



Staff Report

City Council

Item No. {{section.number}}.B

Meeting Date: October 23, 2024

From: Andrew Firestine, Community and Economic Development Director

Title: Housing Production Strategy – Housing Element and Strategic Plan Implementation and Housing as an Economic Development Driver

RECOMMENDATION:

This report is for information and discussion only.

BACKGROUND:

Affordable housing, including entry-level workforce housing, is a critical component of Cathedral City’s strategy to foster sustainable economic growth. The city’s ability to attract and retain a stable workforce, support business development, and promote community resilience relies heavily on ensuring workers across all income levels have access to safe, affordable housing. This objective is shared across the region and state, as evidenced through the June 2024 presentation to City Council from Lift to Rise on their 2024-2026 Action Plan, including their key strategies prompting the identification of 3,000 new units of affordable housing per year across the Coachella Valley and the review of each city’s housing element sites inventory for those parcels that would score best for Tax Credit Allocation Committee (TCAC) / Housing and Community Development (HCD) funding.

Cathedral City’s 6th Cycle Housing Element (2022-2029) identifies the City’s housing needs and aligns with state mandates to develop 2,549 new housing units, including 1,350 affordable units. These efforts are supported by both state legislation and the city’s Strategic Plan, which emphasizes the development of diverse housing options, workforce retention, and business attraction as key drivers of economic development.

The State has taken on a more central role with housing and housing production in recent years. Recent legislation has had the effect of streamlining the approval processes for certain housing developments while also reducing local control and elevating the consequences of non-compliance with state housing laws. Through the adoption of the 6th Cycle Housing Elements, HCD advocated for specific and actionable goals and policies and the Housing Element Annual Progress Reports (APR) submitted to HCD are a mechanism by which HCD tracks not only housing production but also the progress local agencies are making towards the goals and policies stated in their certified housing element.

Assessing the legislative landscape, SB 35 (2017) streamlines the approval process for affordable housing in cities behind on their housing production goals, while SB 330 (2019) prevents actions that would reduce housing capacity. SB 423 (2023) extends SB 35's streamlined process through 2036.

A number of bills have further changed zoning and subdivision law in the State of California to accommodate more housing, including SB 9 (2021) established a process for the ministerial review of two residential units on lots zoned for single-family residential and further allowed for the ministerial approval of a parcel map for an urban lot split meeting certain requirements. AB 2011 (2022) and SB 6 (2022) both allow residential development on property zoned for retail and office space without needing a rezoning. SB 684 (2023) created a streamlined approval process for development projects of 10 or fewer residential units on 5 acres zoned for multi-family residential. SB 4 (2023) opens up land owned by religious institutions and nonprofit colleges for affordable housing development and AB 1449 (2023) exempts 100% affordable housing projects from the California Environmental Quality Act (CEQA).

The 2024 legislative session produced additional bills that shape housing, including AB 1893 that made changes to the Housing Accountability Act to enact changes to the Builder's Remedy to make it a more effective tool for use in jurisdictions that have failed to comply with housing element law. AB 2023 strengthens HCD enforcement of an adopted housing element by creating a rebuttable presumption of invalidity for any legal action challenging an action by a city or a failure to act where HCD finds the action to not substantially comply with an adopted housing element. SB 1037 provides the Attorney General and HCD the ability to apply civil penalties of \$10,000 to \$50,000 per month per violation for specified violations of housing law. While geared towards acts or omissions that are arbitrary, capricious, or entirely lacking in evidentiary support, it bolsters the State's enforcement role. Building on SB 684 (2023), SB 1123 (2024) creates a streamlined approval process for subdivisions up to 10 units on vacant land zoned for single-family residential development.

Overall, these laws provide support for housing production while also instituting greater penalties and state oversight and enforcement of housing law.

The City has a certified Housing Element as it met HCD's requirements for the 6th Cycle. The City has an ongoing responsibility, however, to implement the Housing Element and the Housing Element APR is used as a tool to report progress to HCD. The City's APR submitted to HCD in 2024 demonstrates the city has room for improvement. For the years 2021-2023 reveals, the City is behind in all income categories and has only issued building permits for 10 percent of its Regional Housing Needs Allocation (RHNA). Progress is also needed on a number of goals, particularly those that direct actions to incentivize housing production.

The City's 5-Year Strategic Plan further recognizes the importance of housing as part of an inclusive community and prompts a review of the City's land use regulations to support diverse, accessible, and affordable housing, which has been ongoing and is a focal point for the forthcoming zoning code update.

