



## Item No. 3 Town of Atherton

### CITY COUNCIL STAFF REPORT – STUDY SESSION

**TO: HONORABLE MAYOR AND CITY COUNCIL  
CHAIR AND MEMBERS OF THE PLANNING COMMISSION**

**THROUGH: GEORGE RODERICKS, CITY MANAGER**

**FROM: LISA COSTA SANDERS, TOWN PLANNER**

**DATE: JANUARY 12, 2022**

**SUBJECT: DISCUSS HOUSING ELEMENT UPDATE STRATEGIES AND PROVIDE  
DIRECTION TO STAFF**

#### **RECOMMENDATION**

Provide direction to staff on Housing Element Update strategies to achieve the regional housing needs allocation requirement.

#### **BACKGROUND**

All California cities and counties are required to accommodate their fair share of regional housing need in its General Plan. The fair share assignment is determined through a Regional Housing Needs Allocation (RHNA) process. The RHNA assignment for each jurisdiction is comprised of four income categories: very-low; low; moderate; and above moderate.

The Town last updated its Housing Element and received certification from the State Housing and Community Development Department (HCD) in March 2015. The next Housing Element cycle covers the period of 2023 through 2031 and is required to be certified by the State by January 1, 2023.

The [Final RHNA for the Bay Area \(https://abag.ca.gov/sites/default/files/documents/2021-12/Final\\_RHNA\\_Allocation\\_Report\\_2023-2031-approved\\_0.pdf\)](https://abag.ca.gov/sites/default/files/documents/2021-12/Final_RHNA_Allocation_Report_2023-2031-approved_0.pdf) was adopted by the Association of Bay Area Governments (ABAG) Executive Board on December 16, 2021. The Town's allocation for the period of 2023-2031 is as follows:

<b>Income Level</b>	<b>Housing Units</b>
Very Low (less than 50% of area median income)	94
Low (50% - 80% of area median income)	54

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Moderate (80-120% of area median income)	56
Above Moderate (more than 120% of area median income)	144
<b>Total</b>	<b>348</b>

In addition to the RHNA number outlined above, jurisdictions generally plan for additional buffer units in case developments do not produce the predicted number of units/affordability. The consultant team recommends at least a 20% buffer, bringing the planned housing production for the Town to 418 units over the eight-year period (52 units per year). The Town does not have to *construct* the housing units; but the law requires that the Town provide the opportunity for such development to occur and not to put up barriers to construction.

The City Council held a joint session with the Planning Commission on April 28, 2021 to discuss the Housing Element process and provide direction to staff on potential strategies to consider. Those strategies and additional information for discussion are outlined below.

**ANALYSIS**

Potential Strategies for Housing Element Update:

As noted above, the Town’s Housing Element should plan for the development of 418 new housing units over the next eight years. Although the Town has experienced a positive trend in new accessory dwelling unit (ADU) production, staff anticipates HCD requiring additional opportunities for new housing development.

Staff and the consultant team have further analyzed the preliminary housing development strategies discussed at the April 28, 2021 study session as follows:

1. Increase ADU production. One ADU and one Junior ADU (JDU) is currently permitted on each lot. Town could allow two ADUs on lots greater than one acre in area.

*Comment: This strategy is anticipated to generate few additional ADUs per year. The Council could include this strategy to support ADU production. Even without this strategy, staff and the consultant team anticipate an average of 30 new ADU units per year based on recent production trends.*

2. Allow multi-family housing at private schools. The Public Facilities and Schools (PFS) zone allows housing associated with non-residential use of property (teacher housing) with a Conditional Use Permit. The Town could amend the PFS zone to allow multi-family housing at density of 20 units per acre by right (not limited to teachers – available to general public).

*Comment: HCD may require further justification that the schools or a developer intends to build multi-family housing on these sites. Given the past reliance on school sites with no history of production and limited interest from the schools, it seems unlikely that HCD will accept this adjusted strategy. Staff recommends eliminating this strategy.*

3. Allow multi-family housing at Bear Gulch Reservoir, Menlo Circus Club and Holbrook Palmer Park. The Park and Open Space (POS) zone currently allows caretaker housing with a Conditional Use Permit. The Town could amend the POS zone to allow multi-family housing available to the general public at density of 20 units per acre by right.

