



Report to the City Council
Council Meeting of September 13, 2016

Agenda Section: New Business

Subject: Residential Growth Management Update

CEQA Determination: Project is found to be in compliance with the City of St Helena General Plan, including the Housing Element and have no specific environmental impacts requiring mitigation and therefore is consistent with the requirements of CEQA under Section 15183

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BACKGROUND

The City of St. Helena has a Residential Growth Management System (GMS) that limits the number of residential building permits that can be issued each year (Municipal Code Chapter 17.152). The stated purpose of the GMS is to regulate the residential growth of the City to approximately 2% per year, while providing for both market rate and affordable housing. Generally, building permits are regulated for new market rate housing units and not for exempt categories of development such as non-residential development (including hotels), replacement or relocated housing, additions, guest cottages, second units and affordable housing units.

According to the current GMS, no more than nine (9) building permits for market rate housing may be issued each year. Annual allocations of regulated building permits are to be issued on January 1st of each year on a first approved, first served basis. Permits that are not issued during the year are carried over (banked) into the next year. These 'banked' units are only available for the construction of market rate units in development projects that include a minimum of 40% regulated affordable housing with affordable units in any such development remaining exempt from the GMS. For example, in the Magnolia Oaks subdivision, all 18 of the affordable units in the 45 unit project were exempt from the GMS and allowed the 27 market rate units to pull building permits from the carryover (or banked) category, given that the project was found to provide 40% of the overall unit count as affordable housing ($18/45=0.40$ or 40%).

Prior to March 8, 2016, the last update on the Growth Management System was presented to the City Council in January 2012. At this time, it was reported that 70 rollover permits would be available in 2012. Combined with the 9 permits for market rate housing released on January 1st, 79 residential allotments for building permits were available in 2012. Since that time, a total of 46 permits have been issued and there are currently 60 permits available for market rate housing projects in which at least 40% of the units are regulated as affordable ("banked" units).

This update on the Growth Management Ordinance is being brought before the Council at this time given that the GMS Ordinance requires City Council review of the Ordinance at their first regularly scheduled meeting of September of each year. Further, as staff identified in the last presentation of the GMS Ordinance, technical difficulties with the current language of the Ordinance is affecting implementation of the requirements.

DISCUSSION

As is the case at the start of each year, nine allotments for new unregulated market rate housing (see below) were available for 2016, and nine additional allotments will be available in 2017. As of the date of this report, the City has committed to issue three residential allotments to allow building permits to be issued for three new single family homes within St Helena. While the Ordinance currently identifies allotments will be granted on January 1, on a first approved, first served bases, staff has been including allocation of these allotments into the discretionary resolution approving any new residential units approved through the entitlement process for each unit requiring an allotment.

This intention was formally introduced to the City Council in March, when staff last presented an update on the Ordinance and identified a number of issues with implementation of the GMS, as currently written. The primary need for this alternative procedure is twofold. One, City staff does not work on January 1 (as this is the New Year's Day holiday), and therefore allotments could not be issued as identified in the Ordinance. Second, granting discretionary approval to multiple residential projects within the same year, without identifying the year their allotments will be issued could force staff to make a decision to grant one project an allotment over another, with no criteria by which to judge which is more deserving of the allotment (and thereby the right to build in a given year). There are numerous other issues associated with such a limited implementation procedure for the GMS system.

The table below provides a summary of the allotment history over the past five years, including up to date information for 2016.

Year	Permits Available			Permits Issued	
	Rollover	New	Total	Total	Rollover
2012	70	9	79	13	66
2013	66	9	75	5	70
2014	70	9	79	25	54
2015	54	9	63	3	60
2016	60	6	66**	3*	-

*Three allotments have been issued for new market rate SFDs to date in 2016.

**Sixty-six is the number of total allotments remaining, with 6 available for market rate residential units in 2016 and 60 being "banked" for future residential projects which include a minimum of 40% affordable units.

For reasons mentioned above, none of the 2016 allotments were issued on January 1, rather, they were identified (ie. granted) with the entitlement decision for the project or will be issued based on the discretionary approval date of the project.

