



CITY COUNCIL STAFF REPORT



September 13, 2022

ITEM TITLE

Affordable Housing Policy: Consider Amendments to the Guidelines to the Balanced Communities Policy to Remove Exemptions and Variances from the Policy

Report Number: 22-0210

Location: No specific geographic location

Department: Development Services

Environmental Notice: The activity is not a "Project" as defined under Section 15378 of the California Environmental Quality Act (CEQA) State Guidelines; therefore, pursuant to State Guidelines Section 15060(c)(3) no environmental review is required.

Recommended Action

Adopt a resolution approving amendments to the Balanced Communities Policy Guidelines to remove the Exemption and Variance sections from the Inclusionary Housing requirements.

SUMMARY

In 1981, the City of Chula Vista adopted a Balanced Communities Policy, commonly referred to as Inclusionary Housing. The Guidelines to the Balanced Communities Policy (the "Guidelines") were adopted in September of 2012 and amended in December of 2015 to implement the Policy with consistency and provide mechanisms to adapt to changing market conditions. Staff is requesting a revision to the Guidelines to remove the exemption and variance sections in the policy that waive the inclusionary requirement within census tracts designated as "Areas of Low/Moderate Income Concentration" and "Primarily Underdeveloped Areas," which cover areas of western Chula Vista.

ENVIRONMENTAL REVIEW

The Director of Development Services has reviewed the proposed activity for compliance with CEQA. The activity is not a "Project" as defined under Section 15378 of the State CEQA Guidelines because the proposal consists of a reporting action, is not for a site-specific project(s) and will not result in a direct or indirect physical change in the environment. Therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines no environmental review is required.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

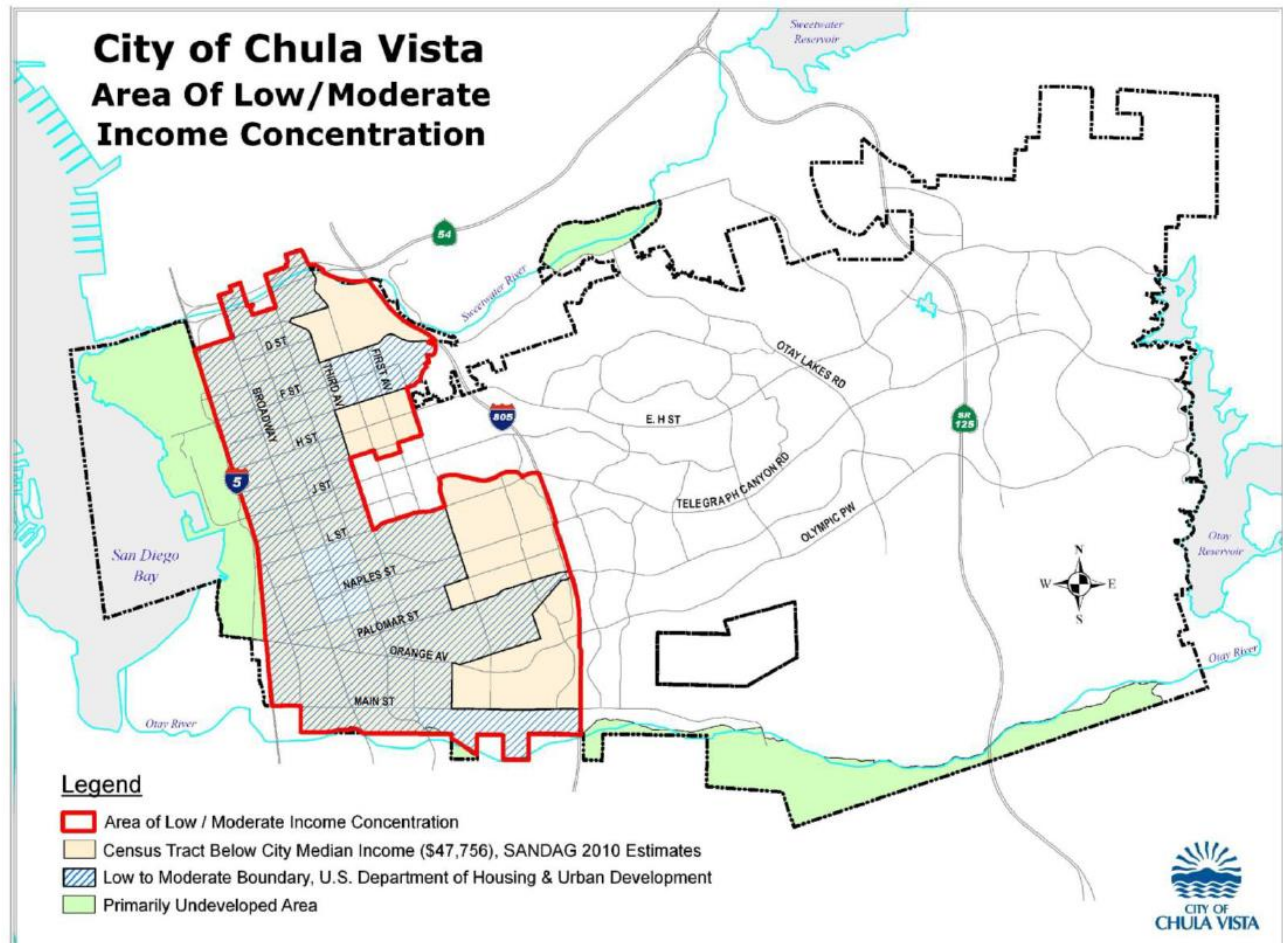
On July 27, 2022, the Healthy Chula Vista Advisory Commission provided an advisory recommendation that the City Council adopt the amendments. The proposed amendments were also shared with members of the Development Oversight Committee.

