



October 25, 2021

Regarding: Agenda Item #7.1.1 – October 26, 2021 City Council Meeting – Review of October 2021 Laguna Hills Housing Element Draft

Dear Mayor Pezold, Mayor Pro Tem Sedgwick and Councilmembers Heft, Hunt and Wheeler

We write representing the Welcoming Neighbors Home (WNH) Initiative, a ministry of Tapestry Unitarian Universalist Congregation – which has members in South Orange County – including Laguna Hills. The WNH initiative works to end homelessness and promote the development of more affordable housing – especially for those with extremely low and very low incomes.

We have reviewed the [Laguna Hills Housing Element draft dated October 2021](#). We have previously submitted public comments (see attached). Here we will ask some questions, raise some concerns, make some recommendations – and in some cases reiterate and amplify on some of our previous points.

OUR CONCERNS & REQUESTS:

- 1.** We have been reviewing housing element drafts for a number of South OC cities and were surprised that this draft did not include a copy of the proposed site inventory in chart form – where we could see the addresses and proposed income categories of the proposed sites. **We request a copy of the site inventory using the HCD site inventory template excel file so we may conduct an analysis of the proposed sites.**
- 2. Program Specificity** – In general we think the housing element could be strengthened by having more specificity included in the housing plans. For example, in Program H-14 – Section 8 Rental Assistance, we encourage the city to set a specific, measurable goal to expand assistance to an increased number of households. We encourage the city to identify specific activities to conduct outreach efforts to recruit potential landlords and increase program participation. We recommend that the city review the success of these efforts annually and revise as needed.
- 3. Five Lagunas Site/The Village at Laguna Hills:** The City is working currently with the applicant, Merlone Geier Partners, on redevelopment of the mall site in the UVSP area. The site was entitled in 2016 for 988 market-rate units. As of April, 2021, Merlone Geier Partners is before the City Planning Agency with a request to modify the 2016 approval by increasing the housing, and other features of the site, to 1500 housing units, inclusive of 100-Low and 100-

Mod units. This proposal, the [Village at Laguna Hills](#), is still in the Public Hearing process. We were happy with the Council’s decision at the last hearing to renegotiate the development agreement. At that meeting we heard that on the list of points to be renegotiated is the inclusion of more affordability in the proposed units. Given the increased value the developer will gain from the density bonus, it is only fair to require deeper levels of affordability. **As before, we urge the city to require that at least 15% of the units in The Village be affordable – with 5% extremely-low-income, 5% very-low-income and 5% low-income.**



- Per Table H-46 in the Housing Element, we note the **city has made no progress in achieving any entitlement of extremely-low-, very-low- or moderate income housing in the 5th Cycle. We wish the city had achieved a more balanced distribution between lower and above-moderate income housing units during the 5th RHNA Cycle.**

Table H-46 Progress Towards RHNA						
	Total Units	Affordability level				
		Extremely Low	Very Low	Low	Mod	Abv. Mod
RHNA	1,985	284	284	353	354	710
ADUs anticipated	8	-	-	-	-	8
Underutilized Sites, Anticipated Projects						
Oakbrook Village	200	-	-	-	-	200
The Village at Laguna Hills	988	-	-	-	-	988
Planned Community Via Lomas (PCV)	250	-	-	-	-	250
<i>Remaining RHNA Subtotal</i>	539	284	284	353	354	(736)

5. Our concern is that **we do not see a set of housing programs that we think are commensurate with the challenge of attracting developers to build affordable housing on sites with existing structures.**

a. **Program 11:** This program says that by February, 2025, the City shall amend the General Plan and the Zoning Codes, as needed, to provide adequate sites for 921 lower-income units and 354 moderate-income units (1,275 total units) on certain sites or in certain zones. Table H-48 shows 129 candidate sites for re-zoning. **We ask that this re-zoning be completed within 1 year of adoption of the housing element.**

- i. **There are no expected affordability levels listed for the candidate sites, so it is difficult to assess the plan from an Affirmatively Fair Housing perspective.**
- ii. The rezoning intends to allow higher density to allow for affordable housing and yet the Housing Element does not include an effective set of affordable housing policies/programs to incentivize the development of 921 lower-income units.
- iii. **The city should not give away development standards (i.e., higher density), which significantly increases the value of a property, without requesting/requiring a community benefit, such as affordable housing, in return.** This would also ensure that affordable housing is created to meet the City’s lower income RHNA.

RECOMMENDED HOUSING PROGRAMS:

We have consulted with staff at the Kennedy Commission to learn what housing programs facilitate the production of affordable housing. Below is their advice.

