



MEMORANDUM

TO: City Council

FROM: Whitney McDonald, City Manager

BY: Brian Pedrotti, Community Development Director
Andrew Perez, Planning Manager

SUBJECT: Discussion and Consideration of Support for the Regional Housing and Infrastructure Plan

DATE: July 25, 2023

SUMMARY OF ACTION:

The discussion will inform and explain the purpose of the Regional Housing and Infrastructure Plan as a tool to facilitate housing production to meet the regional demand.

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

No financial impact is projected.

RECOMMENDATION:

Discuss and consider support for the Regional Housing and Infrastructure Plan, as a recommitment to the 2020 San Luis Obispo Countywide Regional Compact and direct staff to return with a discussion on ways to utilize and implement the Regional Housing and Infrastructure Plan during the comprehensive General Plan update.

BACKGROUND:

Meeting the housing needs of the San Luis Obispo region is a challenge shared by all eight local land use jurisdictions (the seven Cities and County of San Luis Obispo (County)), San Luis Obispo Council of Governments (SLOCOG), organizations who develop and build housing, as well as local community members. This challenge is larger than any one entity can solve alone and will require the collective actions of all local partners. With this great challenge also comes an opportunity for regional collaboration. Regional partners have recognized the need to work collaboratively to solve the critical shortage of infrastructure resources and housing attainability in the region. In 2019, the County allocated resources to launch a new regional collaborative initiative. Since its inception, the Regional Housing & Infrastructure Plan ("HIP") has been part of a phased approach intended to address three major goals:

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1. Foster regional collaboration (*action taken in 2020*);
2. Align land use planning documents (*action taken in 2020*); and
3. Create the HIP (*draft under review via today's item*).

The HIP, under discussion today, is the next necessary collaborative action between the seven Cities, County, and SLOCOG, along the region's path to addressing the region's growing housing and infrastructure needs.

ANALYSIS OF ISSUES:

The HIP is intended to help accelerate housing development where it makes the most sense given regional conditions and community readiness. The HIP identifies infrastructure barriers to housing and funding opportunities to implement infrastructure priorities, studies housing affordability in the region, and develops foundational information for the future 2027 Regional Housing Needs Assessment (RHNA) and other future regional programs.

This staff report is organized into three main sections:

1. Prior Actions to Formalize Regional Collaboration for Housing;
2. Creation of the Regional Housing and Infrastructure Plan; and
3. Today's Action & Future Growth Steps.

Prior Actions to Formalize Regional Collaboration for Housing

Fostering Regional Collaboration: Regional Compact (2020)

The seven Cities, County, and SLOCOG adopted the San Luis Obispo Countywide Regional Compact in early 2020 (see Appendix D of Attachment 1). The Regional Compact is an aspirational document that sets goals for future plans and actions among the local agencies. It "establishes a united regional framework to unlock the potential to develop an adequate supply of housing and resilient infrastructure that support our economic prosperity." By adopting the Regional Compact, the seven Cities, County, and SLOCOG embraced six shared regional goals listed below and supported aligning resources and policies to make progress towards acting on them.

Table 1. Regional Compact Goals

Goal 1. Strengthen Community Quality of Life	<i>We believe that our Region's quality of life depends on four cornerstones to foster a stable and healthy economy for all: resilient infrastructure and resources, adequate housing supply, business opportunities, and educational pathways.</i>
Goal 2. Share Regional Prosperity	<i>We believe that our Region should share the impacts and benefits of achieving enduring quality of life among all people, sectors and interests.</i>

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Goal 3. Create Balanced Communities	<i>We believe that our Region should encourage new development that helps to improve the balance of jobs and housing throughout the Region, providing more opportunities to residents to live and work in the same community.</i>
Goal 4. Value Agriculture & Natural Resources	<i>We believe that our Region's unique agricultural resources, open space, and natural environments play a vital role in sustaining healthy local communities and a healthy economy, and therefore should be purposefully protected.</i>
Goal 5. Support Equitable Opportunities	<i>We believe that our Region should support policies, actions, and incentives that increase housing development of all types, available to people at all income levels.</i>
Goal 6. Foster Accelerated Housing Production	<i>We believe that our Region must achieve efficient planning and production of housing and focus on strategies that produce the greatest impact.</i>

