



Council Agenda Report

From: Ty Lewis, City Manager
Warren Frace, Community Development Director

Subject: Request for Support for San Luis Obispo County's Regional Housing & Infrastructure Plan (HIP) consistent with the 2020 San Luis Obispo Countywide Regional Compact
CEQA Determination: The City finds that this action is not a project under the California Environmental Quality Act pursuant to State Guidelines Section State CEQA Guidelines, §§ 15060, subd. (b)(2)-(3), 15378.

Date: July 18, 2023

Facts

1. 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 that plan, zone, entitle, develop and build housing. This challenge is larger than any one jurisdiction can solve alone and will require the collective actions of all local agencies. With this great challenge also comes an opportunity for regional collaboration. In 2019 the San Luis Obispo County regional jurisdictions recognized the need to work collaboratively to solve the critical shortage of infrastructure resources and housing attainability in the County. And so, 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:
 - Goal 1. Foster regional collaboration (*action taken in 2020*)
 - Goal 2. Align land use planning documents (*action taken in 2020*)
 - Goal 3. Create the HIP (*draft under review via today's item*)
2. The HIP is the next necessary collaborative action between the seven Cities (Arroyo Grande, Atascadero, Grover Beach, Morro Bay, Paso Robles, Pismo Beach and San Luis Obispo), County and SLOCOG along the region's path to addressing the region's growing housing and infrastructure needs. The HIP is intended to help accelerate housing development where it makes the most sense given regional conditions and community readiness. The HIP inventories infrastructure barriers to housing, identifies 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.
3. The seven Cities, County and SLOCOG adopted the San Luis Obispo Countywide Regional Compact in early 2020 (see Attachment 5, Appendix D). The Regional Compact is an aspirational document that sets goals for future recommended 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. These goals include the following:

- Goal 1. Strengthen Community Quality of Life – 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.
- Goal 2. Share Regional Prosperity – We believe that our Region should share the impacts and benefits of achieving enduring quality of life among all people, sectors and interests.
- Goal 3. Create Balanced Communities – 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.
- Goal 4. Value Agriculture & Natural Resources – 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.
- Goal 5. Support Equitable Opportunities – 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.
- Goal 6. Foster Accelerated Housing Production – We believe that our Region must achieve efficient planning and production of housing and focus on strategies that produce the greatest impact.

These six regional goals created a path for compatibility among the eight local land use planning agencies’ Housing Elements, built a basis for the HIP, and drove 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.

4. 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). The Housing Elements were submitted to the Housing and Community Development (HCD) by December 2020. 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 (see Attachment 5, Appendix D). 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.
5. 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 needed to move at an accelerated pace.

6. On May 19, 2023, SLOCOG published the attached Draft HIP, including Appendices A-D and a mapping tool (Attachments 1-7). There are seven major components of the HIP (further described in the Analysis section):
 - Component 1. Housing Highlights
 - Component 2. Data and Project Inventory
 - Component 3. HIP Mapping Tool
 - Component 4. Housing Efficiency Analysis
 - Component 5. Infrastructure Prioritization
 - Component 6. Funding Strategies Assessment
 - Component 7. Affordable-by-Design Study
7. 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.
8. The City of Paso Robles City Council is being asked to consider supporting the creation of the HIP at the July 18, 2023 meeting.

Community Outreach

The City previously adopted the San Luis Obispo Countywide Regional Compact in early 2020. Public input was taken on the matter at the City Council meeting held on March 3, 2019.

With progress of the Regional Housing and Infrastructure Plan (HIP), SLOCOG has contracted with REACH and Koble Collaborative, Inc. to conduct the HIP's communications and stakeholder engagement. The primary outreach goals were:

- Goal 1. Foster ongoing collaboration and buy-in among private and public stakeholders.
- Goal 2. Remind government of the Regional Compact, laying the groundwork for HIP effort.
- Goal 3. 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 included:

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 Dvpmt. Staff	Builders, Engineers, Developers, Econ. Dvpmt., Architects, Real Estate, etc.	Nonprofit builders, Home Builders Assoc, Chambers, etc.	Seven City Councils County of SLO Board SLOCOG Board
<p>HIP Steering Committee 10 attendees, 3 meetings <i>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</i></p>				

Options

1. Take no action;
2. Consider support for the Regional Housing and Infrastructure Plan, as a recommitment to the 2020 San Luis Obispo Countywide Regional Compact;
3. Provide alternative direction;
4. Refer back to staff for additional analysis.

