City Council Agenda Report

From: Warren Frace, Community Development Director

Subject: Urgency Ordinance to Enact a Temporary Housing Element Moratorium on the Conversion of Five (5) or More Multi-family Residential Housing Properties to Non-residential in the R-3, R-4, R-5, TC-1, TC-2, T-4, and T-3 Zoning Districts

Date: October 29, 2019

Facts
1. Since 1969, California has required that all local governments (cities and counties) adequately plan to meet the housing needs of everyone in the community. California’s local governments meet this requirement by adopting housing plans as part of their General Plan.

2. The State “housing-element law” mandates that a housing element be included in all general plans.


4. The City is now beginning the process of updating its Housing Element for the 6th cycle (2019-2028) reporting period. The update Housing Element must be reviewed and certified by the California Department of Housing and Community Development (HCD) by December 2020.

5. California is currently experiencing a housing supply crisis, with housing demand far outstripping supply. In 2018, California ranked 49th out of the 50 states in housing per capita. This lack of housing supply in California has led to dramatically increasing housing costs across the State.

6. The City of Paso Robles has experienced the impact of this housing crisis locally and faces a current and immediate threat to public health, safety, and welfare if housing is not preserved. According to the Housing Opportunity Index prepared by the National Association of Home Builders, the San Luis Obispo-Paso Robles-Arroyo Grande metropolitan area was the eighth least affordable area to purchase a home in the United States in the first quarter on 2019.

7. For those households that cannot afford to purchase a home, rental housing is the only available option. The City’s Housing Element provides that multifamily rental housing is a key means of providing housing that is affordable to low and very low-income households.

8. Rental housing in the City of Paso Robles is similarly in short supply. The U.S. Census Bureau data from 2010 found that the rental vacancy rate in the City is 1.5%, well below the appropriate level for a healthy rental housing market.

9. The lack of rental housing supply in the City and surrounding areas has resulted in significant increases in residential rents in recent years. A recent study by the National Low-Income Housing Coalition found that fair market rent for a two-bedroom apartment in San Luis Obispo County increased by 17.8% from 2017 to 2019, while average hourly wages for renters during the same period only increased by 9.2%.

10. The increases in rents caused by the limited supply of rental housing force families to pay a disproportionate amount of household income on rent, creating strain on household finances. If households are forced to move out of the area because of increased rents, this can lead to loss of community, stress and anxiety for those forced to relocate, increased commute times and traffic impacts if displaced workers cannot find affordable housing within the City, and interruption of the education of children in the home.
11. A lack of affordable rental housing supply and increasing rents additionally increase the risk that more households will become homeless, and prevent homeless individuals and families from escaping homelessness. Based on the 2019 County of San Luis Obispo Homeless Census and Survey, the number of homeless individuals increased by 32% between 2017 and 2019, and 66% of the homeless individuals surveyed indicated that an inability to afford rent was a barrier to obtaining permanent housing.

12. When people have access to safe and affordable housing, they have more money for food and health care, are less likely to become homeless and in need of government subsidized services, their children do better in school, and businesses have an easier time recruiting and retaining employees.

13. In order to help facilitate the development of sufficient housing to alleviate the regional and statewide housing crisis, the City is required to provide sufficient land in its General Plan and Zoning Code to provide the City’s fair share of housing to meet the needs of the San Luis Obispo region. The City’s fair share is developed through the Regional Housing Need Allocation (“RHNA”) process conducted by the San Luis Obispo Council of Governments, which has determined in the 2019 RHNA Plan that the City will have to provide sufficient land in its General Plan and Zoning Districts for 1,446 new housing units in the City in its Housing Element for 2020-2028.

14. The RHNA process, however, presupposes that existing housing in the City will remain available and not be converted to non-housing uses, which would further exacerbate the harms to public safety, health and welfare caused by a shortage of safe and affordable housing, as described herein.

15. There are approximately 70 parcels in the City that have 5 or more housing units. If these parcels average 7-10 units each, the represent anywhere from 500 to 700 total housing units, the vast majority of which represent vital workforce housing for our residents. The loss of the units on any of these parcels, prior to progress on the updated Housing Element, could cause the permanent displacement of hundreds of individuals, particularly low- and very low-income families, causing a loss of community for those residents, and would further exacerbate the housing crisis.