These six regional goals create a path for compatibility among the eight local land use planning agencies' Housing Elements, built a basis for the HIP, and drive future recommendations for collaborative actions. Signatories to the Regional Compact committed to acting as partners in aligning actions with these regional goals and agreed to develop the first HIP. By taking collaborative actions to further these goals, this region can solve critical issues and become a statewide leader in sustaining vibrant communities.

Aligning Land Use Planning Documents: Housing Elements (2020)

The eight local land use planning agencies (the seven Cities and County) were each required to update their jurisdiction's Housing Elements to reflect how local communities are planning for the State's 6th Cycle Regional Housing Needs Allocations (2020 - 2028). As a step towards the regional goal of aligning land use planning documents, each agency's Housing Element included a regional chapter that included an initial list of aspirational regional policies that, if implemented, could further the Regional Compact goals, which are described in greater detail in Appendix D of the HIP. Chapter 6 of the City's Housing Element contains information about the regional vision for housing and the shared regional housing goals. The regional chapter also recognized the importance of ongoing collaboration moving forward and pointed to future collaborative efforts to be identified in the HIP. It was the first time all eight land use planning agencies included a regional chapter in the Housing Elements—an important step for aligning land use planning documents.

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Creation of the Regional Housing and Infrastructure Plan

The final goal of the regional collaborative initiative was developing the HIP. Due to emergency response needs, the County put the HIP on hold during the COVID-19 Pandemic. In June 2022, the HIP was revived with the establishment of a Memorandum of Understanding between the County and SLOCOG, under which SLOCOG took over as the project manager of the effort and sub-recipient of the County's Senate Bill 2 Planning Grant Program funding award for HIP development. With Senate Bill 2 grant funding sunseting in September 2023, the HIP needs to move at an accelerated pace.

Making progress on the region's strategic goals for addressing housing and infrastructure needs can only be achieved through the actions of many stakeholders; therefore, communication and stakeholder engagement were critical pieces of the HIP development. SLOCOG contracted with REACH and Koble Collaborative, Inc. to conduct the HIP's communications and stakeholder engagement. The primary outreach goals were:

- Foster ongoing collaboration and buy-in among private and public stakeholders; and
- Remind government of the Regional Compact, laying the groundwork for HIP effort; and
- Build public sentiment in support of solutions and regional planning efforts.

The stakeholder groups and meetings were designed to convene diverse perspectives and have honest conversations about what each organization can and needs to do to realize those goals, across sectors and industries. Key stakeholder groups are identified in Table 2

Table 2: HIP Stakeholders

Regional Managers / Key Staff	Housing Action Team	Builders & Developers	Housing Advocacy Group	City & County Elected Officials
30 attendees, 3 meetings	15-20 attendees, monthly meetings	20-35 attendees, 3 meetings	15-20 attendees, 2 meetings	40 elected officials 1 meeting per agency
County of SLO, 7 Cities (+ Santa Maria), SLOCOG Leadership	County of SLO, 7 Cities, SLOCOG Planning/Comm Dvpm. Staff	Builders, Engineers, Developers, Econ. Dvpm., Architects, Real Estate, etc.	Nonprofit builders, Home Builders Assoc, Chambers, etc.	Seven City Councils County of SLO Board SLOCOG Board

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HIP Steering Committee

10 attendees, 3 meetings

City Manager, Elected Officials, County Regional Planner, Developer, Low Income Lender, Architect, Engineer, Advocate, Water Resources and Cal Poly met collaboratively to consider ways to integrate feedback from all stakeholder perspectives

These stakeholder groups helped to review and shape the HIP. On May 19, 2023, SLOCOG published the attached Draft HIP, including Appendices A-D and a mapping tool. There are seven major components of the HIP (listed in Table 2 and further described below). These components intertwine and build upon one another. As with each prior phase of the regional collaborative efforts to address the housing and infrastructure shortage, stakeholder engagement was key.