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The Kennedy Commission recommends the following affordable housing policies and programs to provide development incentives and collaborative opportunities for the production of affordable homes:

1. **Inclusionary Housing Ordinance** - Given the urgent need of residents for low-income housing, the Commission strongly recommends the City adopt an Inclusionary Housing Ordinance within the next year to ensure that identified sites are truly feasible and effectively provide affordable housing in a balanced manner. We recommend that the ordinance include a 15% requirement of affordable housing production at extremely- low, very- low- and low-income categories and that it apply to all residential projects. The ordinance should be flexible to allow for the development of affordable housing onsite, off site or provide for an appropriate in lieu fee option. We recommend an in-lieu fee option in the range of \$10,000 to \$15,000 per unit, or \$10 to \$15 per square foot, to go along with this policy. The in lieu fee must be calculated to achieve the gap financing needed to create affordable housing and be used to leverage additional state and federal housing funds. A feasibility study and implementation of the ordinance should be completed no later than one year from the adoption of the Housing Element.
2. **Affordable Housing Overlay** - The Commission recommends that the City adopt an Affordable Housing Overlay, especially over mixed-use zoning and areas that are proposed to be rezoned or upzoned. A minimum of 15% of all units should be set aside for extremely- low, very- low, and low-income levels in exchange for development and regulatory incentives. The City must identify a timeframe to study the policy and a timeframe for adoption and implementation. We recommend that this happen in the first year of the 6th Cycle.
3. **Congregational Housing Overlay** - A Congregational Housing Overlay Zone provides an opportunity for the development of affordable housing on religious sites while retaining the existing religious use. The overlay would provide 100% affordable units on congregational sites, with a focus on extremely- low, very- low and low-income categories.
4. **Mixed-Use Housing Overlay** - Mixed-use developments provide residential units along major corridors and can provide significant opportunities for affordable housing development. A Mixed-Use Housing Overlay would allow for the integration of housing with other uses on underutilized commercial or industrial sites while retaining existing commercial/industrial square footage usage to provide services to new residents and the surrounding community. The City must require 15% of housing to be affordable at the extremely- low, very- low and low-income levels in the mixed-use zoning.
5. **Adaptive Reuse Ordinance** - Certain building, fire code, and parking requirements add additional costs to building conversion projects and reduce the likelihood of developers converting commercial buildings to residential. The City should consider the adoption of an Adaptive Reuse Ordinance, such as [Santa Ana's ordinance](#), to provide alternative building and fire standards for the conversion of eligible buildings in exchange for 15% of converted units dedicated to extremely- low, very- low and low-income categories.
6. **Affordable ADU Program** - We recommend developing an ADU program that incentivizes homeowners to create an affordable rental unit on their property. The City should offer homeowners assistance for financing (e.g. an [ADU Forgivable Loan Program](#)), designing, and permitting ADUs in exchange for a deed-restricted, affordable ADU. In addition, the City should implement a monitoring program to track the creation and

affordability of ADUs. The City must also commit to a mid-cycle review if ADU production is not meeting projected affordability targets.

7. **Community Land Trust** - The City should consider developing a Community Land Trust that would allow the City to retain ownership of land (either donated or purchased) and lease the land to the owner of the improvements for community benefit and the creation of 100 % affordable housing..
8. **Density Bonus** - The City's 5th cycle RHNA progress demonstrates that moderate and above- moderate income housing production has outpaced lower-income housing development. The City should prioritize affordable housing for lower-income households in its update and implementation of density bonuses. The review should include analysis as to how the density bonus is being implemented. This is especially important when analyzing its effectiveness in higher density specific plans and rezonings that give density and land use incentives and parking reductions, similar to density bonus, but without requiring affordable housing. It is worth noting that rental developments can only use density bonuses to incentivize lower-income units.
9. **Incentivizing 100% Affordable Housing** - Regulatory, zoning and administrative requirements can contribute to high construction costs, and negatively affect the feasibility of producing affordable housing. The City should develop a program that incentivizes 100% affordable developments and reevaluate the current zoning code to eliminate barriers and create incentives for affordable housing developments. Incentives could include reducing or eliminating permitting fees, offering additional by-right incentives beyond density bonus, reduced parking standards, and alternative development standards. The City should consult with for-profit and nonprofit developers to determine appropriate regulatory incentives.
10. **City Owned Sites and Surplus Property** - The city should prioritize city owned sites and surplus land to be developed exclusively for 100% affordable housing for low, very- low and extremely- low income families. The City must be proactive and implement a program that markets available surplus land to affordable housing developers.

