SUBJECT: ACCEPTANCE OF DRAFT TULARE COUNTY REGIONAL HOUSING NEEDS DETERMINATION PLAN FOR 2001-2008

SOURCE: COMMUNITY DEVELOPMENT AND SERVICES DEPARTMENT - PLANNING DIVISION

COMMENT: The Tulare County Association of Governments (TCAG) has released a draft Regional Housing Needs Determination Plan covering the period from January 1, 2001, to July 1, 2008. City Staff diligently met with TCAG Staff and their consultant, VRPA Technologies, as the Regional Housing Needs Determination Plan was being developed. The plan allocates the total need for housing as determined by the California Department of Housing and Community Development (HCD) among the various incorporated cities and the unincorporated area of the County. Comments on the draft document are due by September 16, 2002. Once adopted, the plan forms the basis for the housing goals to be included in the upcoming Housing Element updates which are due by December 31, 2003. HCD set the overall housing need for Tulare County at a level which far exceeds even optimistic projections of actual development.

Over the past several years, the City has averaged just over 200 residential housing units per year, which equates to 1,500-1,700 units over the course of the 7½ year planning period. The Regional Housing Needs Plan allocates a total of 3,453 housing units to the City of Porterville over that same time period. In the prior planning period (1990 to 1997), the City’s development allocation was 2,861 units. Similarly, high goals have been set for the other large cities in Tulare County. The smaller cities also will be asked to set aggressive housing goals, but those goals do not generally exceed recent development experience by quite as large a degree. The model used to set the housing goals originally showed a dramatic decrease in housing production in the unincorporated areas of Tulare County. The basis for this unusual result is not clear; however, in negotiations, County Staff have agreed to set a goal that at least matches their average recent housing production levels.

Once set, the Regional Housing Needs Plan has significant implications for Land Use Planning and related efforts. The Housing Element of the General Plan must discuss the City’s efforts (existing and proposed) to fulfill the need identified in the plan. Certification of the Housing Element by HCD is essential to grant the City continued access to a variety of Housing Assistance programs and funding sources. At a minimum, sufficient land must be available and properly zoned to allow complete build-out of each type of development. This will likely create the need to amend the Land Use Element of the General Plan to show larger areas of Multiple Family Residential development. Regulatory barriers to full development of the defined “need” must be identified, and, where possible, reduced or removed. Unfortunately, in cases where the market cannot support the quantity or type of development identified in the Housing Needs Plan and in the subsequent Housing Element, troubling results may occur. As just one example, the Sewer, Water and Storm Drain
Plans generally assume full build-out to the maximum expected density for undeveloped areas within their boundaries. If the General Plan calls for greater density than will be utilized by the market, there is a potential that the Master Plans will call for more capacity than necessary with commensurate increases in development fees. In reviewing the adequacy of the Housing Element, HCD will review the programs intended to help fulfill the identified demand for housing. Here too, there is the potential for funds to be misdirected toward unlikely outcomes based on the housing model, rather than on likely outcomes, based on the actual experience of the local community.

Staff is seeking direction from the Council regarding the next appropriate step. One option is to accept the Housing Needs Plan as it is currently written. Although the conclusions in the document are problematic, they do represent a significant improvement over earlier drafts. Alternatively, Staff could further protest the findings in the document. At this point, there is no more flexibility in the housing model, which means that every unit removed from Porterville must be added to another jurisdiction within the southeast market area. Of course, even if Staff continues to challenge the proposed numbers, there are no guarantees of success. Any change would presumably be made by the TCAG board, which has the potential to politicize any proposals.

RECOMMENDATION: That the City Council:

1. Accept the Tulare County Housing Needs Determination Plan as written.

2. Authorize the Mayor to sign a letter to TCAG, under protest and expressing the City’s reservations, but accepting the report.

ATTACHMENTS:

1. Staff Report
COUNCIL AGENDA: AUGUST 20, 2002

STAFF REPORT

SUBJECT: ACCEPTANCE OF DRAFT TULARE COUNTY REGIONAL HOUSING NEEDS DETERMINATION PLAN FOR 2001-2008

SOURCE: COMMUNITY DEVELOPMENT AND SERVICES DEPARTMENT - PLANNING DIVISION

COMMENT: Prior to each round of mandated updates to the Housing Elements of the City and County General Plans, the applicable Council of Governments is required to consult with the California Department of Housing and Community Development (HCD) to determine the total need for housing development within their area. The housing units necessary to meet that need are then allocated to each jurisdiction based on an approved methodology. The allocation breaks down the needed housing units into categories of Very-Low Income, Low Income, Moderate Income and Above Moderate Income units, and further breaks those categories down into single family residential and multiple family residential development. Those units form the basis for the construction goals in the Housing Element. At a minimum, the Housing Element must demonstrate that sufficient land is available and properly zoned to allow development of the allocated units. Furthermore, an effort must be made to identify and remove barriers which may prevent a jurisdiction from achieving its construction goals. There are no penalties in current law for failure to meet the goals set in the Housing Element, however; there has been significant legislative activity in this area to strengthen the requirements that all jurisdictions have Housing Elements which comply with State Law. One factor in this discussion is a statewide experience showing that HCD regularly insists that the Housing Needs Analysis must identify far more housing than most jurisdictions have any reasonable ability to deliver.