Table 3: HIP Components

HIP Components	What Each Component Is	Possible Individual Agency Use
1. Housing Highlights	Communication tool: Understanding the need for housing, affordability, and opportunities	<i>Voluntary</i> use of a communication tool to convey housing challenge and community call to action
2. Data and Project Inventory	Infrastructure barriers to housing	Recognizes community's needs and connects to regional inventory
3. HIP Mapping Tool	Living strategic analysis tool used to show the interrelation between housing and infrastructure	Visual tool connecting each community's plans to overall regional scale
4. Housing Efficiency Analysis	Housing Efficient Areas in HIP	Recognizes community's plans and serves as leverage for future infrastructure funding sources
5. Infrastructure Prioritization	Region's highest priority projects to unlock housing	Identify importance of community's needs in supporting regional housing supply
6. Funding Strategies Assessment	Funding the region could pursue for priority infrastructure projects	Identifies <i>possible</i> funding sources that each community or partners could pursue to cover funding gaps
7. Affordable-by-Design Study	Menu of possible policies to increase housing attainability	<i>Voluntary</i> use of menu of options for possible policies to implement

HIP Component 1–Housing Highlights

A communication tool designed to unify the region's focus on the challenges and successes that local agencies, the building and development community and other stakeholders face related to the housing supply needs. This document will serve to reinforce the commitment to the Regional Compact and expand on opportunities each stakeholder has to address housing needs within

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their area of control and span of influence. The draft Housing Highlight document has been available since June 28, 2023. The final document is included as Appendix C to the HIP.

HIP Component 2–Data and Project Inventory

The HIP analyzes the transportation, water, and wastewater infrastructure barriers to housing development. This HIP element included compiling infrastructure and housing data from across individual agencies as briefly described in Table 4 below:

Table 4. Major HIP Inputs

<i>Housing Data</i>	Proposed residential developments of all income categories were collected from Planning and Community Development staff of the seven Cities and the County in 2021. This data includes specific plans, proposed residential and mixed-use projects projected to be built between now and 2045. Residential development that has been completed or is near completion was removed from the HIP analysis.
<i>Transportation Data</i>	The 2023 Regional Transportation Plan included a list of 350+ transportation investments submitted by Public Works staff of the seven Cities and County and transit providers. Transportation infrastructure was studied using the Transportation Efficiency Analysis (TEA). The TEA identified transportation barriers to housing production and was used in the HIP analysis.
<i>Water/ Wastewater Data</i>	The HIP inventory is based on responses from 44 water and wastewater agencies, local capital improvement project lists, 2021 Regional Water Infrastructure Resiliency Plan findings, and information from the County’s Water Resources team. Available, detailed GIS based data was limited. However, to the extent needs are known, key infrastructure projects, estimated costs and timing were included in the HIP analysis.
<i>Additional Contextual Data</i>	The HIP analysis provides the data that connects infrastructure and housing on a regional scale for the first-time. When planning for housing, land conditions are carefully considered. To provide a fuller picture, flood risk, sensitive habitat, open space, prime farmland, and fire risk were all included as additional reference information. However, these additional datasets were <i>not used</i> to remove or prioritize infrastructure projects from the HIP list, but simply to provide additional context.

The HIP is a living tool and can adapt as new information becomes available. Future updates to the HIP may incorporate two key datasets:

- *Water data update:* The County’s Master Water Report update is underway, which may be leveraged to provide updated water capacity information for a future HIP update.
- *Economic data:* It is anticipated that a future HIP update will incorporate economic data. A concurrent effort, led by REACH, is underway which may be leveraged to provide economic/jobs information for a future HIP update.

