



April 26, 2021

Dear Mayor Federico, Mayor Pro Tem Muller, and Councilmembers Frost, Viczorek, and Villar and Planning Commissioners Dohner, McKhann, Murphy, Nelson and Opel,

The Welcoming Neighbors Home (WNH) Initiative is a ministry of Tapestry, a Unitarian Universalist Congregation. Our members live in cities throughout South Orange County, including Dana Point. As concerned citizens, we work to serve and advocate for people who are experiencing homelessness, who are at risk of losing their homes, and those with low incomes who live and work in our communities.

We are very proud of our local cities and the quality of life they enable us all to have. At the same time, we are concerned about the increasing problem of homelessness for the most vulnerable of us and the lack of affordable housing for many other residents. Lack of attainable, workforce housing for families is a continuing crisis in Orange County.

Dana Point is not an exception to this crisis: 27% of Dana Point households earn less than \$50,000 per year, and, surprisingly, more than half (54%) of the households earn less than \$100,000. Most landlords want to see gross income that is 3 times the rent. So, that means that 27% of Dana Point households earning less than \$50,000 per year can afford about \$1,100 per month for rent. The average rent for a 1 bedroom apartment right now is over \$2,000 per month.

An interesting trend to note is the “aging” of Dana Point residents; from 2000-2018 the 65 and over population increased from 13% to 20.3%. Rising costs increasingly make housing out of reach for many who live and work in this community and could become a real problem as we have more and more residents reaching retirement age. The average retiree who depends on Social Security can afford about \$500 per month for rent. Someone who doesn't have an adequate work history and/or who is disabled, living on SSI, can afford only about \$300 per month. At most at any given time there are zero rentals available, including room rentals, in that price range. Seniors are the fastest growing group of people experiencing homelessness, and it is projected that there will be a 105% increase in homelessness in the 65+ age group in the coming years.

Juxtapose the above aging of Dana Point with the loss of families as we see the population most in decline in Dana Point is the 35-54 age group. Alongside that we're seeing an increase in the number of families experiencing homelessness in Dana Point. We were very disheartened to learn that 6.9% of students in Capistrano Unified School district are homeless, living in motels, shelters, on the street, or are doubled or tripled up with other families because of financial need. That is a higher percentage than districts in Brea, Fountain Valley, Fullerton, Garden Grove, Huntington, Irvine, Los Alamitos,

Newport Mesa, Orange, Saddleback, and Tustin. There are 46 students at R.H. Dana Elementary - a school whose boundaries are entirely in Dana Point - who are homeless by the above definition. In the Richard Henry (RH) Dana Point school up to 78% of the students are eligible for free or reduced lunches. The stress that puts on families and the impact on children's ability to learn when living doubled and tripled up while experiencing financial stress is well documented.

We believe our local governments need to be responsive to the needs and well-being of all of their residents - young professionals, families and children, as well as retirees and people with disabilities - as they plan housing for the coming years. We offer additional public comments focused specifically on the Housing Element that will become part of Dana Point's housing plans.

## **Dana Point Housing Element**

Our team reviewed the city's 5th Cycle Housing Element along with recent city demographics and housing data provided by Southern California Association of Governments (SCAG). We also reviewed information on the city's website. We compared our observations below to best practices as identified by public policy researchers and as experienced by other cities.

We know that Dana Point is required by 6th Cycle Regional Housing Needs Assessment (RHNA) to plan for viable building sites for 530 housing units; of these 43.4% (230 units) need to be affordable homes for very- low and low-income renters and/or buyers. We believe that some key enhancements to Dana Point's policies and processes will improve its ability to facilitate the building of affordable housing over the next 8-year cycle.

## **Recommendations**

### **1) Improve Inclusionary Housing policy**

- a) **Require** all housing development projects to have 15% of units as affordable, dedicated for extremely- low (5%), very-low (5%) and low-income (5%) residents. This will be a critical element for meeting RHNA goals over the next 8 years.
- b) The proposed development on the CUSD site is an important opportunity to fill some of the need for affordable housing in Dana Point, due to its size and location.
  - i) Suggest that negotiating better terms of the development could include developer and school district monetary contributions out of the current agreement, based on the high added value of the site.
- c) **Rationale**
  - i) **The cost of housing is a burden to many Dana Point residents.**
    - (1) Over 80% of very-low-income households pay more than 50% of their income toward housing costs.<sup>1</sup>
    - (2) 27% of Dana Point households earn less than \$50,000 per year; 44% of Dana Point households earn less than \$75,000 per year.<sup>2</sup>