As the Housing Elements for all jurisdictions in Tulare County are due to be updated by December 31, 2003, the Tulare County Association of Governments (TCAG) has been preparing the Tulare County Regional Housing Needs Plan. This document assesses the overall housing need from January 1, 2001, to July 1, 2008, and allocates the needed units among the eight incorporated cities and the unincorporated areas of the County. Throughout the process, City Staff have attended a series of meetings with TCAG Staff and their consultant, VRPA Technologies. In this process, as in most others throughout the State, HCD insisted upon a very large projection of housing need throughout Tulare County. In the face of this requirement, it has been clear for some months that the City of Porterville likely would be tasked with setting a housing goal that substantially exceeds even the most optimistic development projections. Staff’s goal throughout the process has been to achieve an equitable allocation of housing units in all categories which would stretch the capabilities of each jurisdiction in roughly equivalent proportions. A secondary goal has been to reinforce the position of the City of Porterville to bring the housing allocation as close as possible to an optimistic estimate of actual development potential.
On June 17, 2002, TCAG released a draft of the Regional Housing Needs Determination Plan (see attached Table II-19 from that plan). Comments on that plan are due to TCAG by September 16, 2002. Staff has reviewed the plan and determined that our efforts have been somewhat successful, in that the current proposal is much better than any of the prior drafts. Unfortunately, the plan continues to suggest a need for more units in the City of Porterville than could be constructed under expected market conditions. Over the past several years, the City has produced an average of just over 200 residential housing units per year which equates to 1,500-1,700 units over the course of the 7½ year planning period. The Regional Housing Needs Plan allocates a total of 3,453 housing units to the City of Porterville over that same time period. The most difficult goal to achieve would be the allocation of 1,029 Very Low Income housing units. The City made an excellent start on this goal by approving two recent affordable apartment complex proposals, however; neither project is guaranteed funding and there is little expectation that similar proposals will be made each year for the remainder of the planning period.

Once set, the Regional Housing Needs Plan has significant implications for Land Use Planning and related efforts. The Housing Element of the General Plan must discuss the City’s efforts (existing and proposed) to fulfill the need identified in the plan. Certification of the Housing Element by HCD is essential to grant the City continued access to a variety of Housing Assistance programs and funding sources. At a minimum, sufficient land must be available and properly zoned to allow complete build-out of each type of development. This will likely create the need to amend the Land Use Element of the General Plan to show larger areas of Multiple Family Residential development. Regulatory barriers to full development of the defined “need” must be identified, and, where possible, reduced or removed. Unfortunately, in cases where the market cannot support the quantity or type of development identified in the Housing Needs Plan and in the subsequent Housing Element, troubling results may occur. As just one example, the Sewer, Water and Storm Drain Master Plans generally assume full build-out to the maximum expected density for undeveloped areas within their boundaries. If the General Plan calls for greater density than will be utilized by the market, there is a potential that the Master Plans will call for more capacity than necessary with commensurate increases in development fees. In reviewing the adequacy of the Housing Element, HCD will review the programs intended to help fulfill the identified demand for housing. Here too, there is the potential for funds to be misdirected toward unlikely outcomes based on the housing model, rather than on likely outcomes, based on the actual experience of the local community.

It is worth noting that earlier drafts of the document allocated substantially larger housing goals to the City of Porterville. Some of the reduction was achieved through corrections in the assumptions and methods underlying the study. A significant further reduction in housing allocation was achieved through negotiation with the County. The model used to project housing needs originally assigned a surprisingly
low amount of projected development to unincorporated areas. In fact, for reasons which are not clear, the County was expected to substantially reduce their production from historic levels while every other jurisdiction was tasked with very large increases. Staff requested that a manual adjustment be inserted into the model to show that the County would be expected to increase their housing production levels. Staff also requested an adjustment to balance the allocations between larger and smaller cities. Under the earlier draft, the three larger cities, representing 48% of the population of Tulare County were slated to provide 84% of the housing construction. The current draft is partially responsive to Staff’s requests. Throughout the process, a greater number of units were assumed to be needed than were strictly required to pass review by HCD. This gave some flexibility for reasonable adjustments once the housing model was run. When it became clear that the incorporated cities had been assigned far more housing than the unincorporated areas, all parties agreed that the County would not take advantage of this flexibility, preserving a larger reduction for all incorporated cities. In addition, the County agreed to commit themselves to maintain at least the same degree of housing production (300 units per year) as they have recently achieved.