DISCUSSION

Adopted in 1981, and currently Policy 3.4 in the 2021-2029 Housing Element of the General Plan, the Balanced Communities Policy (the “Policy”) was established to increase the diversity of housing prices/rent throughout the City of Chula Vista community and ensure the range of prices/rents continues over time. The current Policy requires that all new residential projects consisting of 50 or more dwelling units shall include 10 percent of the residential units within the development as affordable to low- and moderate-income households (5 percent low-income and 5 percent moderate-income).

The Guidelines were adopted on September 25, 2012 to implement the Policy with consistency, provide greater clarity on compliance and provide mechanisms to adapt to changing market conditions. The Guidelines included language for an exemption to the inclusionary requirement within census tracts designated as “Areas of Low/Moderate Income Concentration,” and a allow a variance request from the affordable housing requirements to be approved within “Primarily Undeveloped Areas” as shown in Exhibit 1 and further summarized below.

Exhibit 1



- **Exemption** - Established to promote the Policy goal of creating a balanced community and not overburden areas of the community with low-income housing concentrations, the Guidelines defined areas of the City that already provided a large share of low-income housing options. With this exemption in place, all residential development projects within the red outline, reflected in Exhibit 1, are currently exempt from having any inclusionary requirement.
- **Variance** - Created the option of applying a variance request from the affordable housing requirements in “Primarily Undeveloped Areas” which are represented by the green area on Exhibit 1. The variance request from the affordable housing requirements may be approved based on specific findings substantiated by City Council.

The 2015 amendment was adopted to address the changing market conditions at that time. With the elimination of the State of California Community Redevelopment laws and therefore loss of Redevelopment funds for low- and moderate-income housing, the City’s ability to financially partner with housing developers to produce affordable housing has been significantly diminished. While housing affordability reached near historic highs post-recession, housing has become increasingly unaffordable, with demand far outpacing supply and construction lagging behind need.

The San Diego region is in the midst of a housing crisis as housing prices and rents have steadily increased during the last decade, outpacing inflation, putting home ownership out of reach for many residents and

affecting the quality of life in the region. In order to further adjust to the changing market conditions, changes in State law to promote housing production and in an effort to better meet housing needs throughout the community, this item requests an Amendment to the Guidelines to remove the variance and exemption sections of the Guidelines to the inclusionary requirement so that the Policy would apply citywide to all residential developments of 50 units or more, as provided in Attachment 1.

Future Growth in Chula Vista

According to the Chula Vista General Plan, Land Use and Transportation Element (Chapter 5), future growth will be accommodated through infill development and development in master planned communities. Infill development is directed to the Northwest, Bayfront, and Southwest Planning Areas, west of Interstate 805. Future infill development will utilize existing infrastructure to increase residential densities, taking advantage of existing and future transit and revitalizing existing commercial areas. Master planned communities are planned for in the east planning area, east of Interstate 805. These areas are further identified for increased development at different densities to allow various degrees of growth. These include focused areas of change, transitional areas, and stable residential neighborhoods.