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HIP Component 3–HIP Mapping Tool

The HIP Mapping Tool was created to display the GIS analysis and foster future collaboration. It is an interactive tool, compiling the complex data and inventoried projects from across the region. The mapping tool makes it easier to visualize connections between infrastructure and housing, see project priorities, and quickly access more information about each community's priority projects and housing efficient areas, within a regional context. This component is completed and included in the draft HIP.

HIP Component 4–Housing Efficiency Analysis

The Housing Efficiency Analysis looks at three efficiency factors: (1) transportation access, (2) water capacity, and (3) wastewater capacity. By analyzing these efficiency factors, housing efficient areas were identified as efficient, potential, or limited. Any infrastructure projects located in an area deemed "efficient" or "potential" moved on to the Infrastructure Prioritization element. All projects located in areas deemed "limited" housing efficiency were removed from further analysis. There were 440 infrastructure projects collected as part of the data inventory. Of those, 18% (80 projects) were located within Housing Efficient Areas (i.e. areas deemed "efficient" or "potential"). This component is completed and included in the draft HIP.

This analysis identifies two projects in Arroyo Grande among the 80 projects located in the Housing Efficient Areas: Central Coast Blue and the El Campo/US 101 interchange. Central Coast Blue is identified as a project increasing water capacity to support housing. Construction of a new interchange between El Campo Road and Traffic Way is identified as a project that will improve efficiency and access to future housing.

HIP Component 5–Infrastructure Prioritization

The premise of the HIP is to help accelerate new housing development, so the current prioritization relates solely to the amount of proposed housing that benefits from a community's infrastructure project. In the future, other factors like jobs-housing balance factors and proposed housing unit type could be considered.

HIP Component 6–Funding Strategies Assessment

SLOCOG contracted with BKF Engineers to conduct a Funding Strategies Assessment. The Funding Strategies Assessment is currently underway and seeks to identify funding sources that can reasonably implement water, wastewater, and transportation infrastructure priorities included in the HIP. This component is underway, but not completed yet. The HIP's Appendix C includes a project-by-project detailed breakdown covering funding requirements, potential funding sources, projected grant funding, and residual funding gaps.

Local agencies will be encouraged to review the assessment and pursue funding opportunities for priority infrastructure projects in order to voluntarily contribute to the regional housing effort in a manner that best fits within their agency's goals. BKF

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Engineers was unable to identify potential funding strategies for the two projects in Arroyo Grande.

HIP Component 7–Affordable-by-Design Study

SLOCOG contracted with ECONorthwest to conduct the Affordable-by-Design (“ABD Study”). The ABD Study is currently underway and will evaluate housing affordability characteristics for the seven Cities as well as unincorporated areas in the County. The intent is to identify whether housing units in this region can be built to meet low to moderate income RHNA categories (as rentals or for-purchase) without being income- or rent-restricted. Initial findings include:

- Design helps but does not guarantee affordability.
- Market rate rental housing is close to affordability targets in some areas, but regulatory changes are necessary for most areas of the county.
- Only manufactured housing met target price points for new for-sale housing.
- Factors that make for-sale housing more affordable in other areas may not translate to this region’s current market.

The ABD Study notes that there are generally four factors that come together in the housing market to produce lower-cost housing, including:

1. Simple design with lower-cost materials;
2. Lower cost locations;
3. Efficient production; and
4. Smaller units with higher density.

Due to the limited findings of housing affordability, the ABD Study includes development of a simple menu of policy options that could help to incentivize ABD units in the region. The study is included as Appendix B of the HIP.

Recognizing that there is no single solution to the challenge of affordability, the forthcoming menu of policy options will be provided for each local agency to consider. Local agencies will be encouraged to adopt what fits their community’s needs in order to voluntarily contribute to the regional housing effort in a manner that best fits within their agency’s goals.

Next Steps

On June 7, 2023, the SLOCOG Board of Directors directed SLOCOG staff (via the HIP engagement consultant team, REACH and Koble Collaborative, Inc.) to present this item to member jurisdictions for comment and seek general support of regional collaboration moving forward. The seven City Councils and County Board of Supervisors will receive a presentation on the HIP and provided an opportunity to support the HIP between June 27 - August 8, 2023. SLOCOG Board of Directors will consider adoption of the HIP on August 2, 2023.