*Comment: Similar to the comment above on private school housing, HCD may require further justification that the property owners or a developer intends to build multi-family housing on these sites. Staff recommends eliminating this strategy.*

4. Allow two (2) units per lot in R1-B zoning. The Residential District R-1 (R-1B) zoning district currently allows one unit per legally created lot and one unit per acre for new lot subdivisions (not including ADU and JDU). The Town could amend the R1-B zoning district to allow two (2) dwelling units (condo map) per lot by right. The Town will also need to amend development regulations associated with those development, such as Floor Area Ratios (FAR), setbacks, etc..

*Comment: This strategy is similar to what is currently permitted under SB 9, with the addition of allowing each residential unit to be sold independently. SB 9 currently allows lot splits and development of town housing units on each lot. However, it does not provide for the two housing units to be sold separately. Based on several SB 9 studies, it seems unlikely that property owners will develop two units on each lot with one unit required to be rented. It may be more financially viable to allow property owners to create two ownership units on each lot. If the City Council is interested in studying this option further, staff will retain a fiscal consultant to evaluate the feasibility for further discussion at a future City Council meeting.*

5. Reduce lot size. The current minimum lot size is one acre per lot with minimum 175' width and 200' depth. The Town could reduce lot size to 40,000 square feet and reduce lot width to 150' and depth to 175'.

*Comment: This strategy will be implemented with SB 9. Based on fiscal analysis of potential lot splits in the Town, the consultant team recommends planning for 5 net new housing units per year over the eight-year planning period for a total of 40 units. The Town does not have a history of increased housing development; rather, the trend is for property owners to create larger estate lots and as such, may be difficult to justify to HCD higher production targets.*

6. New Planned Development (PD) Zoning Ordinance for individual projects. The Town could consider creating a PD zoning classification that could be applied to R1-A lots to allow new multi-family housing. These developments would be considered on a case-by-case basis and may not count towards RHNA unless rezoned within 3 years of Element adoption.

*Comment: Staff recommends this strategy be further refined to include an Overlay Zoning Ordinance to allow Townhouse development up to 10 units per acre by right and up to 20 units per acre with a Conditional Use Permit from the Planning Commission on*

*minimum one acre lots. The overlay zoning could only apply to properties one acre or greater area or minimum half-acre in area. Staff and the consultant team has prepared several map options for the Council to discuss where the overlay zone could be applied (Attachment 1) as summarized below (based on one acre lot size):*

- *Scenario A includes 68 parcels (47 of which are greater than 1 acre) along the northwestern Town boarder along Selby Lane.*
- *Scenario B includes 210 parcels (103 of which are greater than 1 acre) along the western side of El Camino Real.*
- *Scenario C includes 128 parcels (106 of which are greater than 1 acre) along eastern side of El Camino Real (Lloyd Park).*
- *Scenario D includes 87 parcels (42 of which are greater than 1 acre) along the southeastern side of El Camino adjacent to Menlo Park.*
- *Total of the four scenarios above is 384 parcels (134 of which are greater than 1 acre).*
- *A separate scenario is to allow Townhouses within ½ mile radius of El Camino Real, both east and west. This would include 838 parcels, 308 of which are greater than 1 acre.*

*For the Townhouse production assumptions, staff assumed one Townhouse development per year at 10 units. We may be able to increase this assumption based on findings from a fiscal analysis of the development scenarios and if there are sufficient parcels available within the proposed overlay zone area.*

*In addition, Staff recommends including an Inclusionary Ordinance that would require a certain percentage of the units be affordable. Staff would retain a fiscal consultant to analyze the percentage and affordability categories. Based on similar ordinances in other jurisdictions, it is anticipated that 20% of the townhouse units be restricted to affordable income categories in perpetuity. With the affordable housing requirement, these projects would be able to take advantage of State Density Bonus law that provides additional units, waivers and concessions to support the provision of affordable housing.*

*The housing unit bonus is based on the percentage of units at different income categories. The Townhouse Overlay Zone would include floor area standards, setbacks, height limits, parking requirements, landscape screening and objective design standards.*

*For purposes of the Housing Element, any property zoned at 20 units per acre can be counted as affordable, while those zoned at 10 units per acre could be counted as above moderate.*

