

**City of Encinitas – Revised Draft Housing Element  
- September 2015 -**

**I. Document Format**

The City's draft Housing Element is broken down into three main sections: Introduction; Goals, Policies, and Programs; and Housing Plan. Below summarizes the purpose of each section and outlines staff's approach to responding to HCD's review letter.

Introduction of the Housing Element: The purpose of the introduction section is to set the format and organization of the Housing Element. The section includes components such as a purpose statement and an overview of the public participation and engagement.

Based on HCD's review letter, the following changes are proposed:

**Related Goals and Policies  
Page 9**

The Land Use Element sets forth the amount and type of residential development permitted under the General Plan, thereby affecting housing opportunity in Encinitas. In addition, the Land Use Element contains policies directed at maintaining the existing housing stock, as well as ensuring the quality of new residential development. The Circulation Element contains policies to minimize roadway traffic into residential neighborhoods, and the Noise Element sets forth policies to minimize the level of noise in neighborhoods. The Resource Management Element establishes development standards to minimize the impact of residential development on sensitive resources, such as hillside areas, ecological habitat, and scenic viewsheds. Finally, the Public Safety Element sets forth policies to ensure the safety of the City's housing stock through such measures as code enforcement, and mitigation of environmental hazard as a condition to development. Table 3-1: Housing Policy Matrix depicts General Plan elements that support the goals of the Housing Element.

**TABLE 3-1 HOUSING POLICY MATRIX**

*Note: no changes to Table 3-1.*

While each of the elements is independent, the elements are also interrelated. Certain goals and policies of each element may also address issues that are primary subjects of other elements. This integration of issues throughout the General Plan creates a strong basis for the implementation of plans and programs and achievement of community goals.

The City will ensure internal consistency among the various elements in accordance with state planning law. This Housing Element builds upon other General Plan elements and, after making concurrent amendment to the Land Use Element, is entirely consistent with the policies and proposals set forth by the General Plan. When an element in the General Plan is amended, the Housing Element will be reviewed and modified if necessary to ensure continued consistency among the various elements.

Housing Element Goals, Policies, and Programs: This section begins with the goals and policies that express the City’s values on a number of important housing-related issues. This section also includes a list of implementation programs, which are being proposed to show how the City intends to implement the established goals and policies over the planning period.

Based on HCD’s review letter, the following changes are proposed:

**PROGRAM 1A: Accommodate the City’s Regional Housing Needs Assessment Allocation**

The City of Encinitas has been assigned a total Regional Housing Needs Allocation (RHNA) of 2,603 for the 2013-2020 Housing Element, along with carryover RHNA allocations from prior planning periods. The breakdown of the RHNA is as follows:

**TABLE 3-2: CITY OF ENCINITAS RHNA ALLOCATION**

Low/Very Low	1,033	<del>236</del> <u>250</u>
Moderate	413	0
Above Moderate	907	0
TOTAL	2,353	<del>236</del> <u>250</u>

Pursuant to the City’s current General Plan, the City has capacity to accommodate the RHNA allocations for the moderate and above moderate income levels without the need for rezoning. With units constructed, under construction and approved at the time of writing this Housing Element, the City has met a portion of its RHNA allocation for the low/very low income units as reflected below.

**TABLE 3-3: CITY OF ENCINITAS RHNA ADJUSTMENTS AND REMAINING RHNA OBLIGATION**

Low/Very Low	1,283
R-25 Zone Capacity	< 124 >
Accessory Unit Production	146
New Construction	<del>514</del> <u>7</u>
REMAINING RHNA	<del>962</del> <u>1,090</u>

The City is committed to providing adequate sites with appropriate zoning to accommodate the remaining RHNA and accommodate the need for groups of all income levels pursuant to Section 65584 of the Government Code. To accomplish this mandate of the State and to facilitate the development of multifamily housing affordable to lower-

income households, the City shall rezone those sites identified on the final housing strategy map provided in as an attachment to Appendix B. This rezoning program will result in the rezoning of XX acres of land, creating an opportunity for at least XXXX units that are allowed by-right during the planning period pursuant to Section 65583.2. This exceeds the remaining RHNA obligation of 1,090 units by XX percent, providing an adequate buffer in consideration of the no net loss requirement and minimizes the future constraint Proposition A places on accommodating adequate sites by giving voters the opportunity to make this a long-term land use decision. This program also includes a provision to make any necessary changes in other General Plan elements to ensure consistency, along with a time line for accomplishing the rezoning.

