHNA number in "Spring 2021"
July 2021 to December 2021	Evaluate alternatives, community meetings	Projected Housing Needs and Resources, Eight-Year Housing Plan, Receive Final RHNA numbers in "Winter 2021"
January 2022 to June 2022	Select preferred land use and circulation scenario, community meetings	Community meetings, Planning Commission and City Council meetings, Publish Draft Housing Element and Draft EIR
July 2022 to December 2022	Revise goals, policies, and actions to reflect preferred scenario. Publish Draft General Plan and Draft EIR.	Public Review period, community meeting, State review of Draft Housing Element, Revision to Draft Housing Element, Adoption Hearings.
January 2023 to June 2023	Public Review period, community meetings	<i>Submit adopted Housing Element to HCD for required certification review in January 2023.</i>
July 2023 to December 2023	Revision to Draft General Plan, Adoption Hearings.	

General Plan Public Participation

At the August 17, 2020 City Council meeting, staff provided a revised Outreach Plan to Council explaining new outreach approaches to gather community feedback without large in-person gatherings. This includes utilizing a range of online interactive engagement tools, online surveys, virtual town halls, virtual workshops, virtual General Plan Subcommittee meetings, and working with Peninsula Conflict Resolution Center (PCRC) on broadening outreach to diverse and under-represented groups in the community. As of January 2021, large gatherings are still prohibited under County health orders. The GPU Team has added new tools to the outreach program in response. For future community engagement, the GPU Team currently intends to rely primarily upon virtual events and activities. Once public health officials determine it is safe for large group gatherings, people may still be hesitant to come together. It is likely that the GPU Team will need to rely on both online engagement and in-person events once it is safe to do so. It is important to note that in this case, at least some amount of in-person outreach and education may be needed in order to illustrate growth in a tangible way that reflects

how the different scenarios could look in real life.

Inclusivity and education remain a top priority for the City. Public engagement activities, both online and in-person, will continue to occur as allowed in English and Spanish, and PCRC will continue to provide outreach to the traditionally unvoiced segment of the community.

CITY COUNCIL GUIDANCE REQUESTED

1. Should the GPU effort proceed with the current range of alternatives and project schedule?
2. Should the GPU effort consider adjusting the range of alternatives and project schedule?
3. Does the Council have any additional direction or have other concerns?

Following the Council meeting, both teams will incorporate the direction provided, adjust next steps accordingly, and return to Council with refined next steps if changes are directed.

BUDGET IMPACT:

There is no impact on the General Fund as both the General Plan and Housing Element update projects are funded by the General Plan Maintenance Fund (Fund 25). If direction is provided to revise project scope or budget, these changes will be scheduled for review at a future City Council public meeting.

ENVIRONMENTAL DETERMINATION:

This informational study session is not a project subject to CEQA because it can be seen with certainty that it will not cause a physical change in the environment (Public Resources Code Section 21065). It should be noted that an Environmental Impact Report (EIR) will be prepared to assess the potential impacts of the draft Housing Element and draft General Plan, consistent with State law.

NOTICE PROVIDED

All meeting noticing requirements were met.

ATTACHMENTS

None.

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