**Anticipated housing productions with strategies recommended above:**

Strategy	Units per year	Total towards RHNA	Affordability categories
ADUs	30 per year	240 units	30% very low – 72 30% low - 72 30% moderate - 72 10% above mod – 24
Lot Splits	5 per year	40 units	100% above mod – 40
Vacant lot development	1.25 per year	10 units	100% above mod – 10
Townhouse overlay (depends on the number of acres rezoned)	10 per year	80 units	20% moderate – 16 80% above mod – 64

	Very Low	Low	Mod	Above Mod	Total
ADUs	72	72	72	24	240
Lot Splits				40	40
Townhouse overlay			16	64	80
Total	72	72	88	128	360
RHNA with Buffer	113	65	67	173	418
Amount above or below RHNA (+ = good)	-41	+7	+21	-45	-58

The above numbers are conservative estimates and further study is needed to consider higher production numbers to meet the RHNA allocation. As outlined above, these estimates result in an overall shortfall in production, specifically in the very low and above moderate-income categories. Staff will work with the consultant team on strategies to achieve higher production in these categories. This may include an affordability covenant with incentives to construct a second ADU on larger properties or use of State Density Bonus law with Townhouse developments. Staff will also retain a fiscal consultant to evaluate the Townhouse strategy and lot splits to consider options to increase production estimates and scenarios for an Inclusionary Ordinance. In addition, Staff recommends retaining an Architect to prepare design options to inform the zoning regulations for Townhouse Overlay Zone (setbacks, height, floor area, etc.)

In addition to the strategies listed above, Staff recommends the Housing Element update include policies to expand outreach for the following programs:

- Promote HIP’s home sharing program (currently only one participant in Atherton).
- Encourage residents to rent out their ADUs (HIP can also assist with renter placement).

Based on discussion and direction from the City Council, Staff and the consultant team will further research strategies for future consideration by City Council and discussion at a community outreach meeting in February.

### **Update on SB 9 Implementing Ordinance**

The City Attorney's office is currently reviewing the draft SB 9 implementing ordinance to ensure compliance with State Law. The item is scheduled for review at the January 26, 2021 Planning Commission meeting and consideration by the City Council at its February 16, 2022 meeting. The draft Ordinance allows a maximum of two units per parcel, floor area and height incentives to comply with current setback requirements and a provision for owner occupancy for at least three years. The Ordinance also includes a few objective design standards.

Based on a question at the joint Council Council/Planning Commission Study Session, there are approximately 606 parcels in Town greater than 1 acre with a main residence built before 1970 and 687 parcels greater than 1 acre with a main residence built before 1980. There are approximately 62 vacant residential parcels in Town. Many of these vacant parcels are owned by an adjacent property owner and associated with a larger estate property. The vacant properties together with properties containing an older residence seem more likely to result in a lot split under SB 9.

### **POLICY ISSUES**

Staff is seeking policy direction from the City Council on strategies to achieve compliance with the RHNA allocation and Housing Element update.

### **FISCAL IMPACT**

None.

### **GOAL ALIGNMENT**

This report and its contents are in alignment with the following Council Policy Goals:

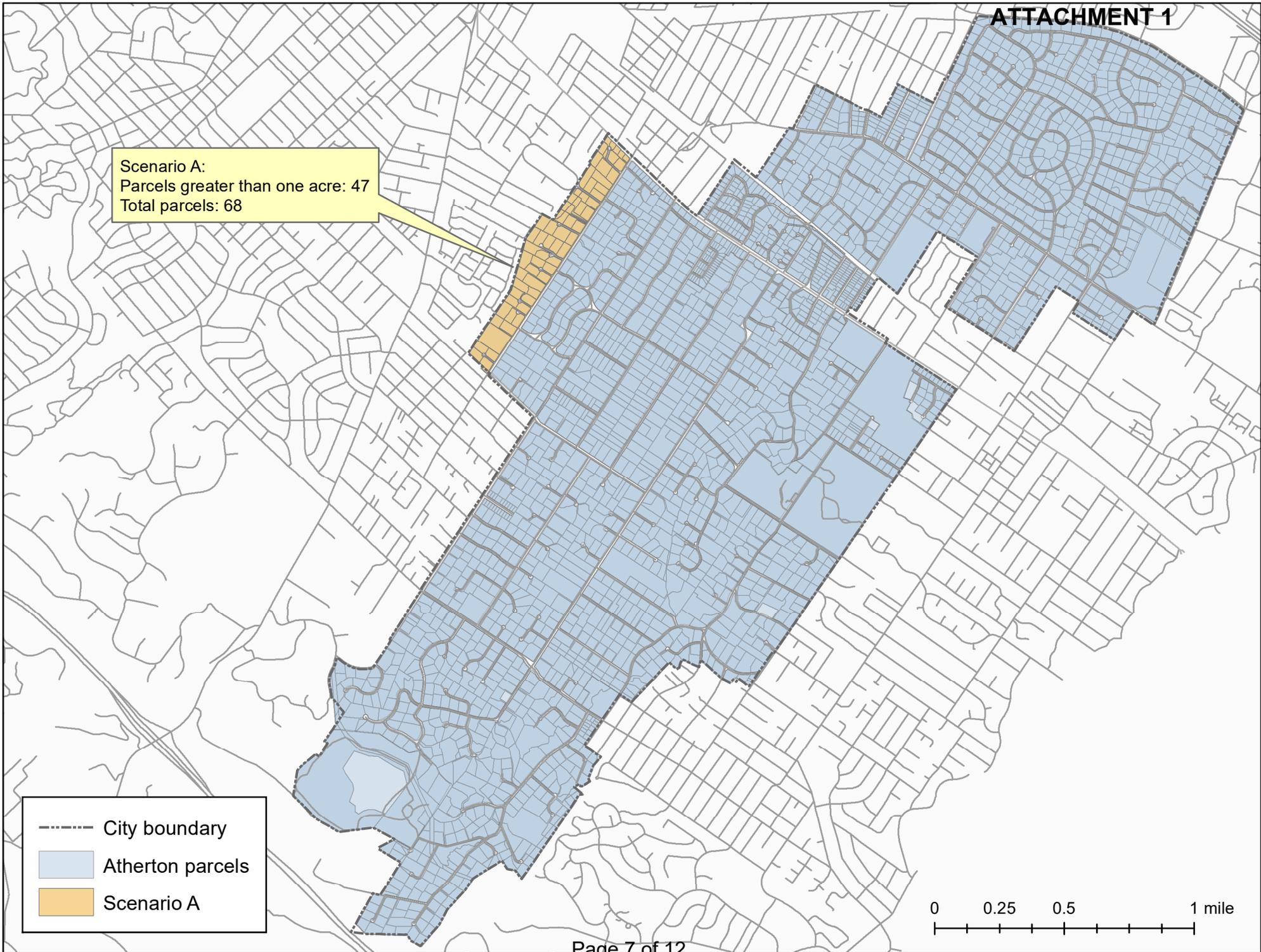
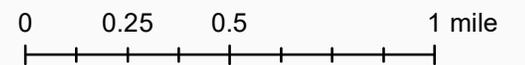
- Goal B – Preserve Small Town Character and Quality of Life
- Goal F – Be Forward-Thinking, Well-Managed, and Well-Planned

### **PUBLIC NOTICE**

Public notification was achieved by posting the City Council agenda, with this agenda item being listed, at least 72 hours prior to the meeting in print and electronically. Information about the project is also disseminated via the Town's electronic News Flash and Atherton Online. There are approximately 1,200 subscribers to the Town's electronic News Flash publications. Subscribers include residents as well as stakeholders – to include, but not limited to, media outlets, school districts, Menlo Park Fire District, service providers (water, power and sewer), and regional elected officials.

