

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF HOUSING POLICY DEVELOPMENT**

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June 25, 2024

Katie Herlihy, Director
Community Development Department
City of Capitola
420 Capitola Ave.
Capitola, CA 95010

Dear Katie Herlihy:

RE: City of Capitola's 6th Cycle (2023-2031) Revised Draft Housing Element

Thank you for submitting the City of Capitola's (City) revised draft housing element received for review on April 30, 2024, along with revisions received on June 24, 2024. The revisions were posted and made available to the public for seven days prior to review. Pursuant to Government Code section 65585, the California Department of Housing and Community Development (HCD) is reporting the results of its review. Our review was facilitated by a conversation on June 12, 2024, with you and the City's housing element team. In addition, HCD considered comments from Santa Cruz YIMBY pursuant to Government Code section 65585, subdivision (c).

The revised draft element, including revisions, addresses most statutory requirements; however, revisions will be necessary to comply with State Housing Element Law (Gov. Code, § 65580 et seq), as follows:

1. *An inventory of land suitable and available for residential development, including vacant sites and sites having realistic and demonstrated potential for redevelopment during the planning period to meet the locality's housing need for a designated income level, and an analysis of the relationship of zoning and public facilities and services to these sites. (Gov. Code, § 65583, subd. (a)(3).)*

Identify actions that will be taken to make sites available during the planning period with appropriate zoning and development standards and with services... (Gov. Code, § 65583, subd. (c)(1).)

Suitability of Nonvacant Sites: The element must still evaluate the extent existing uses impede additional development. This analysis may utilize a site-by-site approach or could utilize a representative sites approach (e.g., by corridor, by use, by planning area). To address the extent existing uses impede additional development; the element should describe and analyze impediments or other

conditions that preclude additional development and promote redevelopment. For example, the analysis could address lack of recent improvements or investment, vacancies, existing versus allowable floor area, recent and frequent turnover in uses and lack of existing leases, contracts or other conditions that preclude additional residential development, recent development activity on similar sites or incentives as a result of proposed zoning changes. Based on a complete analysis, the element should add or modify programs as appropriate to promote redevelopment and encourage a variety of housing types.

For your information, the element relies on nonvacant sites to accommodate 50 percent or more of the housing needs for lower-income households, which triggers requirements to make findings (e.g., as part of an adoption resolution) based on substantial evidence that the existing use is not an impediment and will likely discontinue in the planning period. While the resolution of the prior adopted element includes the findings, any changes to the analysis should be reflected in future re-adoption of the element, including findings in the resolution.

Program 3.1 (Emergency Shelters and Low Barrier Navigation Centers): While the element commits to amending the Zoning Code to permit emergency shelters by-right, the element should further clarify that emergency shelters will also be permitted without any discretionary action.

Electronic Site Inventory: For your information, pursuant to Government Code section 65583.3, subdivision (b), the City must utilize standards, forms, and definitions adopted by HCD when preparing the sites inventory and submit an electronic version of the sites inventory. While the City has submitted an electronic version of the sites inventory, if changes occur, any future re-adopted versions of the element must also submit the electronic version of the sites inventory.

2. *An analysis of potential and actual governmental constraints upon the maintenance, improvement, or development of housing for all income levels, including... ..land use controls... (Gov. Code, § 65583, subd. (a)(5).)*

Address and, where appropriate and legally possible, remove governmental and nongovernmental constraints to the maintenance, improvement, and development of housing, including housing for all income levels and housing for persons with disabilities...(Gov. Code, § 65583, subd. (c)(3).)

Other Locally Adopted Ordinances – Incentives for Community Benefit: The element must still analyze the cost impacts of the community benefits relative to the cost benefits of incentives and revise programs, if necessary. For example, Program 1.7 (Shopping/Commercial Center Redevelopment) could add an action

to monitor impacts on financial feasibility and make modifications, as appropriate by a specified date, to address identified constraints.

The element will meet the statutory requirements of State Housing Element Law once it has been revised, adopted, submitted to, and reviewed by HCD to comply with the above requirements pursuant to Government Code section 65585.

As a reminder, the City's 6th cycle housing element was due December 15, 2023. As of today, the City has not completed the housing element process for the 6th cycle. The City's 5th cycle housing element no longer satisfies statutory requirements. HCD encourages the City to revise the element as described above, adopt, and submit to HCD to regain housing element compliance.

Public participation in the development, adoption and implementation of the housing element is essential to effective housing planning. Throughout the housing element process, the City should continue to engage the community, including organizations that represent lower-income and special needs households, by making information regularly available and considering and incorporating comments where appropriate. Please be aware, any revisions to the element must be posted on the local government's website and to email a link to all individuals and organizations that have previously requested notices relating to the local government's housing element at least seven days before submitting to HCD.

Several federal, state, and regional funding programs consider housing element compliance as an eligibility or ranking criteria. For example, the CalTrans Senate Bill (SB) 1 Sustainable Communities grant, the Affordable Housing and Sustainable Communities program, and HCD's Permanent Local Housing Allocation consider housing element compliance and/or annual reporting requirements pursuant to Government Code section 65400. With a compliant housing element, the City will meet housing element requirements for these and other funding sources.

For your information, some general plan element updates are triggered by housing element adoption. HCD reminds the City to consider timing provisions and welcomes the opportunity to provide assistance. For information, please see the Technical Advisories issued by the Governor's Office of Planning and Research at: <https://www.opr.ca.gov/planning/general-plan/guidelines.html>.

HCD appreciates the cooperation, responsiveness, and dedication the City's housing element team provided during the housing element update and review. We are committed to assisting the City in addressing all statutory requirements of State Housing Element Law. If you have any questions or need additional technical assistance, please contact Jose Ayala, of our staff, at Jose.Ayala@hcd.ca.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "Paul McDougall", with a stylized flourish at the end.

Paul McDougall
Senior Program Manager