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<sup>1</sup> SCAG, Laguna Hills Profile 2020, 2020 data (see also Appendix to this letter, LAGUNA HILLS HOUSING DATA, 2020)

<sup>2</sup> Southern California Association of Governments, (SCAG) Laguna Hills Profile 2019, 2017 data

(3) 27.1% of Dana Point households who are renting are spending over 50% of their income on housing costs.<sup>3</sup>

ii) **It is critical to create housing opportunities for the full range of constituents**, especially those who have been under-represented and/or not well-served in the past.

(1) Dana Point did not build any low and very- low-income housing in the 7 years that elapsed in the 5th Cycle, and, in fact, lost some low- income housing because of expiring deed restrictions.

2) **Offer incentives to market rate developers to build housing for extremely low, very low, and low-income buyers and renters**

a) **Offer density bonus increases** of at least 20% and parking relief bonuses in return for building projects that conform to the 15% inclusionary mandate (above).

i) Offer 25%-35% density bonus for housing developments within ½ mile of a transportation center.

ii) Do NOT grant density bonuses without capturing the community benefit of affordable housing.

b) **Increase mixed use zoning throughout the city** that allows for substantial numbers of housing units when developing nonresidential land.

i) Require inclusionary housing at a rate of 15% for extremely-low and very-low-income in areas zoned for mixed use.

ii) Do NOT rezone in such a way so as to LOSE parcels as possible locations for affordable housing, such as is proposed in the Doheny Village in the commercial/industrial and commercial/Main Street areas.

c) **Other Fiscal Incentives:** Emphasize, promote, and encourage the use of incentives available to those developers that include affordable housing. Typical incentives include waivers or reductions in fees, low interest loans or subsidies, and financial or mortgage assistance for acquisition of property.

d) **Proactively develop relationships with non-profit housing developers.** Such a partnership could yield millions of dollars in matching funds from state and federal housing funds and specialty mortgages for building affordable housing for extremely- low, very -low, and low-income. These specialty builders can work alone or with market rate builders enabling a faster, more cost-effective outcome.

i) **Today's non-profit developers have honed their abilities** to build attractive, quality housing cost effectively for low wage workers and their families. *These affordable communities are very different from the low-income housing erected 30-60 years ago!*

ii) **Some examples of these developments** include: Mendocino in Talega (San Clemente), Heritage Village (Mission Viejo), Alice Court (Laguna Beach) by Jamboree, and Oakcrest Terrace (Yorba Linda) by National Core. Generally, tours can be arranged to get an up-close look at results. Developments include new from the ground up as well as rehabilitation of older existing buildings.

(1) Jamboree : <https://www.jamboreehousing.com/blogs/affordable-housing-developer-partner>

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<sup>3</sup> SCAG, Laguna Hills Profile 2020, 2020 data

- (2) National CORE OC sites: <https://nationalcore.org/portfolio/california-communities/orange-county-ca/>
- (3) Mercy Housing sites: <https://www.mercyhousing.org/california/linbrook-court/>
- (4) Mary Erickson Affordable Housing: <https://www.maryerickson.org/>
- (5) Innovative Housing Solutions: <https://www.innovativehousing.com/>

3) **Ease Governmental constraints for developers who build Inclusionary housing.**

- a) **Streamlined Procedural Incentives:** Emphasize processes/procedures like the consolidation of applications to one hearing, fast-tracking of design, and review and inspections with priority processing and scheduling for interim inspections.
- b) **Reduction in Development Standards:** Offer a reduction in setback and square footage requirements and in the ratio of required vehicle parking.

4) **Explore new financial resources for affordable housing**

- a) **Land Value Recapture** is a concept gaining interest and traction among economists and municipalities. This method seems particularly applicable to the Village project.
  - i) “**Land value recapture** is based on the observation that plan approvals – a public action – considerably increase the value of land by increasing what can be built (e.g., higher-density housing) on that land. It stands to reason that some of the increased land value should be recaptured by the public in the form of community benefits in the affected neighborhoods, that could bring additional public facilities and/or affordable housing to the city’s communities and the development on it.”<sup>4</sup>
  - ii) Developed property has had tremendous gains over the last 30 years, especially in California. This increased value and wealth should also accrue to the city and its residents commensurate with this value escalation.