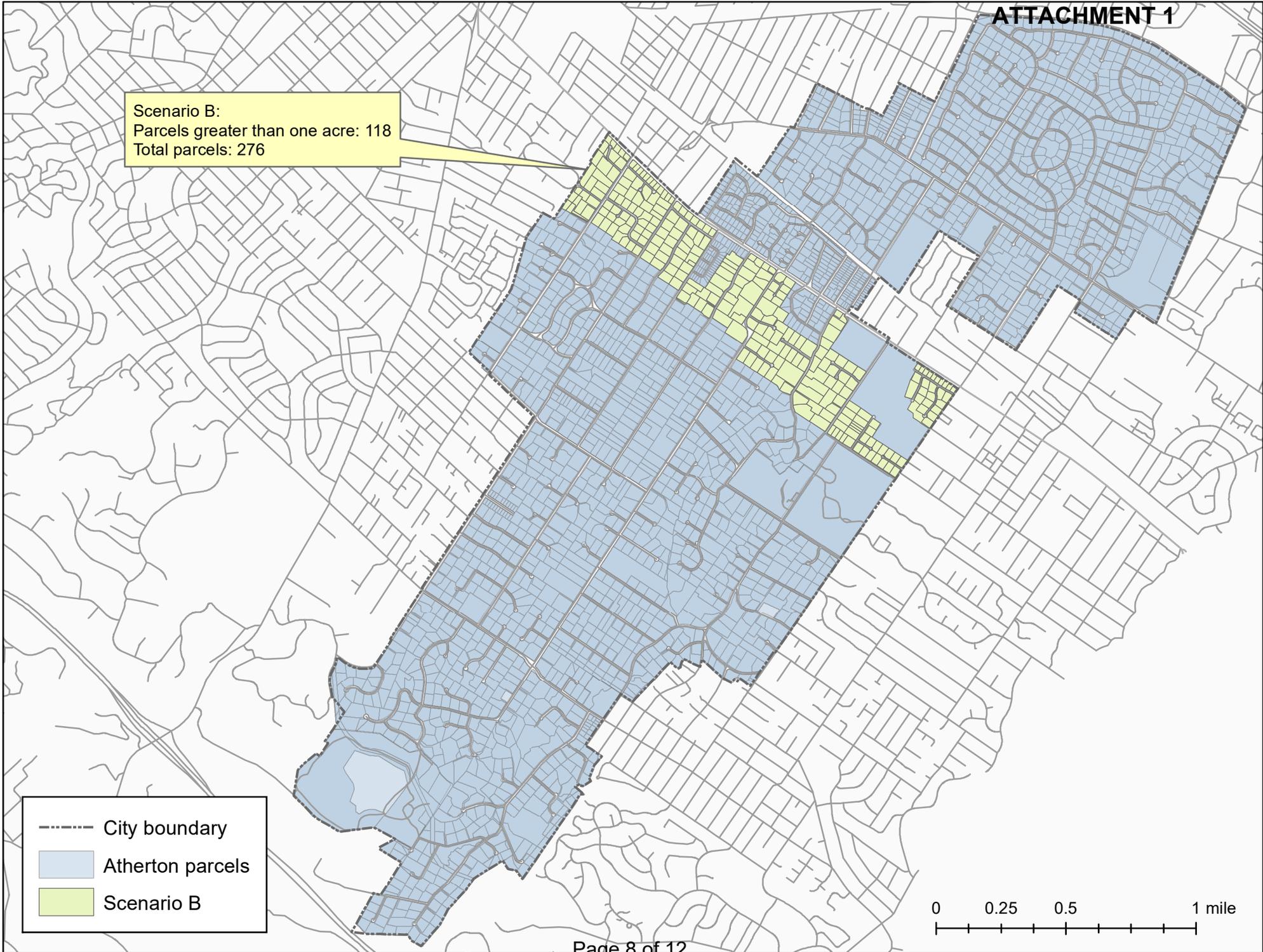
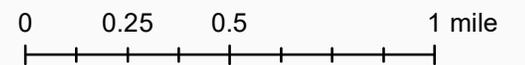
Scenario A:  
Parcels greater than one acre: 47  
Total parcels: 68