At this point, Staff is seeking direction from Council regarding the next appropriate step. One option is to accept the Regional Housing Needs Determination Plan as it is currently written. Although the conclusions in the document are problematic, they do represent an improvement over earlier drafts. Alternatively, Staff could further protest the findings in the document. At this point there is no more flexibility in the housing model, which means that every unit removed from Porterville must be added to another jurisdiction within the southeast market area. One potential adjustment might be to shift more of the responsibility for providing housing to the County. While it is true that the County has already agreed to accept a larger allocation than indicated in the model, they have still not accepted the dramatic increases in housing production that have been assigned to each of the cities. Another potential adjustment would shift allocations from the larger cities to the smaller cities. In the current proposal, the three largest cities have been allocated 76% of the total housing needs for the planning period. This is a distinct improvement over the prior plan, but is still greater than their combined proportion of total County population. Of course, even if Staff continues to challenge the proposed numbers, there are no guarantees of success. Any change would presumably be made by the TCAG board, which has the potential to politicize any proposals.

In light of the potential difficulties involved in improving the City’s proposed allocation, Staff recommends acceptance of the report while maintaining our position that the housing goals are not likely to be met without dramatic changes in local economic circumstances.

CITY COUNCIL OPTIONS:
1. Accept the Tulare County Regional Housing Needs Determination Plan as written. Direct Staff to continue to monitor this process as it develops. Authorize the Mayor to sign a letter to TCAG expressing the City’s reservations but accepting the report.

2. Reject the Tulare County Regional Housing Needs Determination Plan and direct Staff to seek additional adjustments. Staff would request direction regarding the Councils preference to seek to increase the County’s share of production, the smaller cities’ shares of production or some other approach.

RECOMMENDATION: That the City Council:

1. Accept the Tulare County Housing Needs Determination Plan as written.
2. Authorize the Mayor to sign a letter to TCAG, under protest and expressing the City’s reservations but accepting the report.

ATTACHMENTS:

1. Table II-19 from the Tulare County Regional Housing Needs Determination Plan containing the final recommended housing production goals for each jurisdiction in Tulare County.

2. Letter to TCAG accepting the Draft Regional Housing Needs Determination Plan.
August 21, 2002

George Finney, Executive Secretary
Tulare County Association of Governments
5961 S. Mooney Blvd.
Visalia, CA 93277

Re: Regional Housing Needs Determination Plan

Dear Mr. Finney:

This letter is to provide a response to the Draft Tulare County Regional Housing Needs Determination Plan. The City Council of the City of Porterville met on August 20, 2002 to discuss the findings of the plan and have decided to accept the proposal as written, while expressing some reservations regarding its conclusions.

The City of Porterville is well aware that the California Department of Housing and Community Development (HCD) sets the overall housing goal for the County, and that it is TCAG’s role to take this figure and to fairly allocate it over the local jurisdictions. We suspect that all jurisdictions in Tulare County share our concern that the goal set by HCD far exceeds even the most optimistic projection of likely housing construction in the 2001-2008 planning period. Our area is justifiably proud of providing among the most affordable housing in California, and yet, the Housing Needs Determination Plan suggests that recent housing production levels should double, and in some cases triple, and that the new level should be maintained indefinitely.

Of particular concern is the section suggesting that the City of Porterville should develop more than 1,000 Very-Low Income Housing Units over the course of 7½ years. By any measure, Porterville has had a successful track record in meeting the needs of this particular income group. However, new construction in this price range is largely dependent upon securing Tax Credit Allocations which are in extremely short supply. Over the past several years, we have approved several excellent projects only to have their financing fall through when they failed to secure tax credits. The City of Porterville sees no real potential to meet this housing need without massive increases in tax credit funding at the federal and state levels.

The City of Porterville acknowledges and appreciates the hard work that has gone into the preparation of the Tulare County Housing Needs Determination Plan by TCAG Staff, VRPA Technologies and the members of the steering committee which guided development of the plan. Thank you for the opportunity to comment on the draft document. If you have any questions regarding this correspondence, please contact Brad Dunlap, Community Development Director at (559) 782-7460.

Very Sincerely Yours,

Gordon T. Woods
Mayor