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The need for more affordable housing for those earning less than \$50,000 per year is acute. **We urge the city to take proactive steps, such as those outlined above, to promote the production of more affordable housing in Laguna Hills.**

We also recommend that the city issue an RFP to actively solicit affordable housing developers to the city. We would like to see the city offer support from the fund of collected in-lieu fees in exchange for development of extremely-low, very-low and low-income housing units as well as funding available from the State of California's HomeKey funds (https://homekey.hcd.ca.gov/sites/default/files/2021-09/NOFA_Homekey_0.pdf), and the federal government American Rescue Plan Act funds. It is important for the city to take advantage of these funding sources NOW to make important strides in the provision of affordable housing.

Thank you for considering our public comment and for your public service. If you have questions regarding our public comment, please contact Rona Henry at rona.s.henry@gmail.com

Rona S. Henry, Chair
Welcoming Neighbors Home Initiative
Tapestry, a Unitarian Universalist Congregation

Rev Kent Doss, Minister
Tapestry, a Unitarian Universalist Congregation

Denise Legters,
Resident, Laguna Hills
Volunteer, Welcoming Neighbors Home Initiative

Ann Owens
Volunteer, Welcoming Neighbors Home Initiative

Karen Stone,
Resident, Laguna Hills

cc: Kenneth H. Rosenfield, Laguna Hills City Manager
Jay Wu, Senior Planner, Laguna Hills Planning Division
Jennifer Gastelum, Principal, Placeworks, Inc
Nicole West, Senior Associate, Placeworks, Inc
Cesar Covarrubias, Mildred Perez, Cynthia Guerra, Daisy Cruz - Kennedy Commission
Paul McDougall, Melinda Coy, Marisa Prasse, Chelsea Lee, Mashal Ayobi - California State Housing and Community Development Office



February 25, 2021

Dear Mayor Pezold, Mayor Pro Tem Sedgwick and Councilmembers Heft, Hunt and Wheeler,

The Welcoming Neighbors Home (WNH) Initiative is a ministry of Tapestry, a Unitarian Universalist Congregation. Our members live in Laguna Hills and in the neighboring communities of Laguna Woods, Lake Forest, Mission Viejo and in other nearby cities. 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 lower-income families and individuals is a continuing crisis in Orange County.

Laguna Hills is not an exception to this crisis: 23% of Laguna Hills residents earn less than \$50,000 per year¹ and 36% of Laguna Hills residents who rent are spending over 50% of their income on housing costs.² Rising costs increasingly make housing out of reach for many who live and work in this community. We believe our local governments need to be responsive to the needs of all of their residents.

Recently, you received a Public Comments letter entitled “Public Comment regarding The Village at Laguna Hills” from a number of local non-profit organizations who are focused on the proposed mixed use development plan for the Village. Welcoming Neighbors Home was a signatory to that letter. (A copy of the letter is attached.)

Today we are writing to you to supplement the recommendations we endorsed in that Public Comments letter. We offer additional public comments focused specifically on the 6th Cycle Housing Element that will become part of Laguna Hill’s housing plans.

Laguna Hills 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.

¹ Southern California Association of Governments, (SCAG)Laguna Hills Profile 2019, 2017 data

²SCAG, Laguna Hills Profile 2020, 2020 data

We know that Laguna Hills is required by 6th Cycle Regional Housing Needs Assessment (RHNA) to plan for viable building sites for 1980 housing units; of these 46% (920 units) need to be affordable homes for very low and low-income renters and/or buyers. We believe that some key enhancements to Laguna Hills 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) Rationale

i) The cost of housing is a burden to many Laguna Hills residents.

- (1) Over 80% of very low-income households pay more than 50% of their income toward housing costs.³
- (2) 23% of Laguna Hills residents earn less than \$50,000 per year.⁴
- (3) 36% of Laguna Hills residents who are renting are spending over 50% of their income on housing costs.⁵

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) The city's 5th Cycle Housing Element makes several references to the need for, and requests from residents, for low-income affordable housing, especially for seniors, families, low wage workers, and those who have physical impairments. Additionally, city surveys show that numerous housing "livability" problems affect a very high percentage of low and very low-income residents.
- (2) Laguna Hills did not build any low and very low-income housing in the 7 years that elapsed in the 5th Cycle

iii) Due to the economic and environmental impact of the additional new work force forecasted for the Village, many of whom will have incomes from \$20-50k per year, there is a need for better inclusion of new, appropriate affordable housing.