**b) Consider Linkage Fees**

- i) **Los Angeles has an Affordable Housing Linkage Fee** (Linkage Fee). “This ordinance, adopted December 13, 2017, established a fee per square foot on certain new market-rate residential and commercial developments to generate local funding for affordable housing production and preservation. The fee varies by the type of use and by geography across the city.”<sup>5</sup> It is similar in concept to a Quimby Fee and is structured to generate funding for housing and neighborhood improvement – such as parks.
  - ii) We suggest that Dana Point explore this concept in relation to the Doheny Village by consulting with an economic expert familiar with the concept. This could ensure that the city and the taxpayers receive appropriate value out of the development.
- c) **Work with the Orange County Board of Supervisors and neighboring cities to create a regional local housing bond program to help fund affordable housing and permanent supportive housing.**

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<sup>4</sup> <https://www.voiceofsandiego.org/topics/opinion/theres-a-way-for-the-city-to-balance-density-with-quality-of-lif>

<sup>57</sup> DOWNTOWN COMMUNITY PLAN COMMUNITY BENEFITS PROGRAM [https://planning.lacity.org/odocument/2c541d44-8b58-478b-b2af-bedcc60271f7/Community\\_Benefits\\_Summary\\_PH\\_draft.pdf](https://planning.lacity.org/odocument/2c541d44-8b58-478b-b2af-bedcc60271f7/Community_Benefits_Summary_PH_draft.pdf)

- i) Other California cities and counties have taken this approach or are working on it.<sup>68</sup>
- d) **Consult with the Orange County Board of Supervisors to access funding for affordable housing for the homeless through the [American Rescue Plan Act HOME Supplemental Allocations](#).** Orange County has been awarded \$5,017,613. See [HUD April 8, 2021 press release](#).
- e) Actively work to **apply for funding from the Orange County Housing Finance Trust** to develop permanent supportive housing in Dana Point.
- f) These **additional resources** may be useful in updating your programs and approaches. Both are available online:
  - i) [“Meeting California’s Housing Needs: Best Practices for Inclusionary Housing.”](#)<sup>79</sup>
  - ii) [“Designing Affordability: Innovative Strategies for Meeting the Affordability Gap](#)

Given the importance of the 6<sup>th</sup> Cycle Housing Element, Welcoming Neighbors Home representatives would like the opportunity to dialogue with Dana Point City staff and their Housing Element consultants on how to achieve a 6<sup>th</sup> Cycle Housing Element plan that includes improved policies and processes which will result in new affordable homes for extremely- low, very- low- and low-income residents.

We look forward to learning more about your Housing Element planning, and we will follow up with you and/or your staff soon to answer any questions about our report and to be sure we understand how the process will proceed. In the meantime if you have any questions, please feel free to contact Rona Henry at 609-216-1784 or at rona.s.henry@gmail.com.

Sincerely,

Rev Kent Doss, Minister  
Tapestry, a Unitarian Universalist Congregation

Rona Henry, Chair  
Welcoming Neighbors Home Initiative

Maura Mikulec, Capistrano Beach Resident  
Dana Point City Monitor for Welcoming Neighbors Home

cc: Mike Killebrew, City Manager, Dana Point  
Brenda Wisneski, Community Development Director, Dana Point  
Belinda Deines, Principal Planner, Dana Point  
Johnathan Ciampa, Senior Planner, Dana Point  
Colin Drukker, Placeworks, Inc  
Cesar Covarrubias, Kennedy Commission  
Paul McDougall, Chelsea Lee, Marisa Prasse, David Navarrette, California State Housing and Community Development Office

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<sup>68</sup> The San Diego City Council voted 6-3 to place on the November ballot a \$900 million housing bond that would raise taxes on city property owners to pay for roughly 7,500 subsidized apartments. The estimate had ranged from \$500,000 to \$785,000, but now it's \$700,000 to \$1.2 million per ballot measure. San Diego Union Tribune, July 14, 2020.

<sup>79</sup> [https://www.lgc.org/wordpress/wp-content/uploads/2018/11/inclusionary-factsheet\\_v2.pdf](https://www.lgc.org/wordpress/wp-content/uploads/2018/11/inclusionary-factsheet_v2.pdf)