Analysis and Conclusions

Support for the Regional Housing and Infrastructure Plan (HIP), as a recommitment to the 2020 San Luis Obispo Countywide Regional Compact, is a voluntary act by the City to promote the aspirational vision to help accelerate housing development where it makes the most sense given regional conditions and community readiness. By supporting the HIP, the City will continue to retain local authority on its decisions affecting housing and infrastructure. The HIP is not obligatory. It serves to offer the City a variety of opportunities that could be implemented, such as pursuing funding opportunities, improving processing timelines, prioritizing infrastructure projects, and being more competitive in State and Federal funding programs, among others. The HIP would support the goals and implementation of the Paso Robles Housing Element

The following sections provide a more in-depth snapshot of the seven components of the plan.

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 their area of control and span of influence. The draft Housing Highlight document will be available by June 28, 2023. The final document will be included with the final HIP in July 2023.

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 below:

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.

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.

HIP Component 5. Infrastructure Prioritization

The premise of the HIP is to help accelerate new housing development, so the current prioritization factors relate solely to the amount of proposed housing that benefits from a community’s infrastructure project. The 80 infrastructure projects identified through the processes described in HIP Components 2-4 were ranked as high, medium or low priority based on three factors: (1) if the project is needed for new housing, (2) benefit/cost (i.e. investment cost per additional potential housing units served), and (3) whether there are significant barriers to development. The total estimated cost for all 80 HIP projects is over \$1 billion, as shown in following Table.

Draft HIP Priority Projects Summary		
	Estimate (\$ Millions)	Projects
Estimate for all HIP Projects	\$ 1,015	80
High	\$ 348	54
Medium	\$ 385	10
Low	\$ 281	16

This component is completed and included in the draft HIP. Details of each community’s infrastructure priorities can be found in the HIP’s Appendix A (Attachment 2). The next Table below includes a summary of infrastructure priority projects summarized by sub-region.

Draft HIP Priority Projects Summary

Subregion	Total Proposed Dwelling Units	HIP Projects	High	Medium	Low	Total Investment needed per proposed unit	Total Estimated Investment Needed (\$ millions)
North County	6,540	31	21	4	6	\$ 61,927	\$ 405
Central County	6,171	29	25	3	1	\$ 51,693	\$ 319
North Coast	127	6	0	1	5	\$ 354,331	\$ 45
South County	2,876	13	7	2	4	\$ 85,535	\$ 246

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 (for all high, medium and low priorities). This component is underway, but not completed yet. The HIP's Appendix C (Attachment 4) includes preliminary information; however, the draft assessment is expected in July 2023 will include a project-by-project detailed breakdown covering funding requirements, potential funding sources, projected grant funding, and residual funding gap.

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.

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. 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. This component is underway, but not completed. The HIP's Appendix B (Attachment 3) includes preliminary information; however, the draft study is expected in July 2023.

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

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:

- Agency(ies) may consider pursuing funding opportunities identified for a priority infrastructure project to cover funding gaps.
- Agency(ies) may consider implementation of affordable-by-design policies appropriate to each unique community and its needs.
- Agency may 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.
- Agency may consider updating its analysis approach to prioritizing the community's needed infrastructure projects in order to most impactfully increase housing supply.
- Agency may consider 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 adopted by the City of Paso Robles City Council on March 3, 2020. In addition, support of the HIP is consistent with the City's Housing Element which set to implement the Compact's initial list of aspirational regional policies to further accelerate housing production.

Fiscal Impact

There is no fiscal impact from this action.

CEQA

The City find that this action is not a project under the California Environmental Quality Act pursuant to State Guidelines Section State CEQA Guidelines, §§ 15060, subd. (b)(2)-(3), 15378.

Recommendation

(Option 2)

Provide support and receive and file the Regional Housing and Infrastructure Plan, consistent with the 2020 San Luis Obispo Countywide Regional Compact.

Attachments

1. Draft Regional Housing & Infrastructure Plan
2. Appendix A: Draft List of HIP Infrastructure Priorities
3. Appendix B: Affordable-by-Design Study Preliminary Information
4. Appendix C: Funding Strategies Assessment Preliminary Information
5. Appendix D: Regional Compact & Housing Element Regional Chapter
6. [Draft HIP Mapping Tool](#) (click to view hyperlink)
7. Stakeholder Process