



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: FEBRUARY 24, 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

Since 1969, California has required that all local governments to plan for the housing needs of everyone in the community. Cities meet this requirement by adopting housing plans as part of their “general plan” (also required by the state). The general plan serves as the Town's "blueprint" for how it will grow and develop, and includes seven elements: land use, transportation, conservation, noise, open space, safety, and housing. In order to plan for sufficient housing, the housing element chapter of the general plan must demonstrate how it could meet the local housing needs based on the Town's fair share of the regional housing established by the Association of Bay Area Governments. 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 2023-20031 is as follows:

Income Level	Housing Units
Very Low (less than 50% of area median income)	94
Low (50% - 80% of area median income)	54
Moderate (80-120% of area median income)	56
Above Moderate (more than 120% of area median income)	144
Total	348

The number of housing units does not mean the Town has to provide such housing, rather, the Town must ensure sufficient zoning and opportunities to accommodate this growth in these specific income categories.

The City Council and Planning Commission held a joint session on April 28, 2021 to discuss the Housing Element process and provide direction to staff on potential strategies to consider. The City Council, at its January 12, 2022 meeting, received an status report from Staff on the initial strategies and provided further direction. This report provides a further update on the refined strategies based on Council discussion at its January 12, 2022 meeting.

ANALYSIS

Potential Strategies for Housing Element Update:

The Town's Housing Element is required to plan for the development of 348 new housing units over the next eight years. This report provides an update on the Council directed strategies from the January 12, 2022 meeting and does not include strategies that Council did not wish to pursue at this time.

1. Allow multi-family housing at private schools. The Public Facilities and Schools (PFS) zone currently allows housing associated with non-residential use of property (teacher housing) with a Conditional Use Permit. The Town has relied on this strategy in past housing elements and has not realized production of housing units to-date. HCD may no longer accept this strategy. Councilmembers requested staff discuss this strategy further with the private schools and determine what code changes would be needed to achieve housing production. Councilmembers also suggested considering properties adjacent to schools as possible multi-family housing sites.

Staff update: Staff discussed this item with each of the private schools with their comments summarized as follows:

- Menlo School – the School has acquired an apartment building locally for faculty. The cost of housing and impact on faculty is discussed annually. Faculty prefers to live close to campus and not on campus. The school may be interested in acquiring land adjacent to the school and building 10-20 units within the next eight years.

- Sacred Heart – there are currently 5 apartment units on the campus and housing for the Sisters at Oakwood. Anticipate this facility being renovated in the future (15-20 years) to accommodate faculty housing. Not interested in housing beyond that.
 - Menlo College – school is interested in constructing faculty housing at the O’Brien parking lot (corner of El Camino and Alejandra). Would need more height (need to retain school parking) and less setbacks. Anticipate +/- 20 new units and would want flexibility to rent to general public in addition to faculty. Areas adjacent to the school and El Camino seem like good candidates for denser housing.
2. 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. Councilmembers requested staff discuss this strategy further and determine what code changes would be needed to achieve housing production.

Staff update: Staff discussed this item with CalWater and Menlo Circus Club with their comments summarized below:

- CalWater – concern with public residing at property for security reasons. Concern with housing for new employees (long commutes) and disaster readiness. May be interested in constructing +/- 4 small housing units to allow employees to stay on site during work shifts or reside in full-time.
 - Menlo Circus Club – not interested in building housing on-site.
3. Reduce lot size. Staff noted that this strategy will generally be implemented with SB9. Councilmembers however were interested in considering reducing the minimum lot size from one acre to 40,000 square feet and reduce the minimum lot width and depth requirement (regardless of SB9). There are several properties in Town greater than one-acre that may be able to subdivide with reduced minimum lot size standards. It should be noted that if a property owner were to subdivide their almost two-acre property into two-40,000 square foot lots that these lots would be able to further split under SB9 if the lots are not under common ownership. Staff has estimated this strategy could generate one new unit per year for a total of eight units over the next RHNA cycle.
4. Townhouse Overlay Zone. The City Council discussed the option to adopt an overlay Zone that would apply to existing single-family zoned properties to allow up to 10-units per acre by right and up to 20 units per acre with a Conditional Use Permit. Councilmembers reviewed maps with optional areas to apply the zone and provided direction to staff to refine the overlay area to properties located adjacent to other jurisdictions with higher density, along major corridors (El Camino, Middlefield, Valparaiso and Alameda) and adjacent to schools. The Council prefers to further study 10 units per acre at this time without a minimum lot size requirement.

Staff update: Staff has worked with the Housing Element consultant to revise the map of potential properties to consider for the Townhouse Overlay Zone (Attachment 1). This map is based on Council direction to consider properties adjacent to other jurisdictions, along major corridors and adjacent to schools. The map is provided for Council discussion and refinement. Staff has also retained a consultant to prepare a fiscal analysis of an Inclusionary Ordinance with the Overlay Zone to require a percentage of new units be restricted to lower income categories. Staff has also retained an Architect to prepare massing studies of 10-units per acre townhouse development scenario to inform the Council and community and provide guidance on future zoning development standards (height, setback, floor area, etc).

Estimated Housing Production

The below numbers are conservative estimates and further study is needed to consider higher production numbers. Staff will work with the consultant team on further refining these estimates and strategies to achieve higher production in the very-low income category. The consultant team is also preparing a study of new development under SB9 and may be able to recommend higher production for Atherton. In addition, the fiscal study on the Townhouse overlay will better inform the feasibility of development and the affordability range.