16. Government Code Section 65858 authorizes the City to adopt an interim Urgency Ordinance to protect the public safety, health and welfare and to prohibit uses that may be in conflict with a contemplated General Plan or zoning proposal which the City is considering, studying, or intends to study within a reasonable time.

Options
1. Take no action;
2. Adopt a temporary moratorium on the processing and approval of land use applications, building permits, and demolition permits that would allow for the conversion of five or more multi-family residential dwelling units to nonresidential uses;
3. Adopt the proposed moratorium, with modifications;
4. Refer back to staff for additional analysis.

Analysis and Conclusions
The City is beginning the process of update the Housing Element for 6th cycle (2019-2028). The State through SLOCOG has allocated the City 1,446 housing units that must be accommodated in the new Housing Element. This number is approximately three times (3x) the number of units in the current Housing Element. In addition, approximately two-thirds (840 units) of these units must be affordable units (very low-income, low-income and moderate-income).

Simply put, this is State mandate will be very difficult for the City to achieve. Moreover, in light of the current housing crisis, the State is stepping up its enforcement efforts to ensure local agencies are complying with the Housing Element Law. The State sued the City of Huntington Beach earlier this year alleging that Huntington Beach’s housing element was not legally compliant.

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Total Allocation</th>
<th>Very Low</th>
<th>Low</th>
<th>Moderate</th>
<th>Above Moderate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paso Robles</td>
<td>1,446</td>
<td>356</td>
<td>224</td>
<td>260</td>
<td>606</td>
</tr>
</tbody>
</table>

In consideration the State mandated allocation, the loss of any existing multi-family residential units during the Housing Element process is a significant concern. The conversion of multi-family housing to non-residential use could cause the permanent displacement of hundreds of individuals, particularly low- and very low-income families, causing a loss of community for those residents and would further exacerbate the housing crisis and reduce the available multifamily rental housing supply within the City, increasing demand and rents for the remaining units in the City and further aggravating the harms to public safety, health and welfare caused by a shortage of rental housing.

Any loss of affordable and workforce housing will displace workers which will impact the local economy. There is currently a shortage of workers in the manufacturing, lodging, hospitality, food service and wine/agriculture sectors. The lack of available workers has been a top issue for local business as revealed in a recent business surveys and outreach processes (Attachment 2 – 11/8/18 Chamber of Commerce Business Survey).

To address this concern, staff is recommending a temporary moratorium on the processing and approval of land use applications, building permits and demolition permits that would allow for the conversion of five (5) or more multi-family residential dwelling units in the R-3, R-4, R-5, TC-1, TC-2, T-4, and T-3 Zoning Districts to nonresidential uses. There are approximately 70 properties with five (5) or more multi-family residential dwelling units (refer to attachment 1).

If adopted, the temporary moratorium will be in effect for 45 days (until December 13, 2020), unless further extended by the City Council. After notice and a public hearing, the Council may extend the moratorium for 10 months and 15 days and subsequently extend the moratorium for up to one year. No more than two extensions may be adopted. Staff will notice a public hearing for the December 3, 2019 City Council meeting to consider whether a further extension is necessary to allow for completion of the Housing Element in late 2020, which would provide time for the City to analyze and update housing policies, accommodate the State’s Regional Housing Needs Allocation, and address the harms to public safety, health and welfare that would occur from a lack of affordable housing.

The Urgency Ordinance will require a four-fifths (4/5) approval vote from the City Council and shall be in effect for 45 days from the date of adoption. The City Council would have to take additional actions in
accordance with Government Code, Section 65858 to extend the ordinance. Otherwise the ordinance will expire and be of no further force or effect.

**Fiscal Impact**
There is no immediate fiscal impact associated with this action. If the Urgency Ordinance is not adopted, there may be negative fiscal impacts associated with allowing the conversion of multi-family residential units to non-residential uses during the Housing Element planning process, to the extent that it would make achieving state RHNA requirements more difficult and costly for the City.