While staff continues to identify the need to amend the GM Ordinance, the undertaking this update now may not be appropriate. The St. Helena 2035 General Plan update is nearing completion, staff has implemented a procedure to issue GM allotments that is functioning, and there are numerous pressing planning issues and applications currently under review by the Department not the least of which is the General Plan Update itself. Further, the City Attorney's office has reviewed staff's interpretation and modified implementation of the GMS and is supportive of the ability of the Planning Director to interpret an implementation methodology under the current Ordinance language limitations.

Given that the General Plan includes consideration of potential policy revisions associated with the Growth Management ordinance, and the numerous other commitments staff is currently working on, it may be appropriate for the Council to directing staff to bring back a comprehensive analysis of potential GMS revisions after the General Plan is adopted.

Staff has prepared a draft revised GM Ordinance for the City Council to review which essentially maintains the status quo regarding policy, while formalizing the procedure for allotments currently utilized by staff. However, given the pending policy changes associated with the General Plan and subsequent zoning code update, it would be appropriate for the City Council (if they so choose) to review the proposed draft revisions, and provide direction to staff on any further revisions supported by the City Council. Staff would then return with a comprehensive revision to the Ordinance that implements both the policy direction provided by the Council as well as any required revisions directed by the General Plan. This modified Ordinance will be brought to the Planning Commission and City Council for review and consideration at or prior to the next Growth Management review period (September 2017).

To further facilitate this discussion, staff has provided the draft General Plan policy language which could affect the GM Ordinance below. In addition, staff has provided some policy questions for the Council to consider in directing staff to update the GMS. Answers to these questions by the City Council will be utilized to guide future review and potential revision of the GM Ordinance.

General Plan Direction

The (draft) St Helena 2035 General Plan includes several policies which could affect the GMS, however the current Growth Management allocation limitation (9 units per year) is maintained. The General Plan also includes direction on specific housing activity and the GMS itself through "Implementing Actions". The specific language in the Plan is identified below.

Pg 2-31 Policy LU1.5: *In order to minimize and postpone the need for expansion of the Urban Limit Line encourage infill development within currently developed areas.*

Pg 2-31 Policy LU1.6: *Support the development of vacant and underutilized sites within the downtown area with mixed use development opportunities. Encouraging infill development with a mix of uses will support a pedestrian-oriented, vibrant retail and commercial district that is centrally located and easily accessible to resident and neighborhoods.*

Pg 2-31 Policy LU1.7: *Continue to limit the approval of market rate housing to a maximum of 9 units/year. Regulated affordable units, and second units are exempt from this limitation.*

Pg2-32 Implementing Action LU1.A: *Continue to allow the construction of second units-also known as accessory dwelling units-and consider allowing the division of single family homes into two or more units under appropriate circumstances, in order to increase residential density and housing availability without requiring an extension of the Urban Limit Line.*

Pg 2-32: Implementing Action LU1.F: *The City should consider:*

1) Changes to the Growth Management System that would limit the total number of new market rate and affordable units to those included in the Regional Housing Needs Allocation (RHNA),

2) Changes to the Growth Management System to address as part of the building permit allocation process the relative benefits a residential project brings to the City as compared to other residential projects seeking building permit allocations.

The policy language directs staff and policy makers to consider broader policy revisions after the General Plan is adopted. The existing (draft) direction to consider revisions to the GMS, combined with the other on-going planning work in the City, appears to support undertaking a comprehensive review of the Ordinance after the General Plan is adopted.

Additional Questions

In addition to the General Plan direction, the process of granting allotments can be a powerful driver in controlling and focusing growth into areas felt by the City as most appropriate housing types for the community. However the current Ordinance does not take advantage of the opportunities presented by growth management. In response, staff has prepared a number of questions for the City Council to consider in providing policy direction for the future review and update of the GM Ordinance.