----- City boundary  
Atherton parcels  
Scenario A



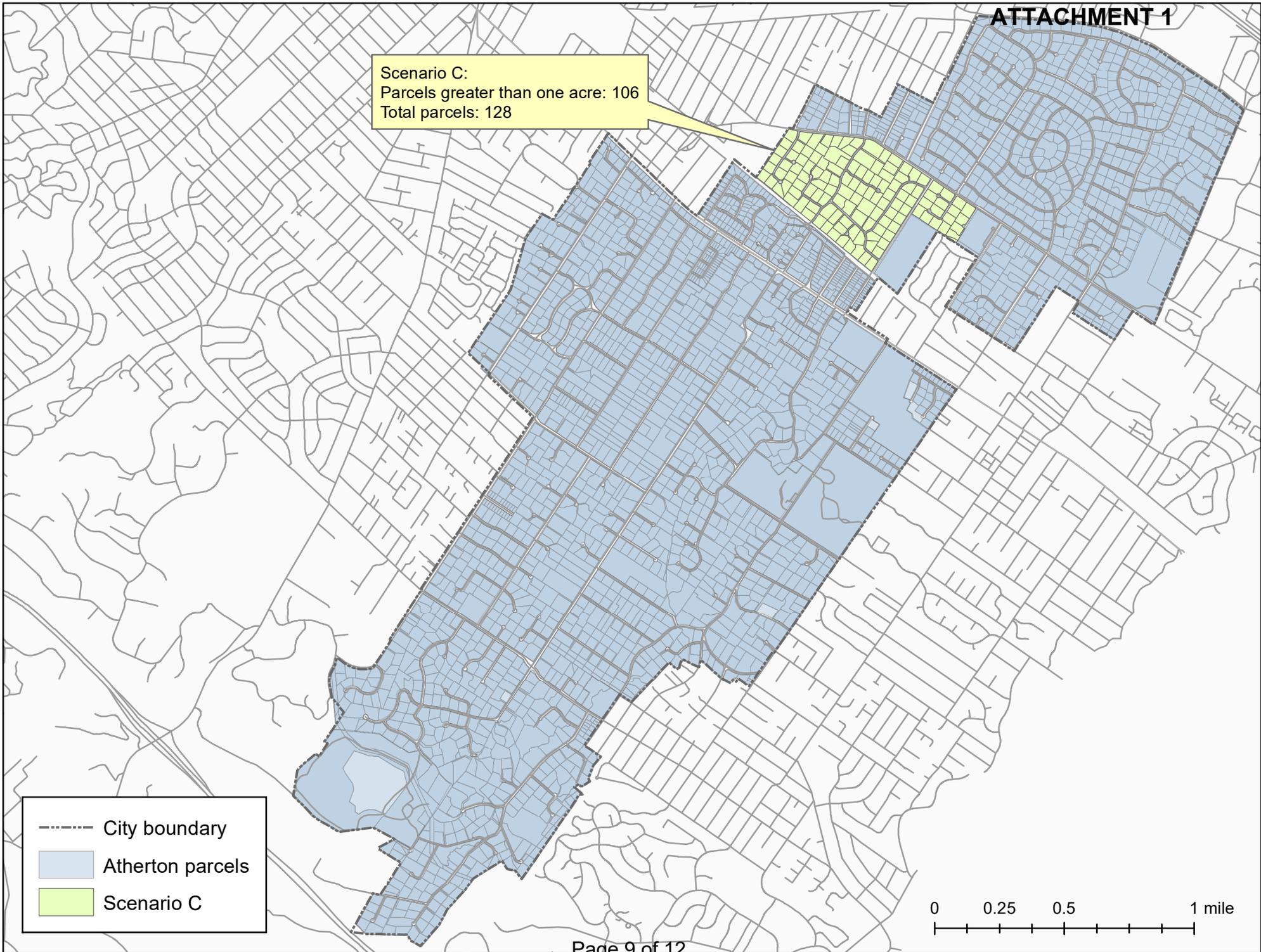
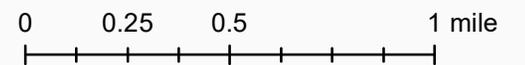
Scenario B:  
Parcels greater than one acre: 118  
Total parcels: 276