**Recommendation (Option 2)**
Adopt Ordinance 19-XXX as an Urgency Ordinance, enacted pursuant to Government Code section 65858.

**Attachments**
1. Zoning Map - Five (5) or more multi-family residential dwelling units in the R-3, R-4, R-5, TC-1, TC-2, T-4, and T-3 Zoning Districts
2. 11/8/18 Chamber of Commerce Business Survey
3. Ordinance 19-XXX - Urgency Ordinance – Housing Element moratorium for the conversion of multi-family residential housing projects to non-residential uses
Business Walk 2018 – Results Summary

On November 8, 2018, the Paso Robles Chamber of Commerce (PRCC) conducted its inaugural Business Walk. Chambers have utilized this tool throughout the United States as a way to interact with business owners and managers to collect feedback about their business. The PRCC, along with a group of 70 volunteers, attempted to visit 422 businesses with the purpose of discussing the state of business. Being respectful of business owner’s time, volunteers asked just a few questions to help the Chamber and the City of Paso Robles understand the state of their business and what our community needs to improve the economy. Business owners also had the option of completing the survey online if they were unable to do so at the time of the Business Walk. The results of the walk were presented at the November 28, 2018 PRCC Wake Up Paso monthly breakfast meeting to a group of around 75 attendees and are summarized below.

Quick Facts:
- Number of Business Walk Volunteers = 70
- Number of businesses attempted to visit = 422
- Number of business surveys collected in person = 145
- Number of business surveys collected digitally = 15
- Survey response rate = 40%
- Areas that need the most emphasis = housing (cost and availability), business attraction, workforce solutions, business retention and expansion, and education
- Top business needs = marketing and advertising assistance, attracting and retaining qualified talent, faster internet

Volunteers were equipped with maps, a list of 10 businesses, surveys, follow-up collateral, and water bottles. They were then sent to various commercial and industrial areas within the City limits to conduct their walk. Business owners and managers were asked three questions:

1. How would you rate the current state of your business?
2. What resources do you need to improve your business?
3. Which areas do you feel require the most emphasis?

Response results are provided on the following pages.
Question #2 – What resources do you need to improve your business?

Participants were asked to select as many of the following resources as applicable:

- Financial Assistance
- Marketing and Advertising Assistance
- Education and Training
- Attracting and Retaining Qualified Talent
- Faster or More Reliable Internet Connection
- I have all the resources I need
- Other: ______________

Question #2 Results

<table>
<thead>
<tr>
<th>Resource</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Assistance</td>
<td>9</td>
</tr>
<tr>
<td>Parking</td>
<td>10</td>
</tr>
<tr>
<td>Education and Training</td>
<td>14</td>
</tr>
<tr>
<td>Faster or More Reliable Internet Connection</td>
<td>30</td>
</tr>
<tr>
<td>Marketing and Advertising Assistance</td>
<td>44</td>
</tr>
<tr>
<td>I have all the resources I need</td>
<td>46</td>
</tr>
<tr>
<td>Attracting and Retaining Qualified Talent</td>
<td>58</td>
</tr>
</tbody>
</table>

Note that parking was added as an “Other” by 10 businesses.
Question #3 – In creating a five-year Economic Strategic Plan for our community, which areas do you feel require the most emphasis?

Participants were asked to select up to three of the following:

- City beautification
- Culture (Events, Art, Parades, Museums)
- Workforce solutions
- Business Attraction
- Business Retention and Expansion
- Promotion of our Region
- Tourism
- Education
- Infrastructure (Road, Water, Internet)
- Collaboration with Strategic Partners (Wine Alliance, Downtown Association)

Note that parking was added as an “Other” by 8 businesses.