Collectively, the 6th Cycle Housing Element goals and programs and goals support housing production and more broadly the City's economic development initiatives by retaining a local workforce, attracting new businesses, and increasing the overall quality of life for residents. By focusing on housing affordability, Cathedral City can create a more inclusive,

economically vibrant community benefiting both residents and businesses alike.

DISCUSSION:

Affordable housing, including entry-level workforce housing, is key to supporting Cathedral City's economic growth and aligning with regional efforts seen in neighboring cities like Palm Springs, Palm Desert, and Rancho Mirage. These cities are investing in affordable housing not only to meet state requirements but also to realize the broader benefits that come with such development—improved infrastructure, increased business attraction, and economic resilience. Cathedral City stands to gain similar advantages by continuing to prioritize affordable housing projects.

One of the most valuable tools to support affordable housing development is the Low-Income Housing Tax Credit (LIHTC), which provides critical funding to make these projects financially viable. By focusing on city parcels located in High Resource Areas, Cathedral City can increase its chances of securing LIHTC funding, ensuring the development of high-quality affordable units serving low to moderate-income households. High Resource Areas are especially advantageous because they provide residents with greater opportunities for economic and social mobility, making these sites ideal for new developments.

Neighboring cities such as Rancho Mirage have utilized a Request for Qualifications (RFQ) process using city-controlled land to attract experienced developers, a process that may be attractive to Cathedral City to strategically target and develop affordable housing in key areas.

The Veterans Village project is an example of how the City made progress towards building affordable housing, an example that demonstrates the impact of City-controlled land and partnership. More developments such as this project will help the city comply with the State's requirements in making progress towards its Housing Element goals.

Other than the Veterans Village project, the City has not realized recent success with the construction of affordable housing. While recent legislation has provided more support and incentive for housing production, it hasn't catalyzed housing production at a local level, an indication that reliance on the private sector to bring forward new housing projects may not be enough for the City to meet its RHNA targets or to comply with its Housing Element goals. This is an area of increased risk as has been demonstrated through the most recent legislative session where the State has strengthened the HCD enforcement role, refined the Builder's Remedy, and imposed greater penalties for a lack of compliance.

Entry-level workforce housing is a critical driver of economic development as it ensures that essential workers, such as retail employees, service providers, and entry-level professionals, have access to affordable housing near their jobs. This proximity reduces commute times, improves quality of life, and supports local businesses by maintaining a stable workforce. Additionally, providing diverse housing options strengthens the local economy by attracting employers who rely on an available and reliable labor pool, ultimately contributing to community resilience and sustainable growth.

Progress towards meeting the housing goals in the 6th Cycle Housing Element helps maintain the City's Housing Element certification and mitigating potential negative outcomes. This

approach ensures the city not only meets its housing goals but also fosters business expansion, workforce retention, and a stronger, more vibrant economy.

In furtherance of the city's housing goals, the City Council could consider evaluating city-owned parcels and the site inventory detailed in the Housing Element to identify locations best suited for housing production. This evaluation could focus on parcels in High Resource Areas, maximizing opportunities for affordable housing development and potentially leveraging incentives like the Low-Income Housing Tax Credit (LIHTC). Staff could explore the feasibility of a strategic evaluation of these sites, particularly City owned properties, to determine their potential for inclusion in a Request for Qualifications (RFQ) process to attract prospective housing developers. The housing production of various ranges of affordability aligns with Cathedral City's broader economic development goals and implements both the Housing Element goals and the City's 5-Year Strategic Plan.

FISCAL IMPACT:

There is no fiscal impact associated with this discussion.

FIVE-YEAR STRATEGIC PLAN:

Goal F: Embracing, Inclusive City

- Action F-1: Develop comprehensive strategy to amend zoning code and update design guidelines, including an identification of what work City staff can accomplish and what work optimally should be contracted out, including: 1) development of objective design standards in response to new state housing laws; 2) overhaul of commercial zoning code; 3) substantial update of design guidelines; 4) streamlining of development review processes; 5) implementation of Cathedral City General Plan and Housing Element goals, policies, and programs; and 5) continued implementation of new state legislation.
- Action F-11: Review land use regulations to support diverse, accessible, and affordable housing.
- Action F-19: Develop standard plans, streamlined processes and educational materials that promote ADU's to increase housing production.

ATTACHMENTS:

None