



Item No. 12 Town of Atherton

CITY COUNCIL STAFF REPORT – REGULAR AGENDA

**TO: HONORABLE MAYOR AND CITY COUNCIL
GEORGE RODERICKS, CITY MANAGER**

FROM: BRITTANY BENDIX, TOWN PLANNER

DATE: NOVEMBER 15, 2023

**SUBJECT: RECIEVE AN UPDATE ON THE STATUS OF THE TOWN OF
ATHERTON'S 2023-2031 HOUSING ELEMENT AND A REPORT ON
NEXT STEPS TO RECEIVE CERTIFICATION**

RECOMMENDATION

Receive an update on the status and next steps to complete and certify the Town of Atherton's 2023-2031 Housing Element.

BACKGROUND

On January 31, 2023 the Town Council adopted Atherton's 2023-31 Housing Element. Pursuant to state law, the Town then submitted a copy of the adopted housing element to the Department of Housing and Community Development (HCD) for review and certification. On April 4, 2023, the Town received a letter from HCD that found the adopted housing element addresses many statutory requirements; however, additional revisions are necessary to substantially comply with State Housing Element Law (Article 10.6 of the Government Code). Furthermore, because the Town did not adopt a compliant housing element within 120 days of the statutory deadline (January 31, 2023), any rezoning required to enact the element's housing programs and achieve its regional housing needs allocation must be completed by January 31, 2024.

The following report provides an update on the status of the Housing Element revisions and the next steps required to complete the process and achieve certification.

DISCUSSION

There are three major tracts of updates happening concurrently that will inform the updated Housing Element for 2023-2031 that the Town submits for re-evaluation by HCD. The first process is environmental review pursuant to the California Environmental Quality Act (CEQA). The second process is the adoption of amendments to the Town's Planning Code that are necessary to advance the programs in the adopted Housing Element. The third process includes text revisions to the adopted Housing Element that reflect any changes or refinements pursued by

the Town since January 31, 2023. The status of each process and next steps are discussed individually below.

Environmental Review

At City Council meetings in July and September of this year, staff received direction on the Project Description for use during the CEQA evaluation process. The purpose of the environmental analysis is to evaluate the potential impacts associated with the project, in this case, the Housing Element and related zoning code changes. The analysis begins with an “initial study” that informs the degree of potential impacts and whether or not a “Negative Declaration” or “Environmental Impact Report” (EIR) is required to identify and/or mitigate any impacts per CEQA. At this time, staff is working with consultants in special topic areas to complete the initial study. This component of the Housing Element update process is currently the most influential from a timeline standpoint. This is because the outcome of this analysis requires at least a 30-day public comment period, depending upon the type of documentation required to complete review, i.e. a Negative Declaration or an EIR.

As staff works with consultants to complete this process, efforts are simultaneously underway to update other areas of the zoning code that are either exempt from this CEQA process or can benefit from further public input. These efforts are described further below.

Updates to the Planning Code

There are three major amendments to the Planning Code currently in process to align the Town’s policies and programs with the adopted Housing Element. This includes updates to the Town’s Accessory Dwelling Unit (ADU) Ordinance, the creation of multifamily design and development standards, and the consideration of an Inclusionary Housing Ordinance.

ADU Ordinance

Updates to the Town’s ADU Ordinance are currently under review. The Planning Commission adopted a resolution at their October 25, 2023, meeting that recommended revisions for consideration by the City Council at their meeting on November 15, 2023. The purpose of the ADU Ordinance is two-fold, to align the Town’s regulations with state law and to incorporate programs identified in the Town’s adopted Housing Element. Should the City Council approve an ordinance that is different from the adopted Housing Element, staff will revise the Housing Element accordingly and provide those revisions to the Planning Commission and City Council when they reconsider a comprehensive Housing Element update package.

However, the Council should be aware that state law requires the Town to send its ADU Ordinance to HCD for review and, therefore, subsequent revisions to the ordinance may be required. Please note that this review process is distinct from HCD’s review of Housing Elements and can also be iterative, especially with the regular passage of ADU-related state laws. Adoption of an ordinance with the intent to align with state law is a demonstration of good faith effort that is especially important given the Town’s focus on ADUs as a strategy for lower income housing units. This process is exempt from CEQA review.

Multifamily Design and Development Standards

The Town is currently in a community outreach and engagement process to receive input on standards that will apply to multifamily development. This commenced with a workshop on October 23, 2023, and has continued with a joint study session between the City Council and Planning Commissioners on November 1, 2023, as well as a second workshop on November 13, 2023. The discussion at the joint study session has not concluded and will also carry over to a second study session on November 27, 2023, at 3PM in Council Chambers.

The goal of these outreach efforts is to receive feedback that will facilitate an initial draft of standards. These standards will then require consideration by both the Planning Commission and City Council for adoption. Because these standards reflect the implementation of the addition of a zoning overlay, currently under evaluation in the CEQA process, adoption of the standards must occur at the completion of the CEQA process.

Inclusionary Housing Ordinance and Fee

The adopted Housing Element references two components of a program relating to the pursuit of an inclusionary housing ordinance and fee. The first component would require 20 percent of market rate units in a multifamily development project to be made available to households at lower-income levels. The second component would require a fee on single-family development and additions. This fee program would then provide an in-lieu option whereby a project could provide an affordable deed-restricted ADU or Junior ADU (JADU) on-site instead of paying the fee. Funds generated by this fee would be used to support affordable housing in Atherton, which could facilitate subsidies for housing needed in future housing element cycles.

The description above reflects the objectives of an inclusionary housing ordinance and fee program that is identified in the adopted housing element. It does not reflect an adopted program. Consultants for the Town are currently preparing a nexus study that evaluates the feasibility of this program. For example, the study would provide guidance as to the best proportion of multifamily housing that should be affordable, as well as what income levels are achievable given the Town's development environment. The nexus study would also provide information to the Town on the appropriate impact fee amount that should apply to single-family development in order to facilitate affordable housing.

Housing Element Text Revisions

The major remaining effort to update the text of the Housing Element itself, is to align revisions with the decisions that are made based on the zoning code updates described above and to shift other programmatic deadlines to reflect the current state of the Housing Element. Text revisions will also include any clarifications HCD has previously requested.

NEXT STEPS

Staff anticipates receiving feedback and responses from consultants over the next four to six weeks. This information will continue to shape both the Planning Commission and City Council agendas. However, as described above, to not severely impact these calendars, staff has taken an

approach to move forward what decisions and discussions may be possible at this time. These actions include consideration and adoption of updates to the ADU Ordinance and providing constructive feedback towards the creation of design and development standards for multifamily housing.

FISCAL IMPACT

The overall fiscal impact to the General Fund would be \$323,244 to complete the Housing Element and related CEQA review. Related work would be \$159,553 to complete Objective Design Standards and \$118,553 to complete Zoning Code modifications. Funds would be allocated from the Unallocated General Fund Balance.

PUBLIC NOTICE

Public notification was achieved by posting the 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 be not limited to, media outlets, school districts, Menlo Park Fire District, service providers (water, power, and sewer), and regional elected officials.

CEQA

This item is statutorily exempt from CEQA under Section 15262, Feasibility and Planning Studies.

ATTACHMENT

None