<table>
<thead>
<tr>
<th>Area</th>
<th>Selections</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establishing a Co-Working Space</td>
<td>4</td>
</tr>
<tr>
<td>Agriculture</td>
<td>7</td>
</tr>
<tr>
<td>Parking</td>
<td>8</td>
</tr>
<tr>
<td>Tourism</td>
<td>15</td>
</tr>
<tr>
<td>Promotion of our Region</td>
<td>19</td>
</tr>
<tr>
<td>Culture</td>
<td>21</td>
</tr>
<tr>
<td>Collaboration with Strategic Partners</td>
<td>23</td>
</tr>
<tr>
<td>City Beautification</td>
<td>23</td>
</tr>
<tr>
<td>Education</td>
<td>28</td>
</tr>
<tr>
<td>Business Retention and Expansion</td>
<td>29</td>
</tr>
<tr>
<td>Workforce Solutions</td>
<td>32</td>
</tr>
<tr>
<td>Business Attraction</td>
<td>35</td>
</tr>
<tr>
<td>Housing</td>
<td>53</td>
</tr>
</tbody>
</table>

11/8/18 Business Survey
Next Steps
The information collected herein will be used to craft Goals, Objectives, and Actions for inclusion in the forthcoming Economic Development Strategic Plan. It is anticipated that the Strategic Plan will be publicly available in Spring 2019. In addition, the PRCC will be reaching out to those business who indicated poor/slow with the intent of providing them with tools and resources to overcome their challenges. Additional questions or comments may be forwarded to Josh Cross, Director of Economic Development for the Paso Robles Chamber of Commerce josh@pasorobleschamber.com or (805) 238-0506.
URGENCY ORDINANCE NO. 19-XXX

AN URGENCY ORDINANCE OF THE OF THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES IN ACCORDANCE WITH GOVERNMENT CODE SECTION 65858 ENACTING FOR A PERIOD OF FORTY-FIVE (45) DAYS A MORATORIUM ON THE PROCESSING AND APPROVAL OF LAND USE ENTITLEMENTS, BUILDING PERMIT, AND DEMOLITION PERMIT APPLICATIONS WITHIN THE R-3, R-4, R-5, TC-1, TC-2, T-4, and T-3 ZONING DISTRICTS THAT WOULD DEMOLISH OR CONVERT EXISTING MULTI-FAMILY RESIDENTIAL PROPERTIES WITH FIVE (5) OR MORE UNITS TO NONRESIDENTIAL USES.

THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES DOES ORDAIN AS FOLLOWS:

SECTION 1. Urgency Findings. In accordance with California Government Code Section 65858 and in order to protect the public health, safety and welfare, the City Council of the City of El Paso de Robles finds as follows:

Government Code Section 65858 authorizes the City to adopt an interim Urgency Ordinance to protect the public safety, health and welfare and to prohibit uses which may be in conflict with a contemplated General Plan or zoning proposal which the City is considering, studying or intends to study within a reasonable time.

California is experiencing a housing supply crisis, with housing demand far outstripping supply. In 2018, California ranked 49th out of the 50 states in housing per capita. This lack of housing supply in California has led to dramatically increasing housing costs across the State.

The City has experienced the impact of this housing crisis locally. According to the Housing Opportunity Index prepared by the National Association of Home Builders, the San Luis Obispo-Paso Robles-Arroyo Grande metropolitan area was the eighth least affordable area to purchase a home in the United States in the first quarter on 2019.

For those households that cannot afford to purchase a home, rental housing is the only available option. The City’s Housing Element provides that multifamily rental housing is a key means of providing housing that is affordable to low and very low-income households.

Rental housing in the City is similarly in short supply. The U.S. Census Bureau data from 2010 found that the rental vacancy rate in the City is 1.5%, well below the appropriate level for a healthy rental housing market.

The lack of rental housing supply in the City and surrounding areas has resulted in significant increases in residential rents in recent years. A recent study by the National Low-Income Housing Coalition found that fair market rent for a two-bedroom apartment in San Luis Obispo County increased by 17.8% from 2017 to 2019, while average hourly wages for renters during the same period increased by only 9.2%.

The increases in rents caused by the limited supply of rental housing force families to pay a
disproportionate amount of household income on rent, creating strain on household finances, and if households are forced to move out of the area because of increased rents can lead to loss of community, stress and anxiety for those forced to relocate, increased commute times and traffic impacts if displaced workers cannot find affordable housing within the City, and interruption of the education of children in the home.

A lack of affordable rental housing supply and increasing rents additionally increase the risk that more households will become homeless, and prevent homeless individuals and families from escaping homelessness. Based on the 2019 County of San Luis Obispo Homeless Census and Survey, the number of homeless individuals increased by 32% between 2017 and 2019, and 66% of the homeless individuals surveyed indicated an inability to afford rent was a barrier to obtaining permanent housing.