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Recommended Action

Today's recommended action signifies a recommitment to the Regional Compact by taking the next step in its implementation, creation of the HIP. Pending discussion today, staff recommends that Council express support for the Regional Housing and Infrastructure Plan, and direct staff to return with a discussion on ways to utilize and implement the Regional Housing and Infrastructure Plan during the General Plan update.

It is worth emphasizing that the recommended action recognizes that there is no "one size fits all" when it comes to this region's planning and that while local agencies plan for housing, they do not build or develop housing. Therefore, nothing in the HIP mandates action by any of the cities or the County; it simply offers voluntary opportunities for action that could accelerate the development of needed housing in the region. Implementation relies on each agency's voluntary actions moving forward, such as:

- Pursuing funding opportunities identified for a priority infrastructure project to cover funding gaps.
- Implementation of affordable-by-design policies appropriate to each unique community and its needs.
- Consider programmatic changes to improve approval process timelines such as directing staff to identify ways to improve response time for housing project approval or coordinating with other agencies to align and streamline processes.
- Consider updating its analysis approach to prioritizing the community's needed infrastructure projects in order to most impactfully increase housing supply.
- Using the HIP to help justify the benefit of a community's priority infrastructure project towards increasing the region's future housing supply, making it more competitive in a number of State and Federal funding programs.
- SLOCOG and agencies may consider using the HIP as a foundation for negotiating where the region's housing needs are best met (e.g future RHNA cycle allocations).

Today's action signifies another milestone on this path to regional collaboration and fulfilling the Regional Compact, which was adopted by Council by on March 10, 2020. (Attachment 2).

Future of the HIP

Since 2019, this region's stakeholders have taken incremental steps to build a strategic, unified regional collaboration to address housing and infrastructure needs. These incremental steps led to the draft HIP before the City Council today.

As stated before, the housing, infrastructure, and economic challenges that the region faces are larger than any one entity can solve alone and will require the collective actions of all local partners. The HIP is the first of its kind, and it is intended to be a living document. The HIP's future implementation and use are wholly dependent on the

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voluntary actions of many – the seven Cities, County, SLOCOG, organizations who develop and build housing, as well as local community members.

Pending adoption of the HIP, SLOCOG has stated its commitment to updating the data in the HIP Mapping Tool in sync with the Regional Transportation Plan/Sustainable Community Strategies development's public processes, using the HIP as a factor in future grant programming cycles, and leveraging the HIP as a foundational tool during the next RHNA cycle.

As previously stated, the HIP offers tools and information related to strategic actions and priorities that can make the largest impact on accelerating housing supply. It is recommended that the City Council express support for the voluntary actions encouraged by the HIP and look to implement these actions when consistent with the vision and the City's goals. Through these voluntary actions, the City, along with other key stakeholders, can contribute to fulfilling the Regional Compact goals and creating a more vibrant and livable region.

ALTERNATIVES:

The following alternatives are provided for the Council's consideration:

1. Support the implementation of the HIP and direct staff to return with a discussion on ways to utilize and implement the Regional Housing and Infrastructure Plan during the General Plan update;
2. Suggest changes to the implementation of the HIP;
3. Do not support the implementation of the HIP; or
4. Provide other direction to staff.

ADVANTAGES:

The HIP provides the framework for a collaborative approach for addressing barriers to housing. Implementation of the HIP is intended to accelerate housing production to address the regions' growing housing and infrastructure needs.

DISADVANTAGES:

None identified.

ENVIRONMENTAL REVIEW:

No environmental review is required for the discussion item. Future projects to implement the HIP will require environmental review on a case-by case basis.

PUBLIC NOTIFICATION AND COMMENTS:

The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2.

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Attachments:

1. Regional Housing and Infrastructure Plan
2. City Council Resolution 4972