	Very Low	Low	Mod	Above Mod	Total
ADUs	72	72	72	24	240
Lot Splits (SB9)				40	40
Reduced lot size				8	8
Townhouse overlay			16	64	80
School & Facility sites	4	10	10	10	34
Total	76	82	98	138	402
RHNA	94	54	56	152	348
Amount above or below RHNA	-18	+28	+42	+14	+54

Consequences of Non-Compliance

Local governments that fail to comply with State laws regarding their respective housing elements, including the requirement to plan for their RHNA allocation, failing to implement programs identified in the housing element, or to have the housing element certified by the Housing and Community Development Department, could face significant exposure to liability. By way of example, Courts may remove the local government's ability land use and planning authority, they could be subject to judgments and fines of up to \$100,000 per month. Additionally, the local government could be subject to lawsuits by the State, interest groups, property owners, and developers.

Next Steps

Based on direction from the City Council at this meeting, Staff will prepare an outreach mailer to be distributed Town-wide on the draft Housing Element strategies and schedule a community meeting in March. Staff will also continue to work with the consultant team on the Draft Housing Element.

The Draft Housing Element is required to be available for public review and comment for 30-days. Following the public review prior, staff is required to incorporate public comments and transmit the Draft Housing Element to HCD for its initial 90-day review period. Staff anticipates publishing the Draft Housing Element for public review in April 2022. Staff will then revise the document for consideration at the May 18, 2022 City Council meeting for submission to HCD. Staff will then revise the Draft Housing Element to incorporate HCD comments for consideration by the Planning Commission and adoption by the City Council in October/November 2022. The Housing Element is required to be certified by HCD by January 15, 2023.

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:

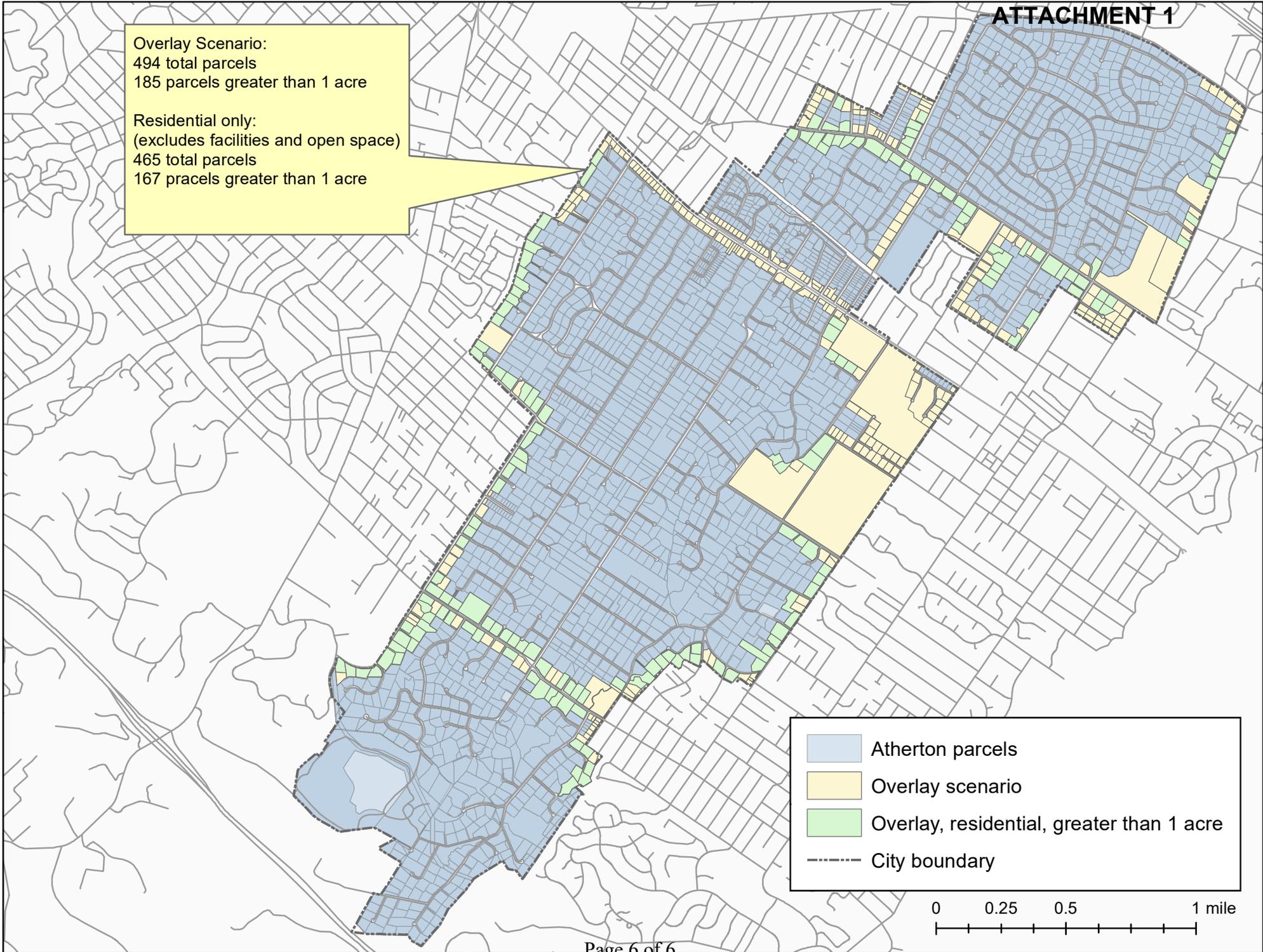
- Goal B – Preserve Small Town Character and Quality of Life
- Goal F – Be Forward-Thinking, Well-Managed, and Well-Planned

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.

Overlay Scenario:
494 total parcels
185 parcels greater than 1 acre

Residential only:
(excludes facilities and open space)
465 total parcels
167 parcels greater than 1 acre



-  Atherton parcels
-  Overlay scenario
-  Overlay, residential, greater than 1 acre
-  City boundary