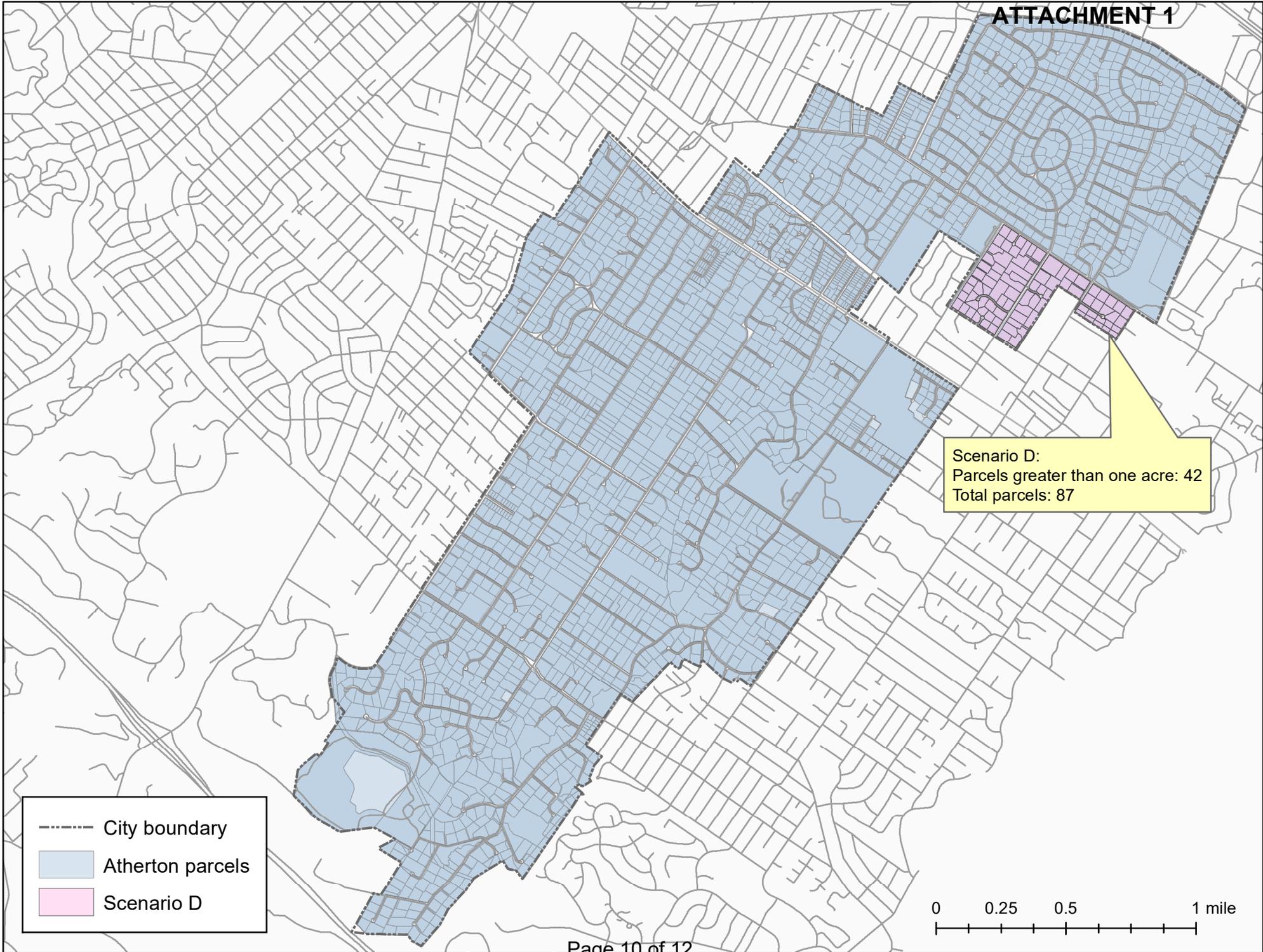
----- City boundary  
Atherton parcels  
Scenario B