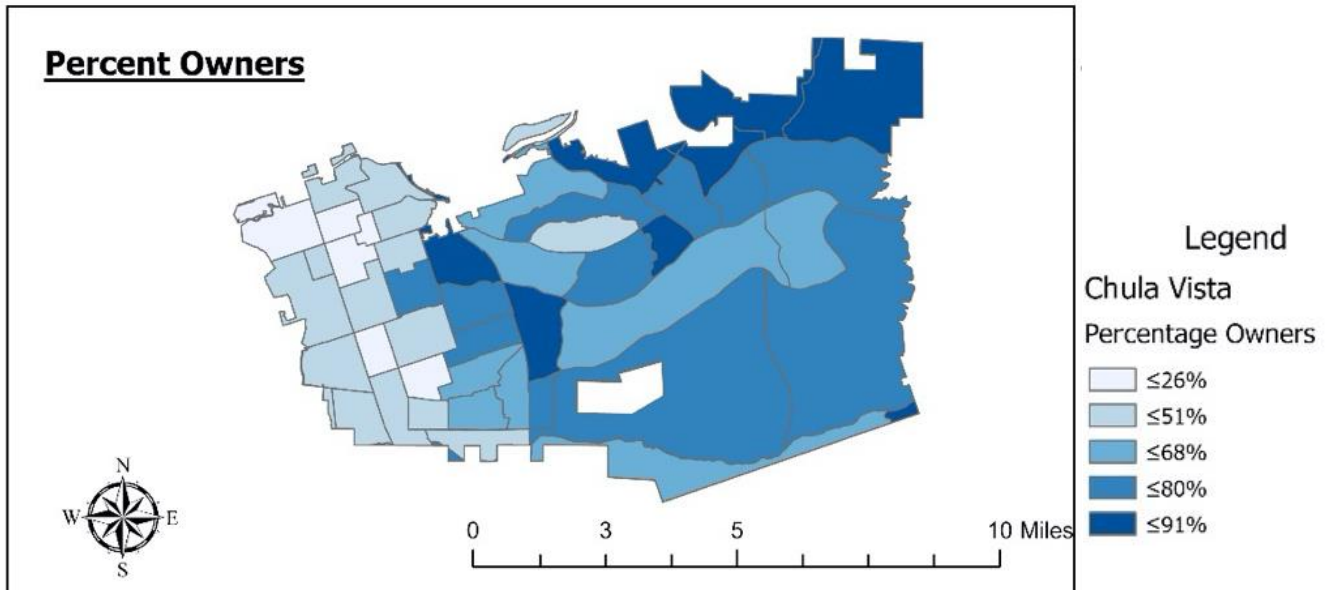
Focused area of change are areas targeted for more intensive development, revitalization and/or redevelopment and are located in portions of the Northwest, Bayfront, Southwest and East planning areas. These areas within Chula Vista can best accommodate growth and redevelopment through opportunities for mixed use development and higher housing densities. Transitional areas are where significant General Plan changes are not proposed, but where infill redevelopment, and/or revitalization activities may still occur. Stable residential neighborhoods are designated, zoned, and completely developed with single-family dwellings, with some multi-family neighborhoods mixed in. The use and intensity within stable residential neighborhoods will not change much, however, revitalization and growth are still expected through the addition of Accessory Dwelling Units (ADUs), home additions, reconstruction, and rehabilitation activities.

Focused areas of change and transitional areas will accommodate most growth, and redevelopment at higher densities, and these target areas are located primarily in the western portion of the City. Ensuring the Inclusionary Housing Policy is applicable citywide will ensure the overall housing supply continues to grow at various affordability levels throughout the City.