1. Should the City look to incentivize certain development types through the use of growth management allotments?

Multi-Family Housing (Apartments, Condominiums, or Townhomes), Mixed Use Residential Units, (units integrated with commercial development), Workforce Housing Units (Housing specifically tied to employees of a specific business or Industry) or other types of residential land uses could be incentivized through modification of the current GM Ordinance. Methods to incentivize vary from exempting specific unit types from the need to receive an allotment, to allowing specific types of units to be issued allotments from the "bank", to giving priority of receiving an allotment to specific one type of development over another.

Staff is requesting direction both on the use of allotments as an incentive, as well as the housing types that should be considered for receiving such incentives.

2. Should the Ordinance limit the number of allotments that can be issued to one individual project without Council approval?

Under the current GM Ordinance language as well as the proposed modifications, there is no limit on the number of allotments that can be issued to one project. This lack of a limit could therefore result in one project being granted all allotments, thereby limiting the ability of another project (even the construction of one new home for a resident) to build an approved project until the following year. Staff requests input on potential limitations to the number of allotments that can be issued to one individual project in a single year.

3. Should the issuance of allotments be prioritized based on specific criteria other than the date of approval, such as a project's overall community benefit?

Given that residential growth is regulated through the GM Ordinance, but no criteria or thresholds are identified in prioritization of allotments, this presents another opportunity for the City to incentivize specific project elements, such as "community benefit". Further, without specific criteria, staff is limited in the ability to contrast similar projects vying for allotments. An update to the GMS will provide an opportunity for the City to identify criteria by which the issuance of allotments is prioritized, with "additional community benefit" being one such element. Staff requests City Council direction on

whether to explore specific criteria which could be identified and utilized as a mechanism by which projects are compared and contrasted in deciding which should receive residential allotments.

FISCAL IMPACT

The potential for fiscal impacts associated with revising the GMS are broad, given that each residential unit constructed is subject to development impact fees, primarily based on the square footage of each unit. Therefore if Ordinance revisions result in an increase or decrease in the number of units constructed, the total amount of these impact fees collected will also be affected. Similarly, if the Ordinance is revised in such a way that average unit sizes are increased or decreased, impacts to the total amount of these fees could also occur.

RECOMMENDED ACTION

Staff recommends that the City Council receive the proposed update on the Growth Management Ordinance and provide direction on potential revisions to the Ordinance to improve the implementation of the Residential Growth Management System, and implement policies to incentivize specific project types and/or increase the community benefit of projects.

ATTACHMENTS

1. Municipal Code Section 17.152, Residential Growth Management System with draft revisions to require allotments be identified at the time of discretionary approval incorporated.

Chapter 17.152

RESIDENTIAL GROWTH MANAGEMENT SYSTEM*

Sections:

17.152.010 Purpose.

17.152.020 Regulation of building permits.

17.152.030 Population caps and annual growth rate calculation.

17.152.040 Exempted and regulated development categories.

17.152.050 Distribution of permits.

* Prior code history: Prior code §§ 27.340—27.345.

17.152.010 Purpose.

The purpose of this chapter is to implement the “St. Helena General Plan Residential Growth Management System” as adopted in 1979 and revised in September 1993, with the adoption of a new general plan, and again in June 2002, with the adoption of an updated “Housing Element of the General Plan.” The purpose of the policies is to regulate the residential growth of the city to approximately two percent per year, while providing for both market rate and affordable housing units. (Ord. 04-10 (part))

17.152.020 Regulation of building permits.

No building permit for a new residence shall be issued except in conformance with this chapter. (Ord. 04-10 (part))

17.152.030 Population caps and annual growth rate calculation.

The 2002 Housing Element update stated that the prior General Plan Goal 2.6.10 should be amended to reflect the data of the year 2000 census. The 2000 census found that the city had two thousand seven hundred seven (2,707) total dwelling units. With a limitation of nine building permits for market rate housing per year, issued over ten (10) years, the number of dwelling units will be approximately two thousand eight hundred (2,800), not including regulated affordable units, guest cottages, accessory dwelling units or second units. This number shall not be construed as a goal, but as a maximum number of units. (Ord. 04-10 (part))

17.152.040 Exempted and regulated development categories.

A. Exempted Development Categories. This chapter shall not apply to the issuance of building permits for the following projects:

1. Industrial;

2. Commercial;
3. Commercial/residential (daily rental);
4. Replacement housing (on the same site as a preexisting unit which has been removed, demolished or burned within the immediately preceding two years) but not in conjunction with subsection (A)(5) of this section;
5. Relocation of units already existing in the city;
6. Additions, renovations and refurbishment of existing dwelling units;
7. Accessory buildings of any type (except dwelling units);
8. Guest cottages (detached bedroom(s) without kitchen facilities);
9. Second units as defined in Section 17.04.160 and regulated by Section 17.116.030;
10. Affordable Housing. Affordable units are those dwelling units which are required to be rented at affordable rents or purchased at an affordable sales price, consistent with Chapter 17.146. The number of affordable housing units constructed shall be determined by the city council at the time of review of the development agreement authorizing the units. The agreement shall contain guarantees that the dwelling units would continue to be affordable to persons of very low, low, or moderate income for an agreed upon period of time.

B. Annual Allocations and Carryover. No more than nine building permits for market rate housing may be issued each year. Permits remaining unused at the end of the year will carry over into the subsequent year, but shall only be available for allocation for the construction of market rate units in development projects that include a minimum of forty percent (40%) affordable units. (Ord. 04-10 (part))

17.152.050 Distribution of permits.

A. **Growth Management.** Annual allocations of regulated building permits shall be allotted ~~on January 1st of each year~~ upon approval of a discretionary entitlement for a residential project on a first approved, first served basis.

B. Each ~~building-permit discretionary action taken to approve a residential project~~ shall indicate whether the ~~permit approval~~ is exempt from the growth management system, or from what category the ~~allotment (allowing issuance of a building permit for a residential unit)~~ was drawn. The planning department shall maintain a list of how many permits remain available for the year.

C. Each dwelling unit, including those within a multifamily building, is counted as one unit for purpose of allocation of building permits under this chapter. Attached housing units with floor area of eight hundred fifty (850) square feet or less per dwelling unit shall count as one-half unit.

D. After all permits have been allocated in a given year, building permit applications and plans for new units regulated by this chapter ~~will~~ can continue to be reviewed and approved, but not issued until an

allotment is available to allow the construction of that unit. Building permits are reviewed under the residential growth management system after a building permit application is deemed complete. A ~~building permit application cannot be considered complete until it is found in compliance with the general plan and zoning ordinance.~~

E. Issuance of Growth Management Allotments for individual residential units ~~building permit allocations~~ begins on January 1st of each year. Individual allocations are granted by condition of approval. The condition shall identify the specific year each allocation is to be granted in, thereby tying each allotment to the growth management year it is being issued from.

F. A building permit will not be issued until the following allocation period in which permits become available for that category. All approved building permits shall be automatically extended to the time when **the allotment** availability occurs unless the permit is withdrawn by the applicant.

G. Building permits must be obtained within thirty (30) days after notification of permit availability. If the permit is not obtained within thirty (30) days the application will be deemed withdrawn and the **building permit allotment** will become available to the next priority ~~number~~ building permit.

H. Permits may not be transferred to a different site or substituted for a different dwelling. Minor design changes may be approved by the planning director. The action of the planning director may be appealed to the planning commission in accordance with the provisions of Chapter 17.08.

I. The city council shall review the provisions of the ordinance codified in this chapter at their first regularly scheduled meeting of September of each year. (Ord. 04-10 (part)).

Could consider creating new criteria by which allotments are reviewed and/or issued to incentivize specific development types or increase community benefits of residential development. Such incentives and/or criteria could include:

Incentives for multi-family (Apartments, Condominiums, or Townhomes) residential development

Incentives for residential units within a mixed use development project

Incentives for residential projects constructed to provide work force housing for commercial activities

Community Benefit criteria by which individual projects are judged (examples include contributions toward affordable housing such as including affordable housing within the project or payment of in-lieu fees, providing off-site or on-site public improvements, general aesthetic appeal of the project and design)

Could consider increasing the square footage of attached units qualifying as one-half units to incentivize specific development types.

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