When people have access to safe and affordable housing, they have more money for food and health care, are less likely to become homeless and in need of government subsidized services, their children do better in school, and businesses have an easier time recruiting and retaining employees.

In order to help facilitate the development of sufficient housing to alleviate the regional and statewide housing crisis, the City is required to provide sufficient land in its General Plan and Zoning Code to provide the City’s fair share of housing to meet the needs of the San Luis Obispo region. The City’s fair share is developed through the Regional Housing Need Allocation (“RHNA”) process conducted by the San Luis Obispo Council of Governments, which has determined in the 2019 RHNA Plan that the City will have to provide sufficient land in its General Plan and Zoning Districts for 1,446 new housing units in the City in its Housing Element for 2020-2028.

The RHNA process, however, presupposes that existing housing in the City will remain available and not be converted to non-housing uses, which would further exacerbate the harms to public safety, health and welfare caused by a shortage of safe and affordable housing, as described herein.

Within the R-3, R-4, R-5, TC-1, TC-2, T-4, and T-3, there are approximately 70 properties with five or more multifamily rental units that provide important workforce housing for City. Rental housing is the primary source of very low, low, and moderate income housing that supports the local workforce.

Within the Uptown / Town Center Specific Plan the TC-1, TC-2, T-4, and T-3 Zoning Districts a range of mixed-use are permitted including multi-family residential and non-residential uses.

Within the R-3, R-4 and R-5 Zoning Districts, other residential uses, such as residential care, are permitted, which could impact the availability of multi-family residential housing if multi-family residential units are converted to other uses.

The conversion of multi-family housing to non-residential use could cause the permanent displacement of hundreds of individuals, particularly low- and very low-income families, causing a loss of community for those residents, and would further exacerbate the housing crisis and reduce
the available multifamily rental housing supply within the City, increasing demand and rents for the remaining units in the City, and further aggravate the harms to public safety, health and welfare caused by a shortage of rental housing.

This displacement of workers will impact the local economy where there is currently a shortage of workers in the manufacturing, lodging, hospitality, food service and wine/agriculture sectors. The City Council wishes to adopt this temporary moratorium on the processing and approval of land use applications and the issuance of building permits, demolition permits, occupancy and other permits that would allow for the conversion of existing multiple dwelling uses in the R-3, R-4, R-5, TC-1, TC-2, T-4, and T-3 Zoning Districts within the Uptown/Town Centre Specific Plan Area to nonresidential uses, until the City can analyze such uses and propose policies, standards improvements and implementation measures to address the harms to public safety, health and welfare that would occur as a result of such conversions.

The City is initiating the process of updating the Housing Element for 6th cycle (2019-2028). The State through SLOCOG has allocated the City 1,446 housing units that must be accommodated in the new Housing Element. This number is approximately three times (3x) the number of units in the current Housing Element. In addition, approximately two-thirds (840 units) of these units must be affordable units (very low-income, low-income and moderate-income).

In consideration the State mandated housing allocation, the loss of any existing multi-family residential units during the Housing Element process is a significant concern. The conversion of multi-family housing to non-residential use could cause the permanent displacement of hundreds of individuals, particularly low- and very low-income families, causing a loss of community for those residents and would further exacerbate the housing crisis and reduce the available multifamily rental housing supply within the City, increasing demand and rents for the remaining units in the City and further aggravating the harms to public safety, health and welfare caused by a shortage of rental housing.

The City Council finds that the approval of a temporary moratorium is a tool to maintain the status quo and allow the City to effectively establish a process to update the State mandated Housing Element to address the harms that would occur if existing multiple dwelling uses within the R-3, R-4, R-5, TC-1, TC-2, T-4, and T-3 Zoning Districts were converted to non-residential uses, resulting in the permanent loss of needed multi-family residential units. The City Council’s intent is to restrict approval of land use applications that would result in a current and immediate threat to the public safety, health, or welfare because consideration and approval of such uses may be inconsistent with proposed land use designations and contemplated general and specific plan policies now being studied with the Housing Element update to address the conversion of existing multiple dwelling uses to non-residential uses. The moratorium will protect and promote the Housing Element planning process by, among other things, maintaining the status quo and prohibiting irreversible land use changes that could be inconsistent with the City’s later-adopted General Plan Housing Element policies and prevent the City from meeting its Regional Housing Needs Allocation.