2) Implement new Density Bonus incentives for developers as required under AB 2348, effective 1/1/2021:

- a) Density Bonus, **AB 2348** establishes a number of affordable units that a developer must provide in order to increase residential densities and be eligible for additional incentives. The amendments made are to provide further incentives for developments that are up to 100% affordable.
- i) Increases the maximum density bonus up to 50-percent, depending on the number and level of deed-restricted affordable homes
 - ii) Incentivizes additional density bonus projects by reducing the maximum parking required by localities for qualifying projects
 - iii) Provides two incentives or concessions to a project if it includes at least; 17% Low, 10% very low, or 20% for moderate in a common interest development.

³ SCAG, Laguna Hills Profile 2020, 2020 data (see also Appendix to this letter, LAGUNA HILLS HOUSING DATA, 2020)

⁴ Southern California Association of Governments, (SCAG) Laguna Hills Profile 2019, 2017 data

⁵ SCAG, Laguna Hills Profile 2020, 2020 data

- iv) Provides three incentives or concessions to a project if it includes at least: 24% Low, 15% very low, or 30% for moderate in a common interest development.
- 5) Provides local governments discretion to grant additional waivers for projects located within a half-mile of transit and 100% affordable.

3) **Identify land sites in the city that can be repurposed and rezoned to increase opportunity for more housing for very low-income residents.**

- a) **Require the development of at least 225 affordable housing units** for people with extremely low, very low and low incomes in the *Village at Laguna Hills*. (See attached public comment letter for details.)
- b) **Identify church sites and hospital sites that may be able to be identified as Housing Opportunity sites** with expanded capacity for densities of 30/acre or more.
- c) **Consider adopting an [Adaptive Reuse Ordinance](#)** such as the one used by the city of Santa Ana⁶ that streamlines the regulatory process for converting non-residential buildings into affordable housing. This ordinance applied in the building of the [Santa Ana Arts Collective](#).⁷
- d) **Increase mixed use zoning throughout the city** that allows for substantial numbers of housing units when developing nonresidential land.
 - i) Due to the limited availability of residential zoned sites, more mixed-use zoning can increase housing development opportunities, as well as offer convenience and a small community atmosphere for the residents.
 - ii) New housing sites can be incorporated into re-vitalization of sites when older commercial buildings or housing complexes are being renovated or upgraded.
- e) **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.
- f) **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-

⁶ <https://www.santa-ana.org/sites/default/files/pb/planning/Counter%20Forms/Adaptive%20Reuse%20Ord.%206.30.20.pdf>

⁷ <https://voiceofoc.org/2019/06/public-demand-for-affordable-artists-apartments-in-santa-ana-prompts-city-outreach-effort/>

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>

(2) National CORE OC sites: <https://nationalcore.org/portfolio/california-communities/orange-county-ca/>

4) **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.

5) **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.”⁸
- 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.”⁹ 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 Laguna Hills explore this concept in relation to the **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.

⁸ <https://www.voiceofsandiego.org/topics/opinion/theres-a-way-for-the-city-to-balance-density-with-quality-of-lif>

⁷ DOWNTOWN COMMUNITY PLAN COMMUNITY BENEFITS PROGRAM https://planning.lacity.org/odocument/2c541d44-8b58-478b-b2af-bedcc60271f7/Community_Benefits_Summary_PH_draft.pdf

- 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.**
 - i) Other California cities and counties have taken this approach or are working on it.⁸

- d) **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.”](#)⁹
 - ii) [“Designing Affordability: Innovative Strategies for Meeting the Affordability Gap Between Low Income Subsidy and the Market in High Cost Areas.”](#)¹⁰

Given the importance of the 6th Cycle Housing Element, Welcoming Neighbors Home representatives would like the opportunity to dialogue with Laguna Hills City staff and their Housing Element consultants on how to achieve a 6th 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 working families.

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 S. Henry, Chair
Welcoming Neighbors Home Initiative
Tapestry, a Unitarian Universalist Congregation

cc: Kenneth H. Rosenfield, Laguna Hills City Manager
David Chantarangsu, Laguna Hills Community Development Director
Jay Wu, Senior Planner, Laguna Hills Planning Division
Dave E. Geiser, Managing Director, Merlone Geier Partners

⁸ 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.

⁹ https://www.lgc.org/wordpress/wp-content/uploads/2018/11/inclusionary-factsheet_v2.pdf

¹⁰ <https://www.hcd.ca.gov/policy-research/plans-reports/docs/designingaffordability2015.pdf>

Stephen Logan, Vice President, Development, Merlone Geier Partners

Jennifer Gastelum, Principal, Placeworks, Inc

Nicole West, Senior Associate, Placeworks, Inc

Cesar Covarrubias, Kennedy Commission

Paul McDougall, David Navarrette, Marisa Prasse, Chelsea Lee - California State Housing and
Community Development Office