Current Trends

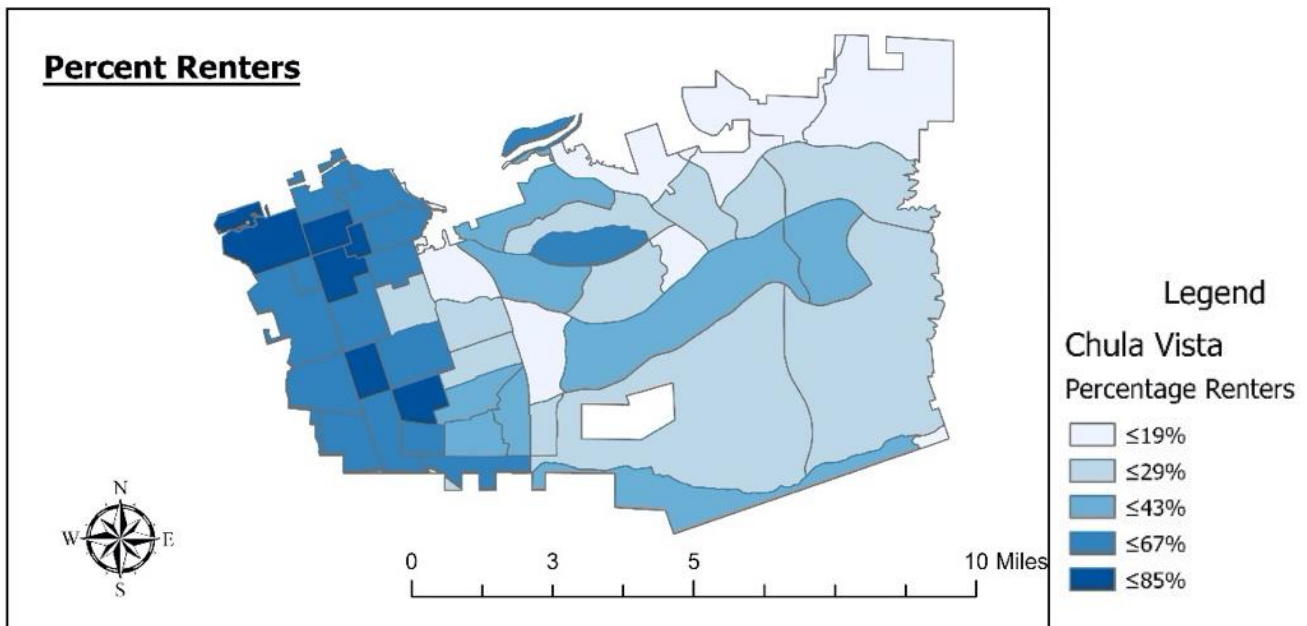
In the City of Chula Vista there are a total of approximately 78,940 occupied housing units. Owner-occupied dwellings are estimated to account for 46,060 units (58.3%). As depicted in Exhibit 2, owner-occupied units (primarily single-family product) dominate the landscape of master planned communities located east of I-805.

Exhibit 2



In contrast, as depicted in Exhibit 3, areas west of I-805 are predominately renter-occupied. Renter-occupied dwellings are estimated to account for 32,880 units (41.7%). Approximately 11,735 (15%) of the households in this area of the City are in the extremely low-income group. As more residential development takes place within the City of Chula Vista, the current exemption to the inclusionary housing provisions in the western portion of the City is a missed opportunity for the City to require affordable units.

Exhibit 3



Housing Element Timeline

Throughout the next 36 months, the City is tasked to review and revise the existing Policy for its feasibility in making progress towards the low-and moderate-income Regional Housing Needs Assessment (RHNA) allocations for the City. Possible routes to achieve this will include the following:

- Supportable increase in the affordable requirements;
- Lowering the threshold of applicability;
- Adopting an Inclusionary Housing Ordinance; and/or
- Revising the in-lieu housing fee.

These are some of the tasks the City will focus on throughout the next few years and will require a larger outreach process and will be based upon findings and recommendations of the feasibility analysis. This item would remove the areas of exemption and variance that are currently within the Guidelines in response to changing market conditions. The proposed amendments to the Policy will continue to provide a variety of housing options throughout the community by ensuring the Policy applies citywide to all residential developments above 50 units.

If approved, the amended Policy would apply to development applications filed beginning October 1, 2022.

DECISION-MAKER CONFLICT

Staff has reviewed the decision contemplated by this action and has determined that it is not site-specific and consequently, the real property holdings of the City Council members do not create a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov't Code § 87100, *et seq.*).

Staff is not independently aware and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision-maker conflict of interest in this matter.

CURRENT-YEAR FISCAL IMPACT

There is no current year fiscal impact to the General Fund or Development Services Fund as a result of this action. Costs associated with the implementation of this program are incorporated into the current Development Services Department budget and may be reimbursed with funding received from the 2020 Local Early Action Planning (LEAP) Grant Program.

ONGOING FISCAL IMPACT

There is no ongoing fiscal impact to the General Fund or Development Services Fund as a result of this action.

ATTACHMENTS

1. Proposed Amendments to the Guidelines to the Balanced Communities Policy
2. Resolution – Amendments to the Guidelines to the Balanced Communities Policy

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