SECTION 2. Moratorium. The City Council hereby enacts this interim urgency ordinance under section 65858, subdivision (a), of the California Government Code, which allows the City to adopt an interim urgency ordinance by not less than a four-fifths vote to protect the public safety, health, and welfare by prohibiting any use that may be in conflict with a zoning proposal that the city council, planning commission, or department of the City is considering or studying or intends to
study within a reasonable time. The purpose of this ordinance is to maintain the status quo while the
City begins the Housing Element update and evaluates the impact of converting multi-family
residential uses to non-residential uses in the R-3, R-4, R-5 TC-1, TC-2, T-4, and T-3 zoning
districts.

Accordingly, the City of El Paso de Robles shall not issue or approve any General
Plan Amendment, Specific Plan, Specific Plan Amendment, zone change, development plan,
conditional use permit, building permit, demolition permit, occupancy permit, variance, subdivision
map, or other land use entitlement or permit required to comply with the provisions of the City of
El Paso de Robles Municipal Code for development or construction of any non-residential use or
non-multi-family residential use on property currently used for five (5) or more multi-family
residential dwelling units in the R-3, R-4, R-5 TC-1, TC-2, T-4, and T-3 zoning districts during the
time that this interim urgency ordinance is in effect, and continuing for the time set forth in Section
9 below.

The prohibitions contained in this section shall not apply to the issuance of building,
electrical, plumbing, mechanical and grading permits, for buildings and uses that have received
discretionary land use entitlement approvals on or before the effective date of this urgency
ordinance.

SECTION 3. Applications. The City may continue to accept and process applications for
uses prohibited by this moratorium for conversion of multi-family residential uses to non-residential
uses if so required by State law. Any application received and processed during the moratorium shall
be processed at the applicant's sole cost and risk with the understanding that no permit, approval, or
other entitlement for such a conversion may issue while this moratorium or any extension of it is in
effect.

SECTION 4. Compliance with California Environmental Quality Act. The City Council finds
that this Urgency Ordinance is not subject to the California Environmental Quality Act (CEQA)
pursuant to Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable
indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined
in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3,
because it has no potential for resulting in physical change to the environment, directly or indirectly;
it prevents changes in the environment pending the completion of the contemplated Housing
Element update to the General Plan.

SECTION 5. Severability. If any provision of this Urgency Ordinance or the application
thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions
or applications of the Urgency Ordinance which can be given effect without the invalid provision or
application, and to this end the provisions of this ordinance are severable. The City Council hereby
declares that it would have adopted this Urgency Ordinance irrespective of the invalidity of any
particular portion thereof.

SECTION 6. Effective Date. This Urgency Ordinance was adopted by the necessary four-
fifths vote of the members of the City Council pursuant to California Government Code Section
65858, and shall take effect immediately upon its adoption.

SECTION 7. Written Report. At least 10 days before this Urgency Ordinance or any
extension expires, the City Council shall issue a written report describing the measures taken to alleviate the condition which led to the adoption of this Urgency Ordinance.

SECTION 8. Publication. The City Clerk shall certify to the passage of this Urgency Ordinance and cause the same or a summary thereof to be published within fifteen (15) days after adoption in a newspaper of general circulation, printed and published in El Paso de Robles, California.

SECTION 9. Term. This Ordinance is an Urgency Ordinance, enacted pursuant to Government Code section 65858. The term of this Urgency Ordinance shall be for 45 days from the date of adoption and shall expire and be of no further force or effect, unless and until extended in accordance with Government Code, Section 65858.

PASSED, APPROVED, AND ADOPTED, by the City Council of the City of El Paso de Robles this 29th day of October, 2019 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

______________________________
Steven W. Martin, Mayor

Attest:

______________________________
Melissa Martin, Deputy City Clerk