Scenario C:  
Parcels greater than one acre: 106  
Total parcels: 128

----- City boundary  
Atherton parcels  
Scenario C



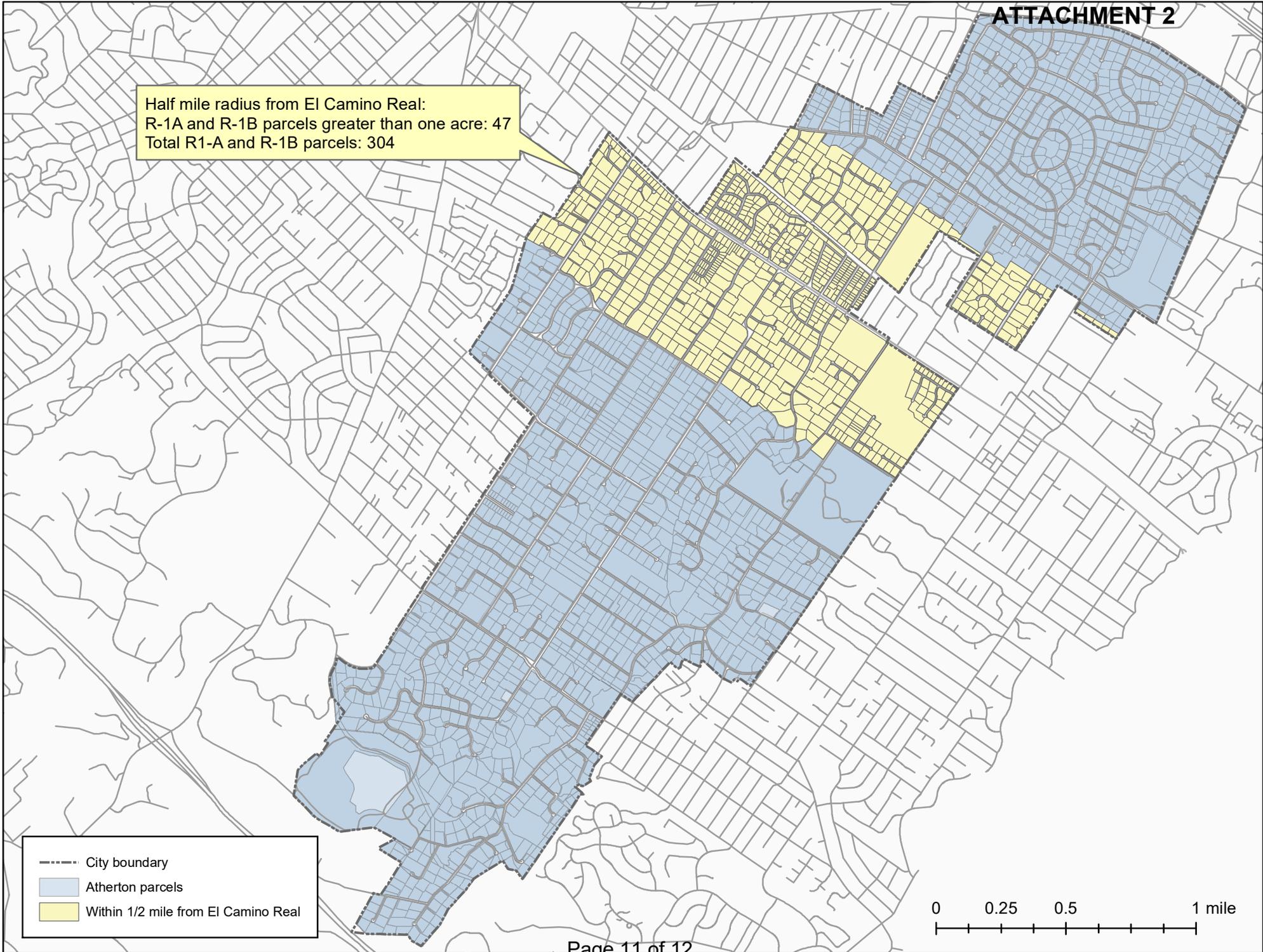


Scenario D:  
Parcels greater than one acre: 42  
Total parcels: 87

- City boundary
- Atherton parcels
- Scenario D

0 0.25 0.5 1 mile

Half mile radius from El Camino Real:  
R-1A and R-1B parcels greater than one acre: 47  
Total R1-A and R-1B parcels: 304



----- City boundary  
Atherton parcels  
Within 1/2 mile from El Camino Real

0 0.25 0.5 1 mile

## Atherton Analysis

Scenario	Total Parcels	Total Parcels greater or equal to 1 acre
Scenario A	68	47
Scenario B	276	118
Scenario C	128	106
Scenario D	87	42
1/2 mile radius from El Camino Real	838	308

### SB 9 Analysis

Scenario	Parcels
Parcels 1 acre or greater and built before 1970	606
Parcels 1 acre or greater and built before 1980	687
Parcels without year built data	147
Total Atherton parcels	2646