The voters will be presented with the Housing Element, rezonings and Zoning Code amendments, currently scheduled for November 2016. This approach will be taken because voter approval is required when major amendments are made to certain land use planning policy documents causing major increases in zoning density or intensity of land use, pursuant to Encinitas General Plan Land Use Policies and Municipal Code Chapter 30. Since accommodating the RHNA necessitates changes to the General Plan Land Use Element, Zoning Map, Encinitas Zoning Code and certain specific plans, a vote of the people is required. Presenting both the Housing Element, along with rezonings and Zoning Code amendments concurrently provides maximum transparency and comprehensive consideration by the voters. Any changes necessary as a result of Department of Housing and Community Development and California Coastal Commission review and certification following the November 2016 vote shall not require a subsequent ballot measure, even if the change would otherwise trigger a ballot measure per Proposition A. The November 2016 ballot measure will expressly delegate the authority to enact changes to ensure a certified Housing Element and Local Coastal Program certification to the City Council. Delegation of authority specific to accomplishing required state certifications is consistent with Proposition A because the voters are asked to authorize it in the comprehensive November 2016 ballot measure.

A fundamental principle in accommodating the City's very low/low RHNA income category of housing units is that no property owner whose site is a part of the inventory (Housing Strategy Map) would lose their existing zoning rights. Therefore, a property which is on the Housing Strategy Map to accommodate very low/low RHNA income category of housing units will retain its existing zoning rights and receive additional rights to build either standalone residential or housing as part of a mixed use project, as reflected on the Map. To implement this approach, ~~either new zoning districts will be created that consolidate existing zoning rights with accommodating housing as a standalone or mixed use project, or a new zoning overlay (i.e., supplemental zoning rights) floating zones will be utilized, which would replace the existing zoning should a property owner elect to develop housing over the existing zoning designation.~~ The City will carefully review the designated sites to ensure that they comply with the State law requirement to receive RHNA credit that either 50 percent of the sites be designated for residential use only, or that all of the housing units may be accommodated on sites allowing mixed use where 50 percent of the floor area must be used for housing. Density will range from a minimum of 20 dwelling units per acre to a maximum of 2530 dwelling units per acre as a permitted use. Since the City has adequate capacity to accommodate the moderate and higher income RHNA categories of housing units, no zoning changes associated with this Housing Element update will occur on properties that are already zoned for those types of housing units.

Changes to development standards will be necessary to accommodate the very low/low income RHNA category of housing units. These changes include increasing the

allowable building height to three stories at up to 33 feet in height and allowing for building pad certification. If a property owner does not develop a project to accommodate the very low/low income RHNA category of housing units, instead choosing to continue with their existing zoning rights, the maximum two-story/30-foot building height and existing height determination method will remain as per Encinitas Municipal Code Chapter 30.00, or as otherwise may be further restrictive as set forth in Encinitas Municipal Code Title 30. Development standards will also be revised to address parking-related and other zoning issues to ensure that new standards will accommodate the minimum density required in the zone. Resulting projects will be required to provide a mix of housing sizes for owner-occupied and/or rental multi-family housing, commensurate with the size of the project. All projects will also achieve the minimum density requirements per Section 65583.2.

[...]

#### **PROGRAM 1B: Create new design standards and guidelines as part of adoption of new zoning districts**

Design review will still apply to projects on the Housing Strategy Map involving the very low/low income RHNA category of housing units. To ensure quality projects that reflect the community's design character contexts, new design standards and guidelines will be prepared. The guidelines will focus on neighborhood-specific compatibility issues, as well as provide direction on how to ensure projects are successful, both in design and in implementation.

All projects shall have a mix of two- and three- story buildings or two- and three-story elements. Five neighborhood prototypes were conceptually identified, connecting land use with a community design character context. These prototypes, which are also related to the land use changes described in Program 1A, form the foundation for design standards and guidelines.

[...]

#### **PROGRAM 1C: Promote the development of accessory housing units**

Accessory units help meet the City's affordable housing needs by providing a housing resource for seniors and small, low and moderate income households. The City will continue to apply Zoning Code regulations that allow accessory units (also known as second units or granny flats) by right in all single-family residential zones, in accordance with State law. Implementation of the current program resulted in City's regulations permitted the construction of at least 19 new units per year during the last Housing Element review period. Assuming permit trends continue to increase, there should be an increase in all housing starts, including accessory unit production.

Based on development trends, there is great potential for new affordable housing with accessory units. Therefore, the City will continue to accommodate and promote the construction of affordable accessory units by increasing the public awareness of the Accessory Unit Program. Relaxing development standards and/or providing additional incentives will also likely encourage additional production of accessory housing units property owners to pursue authorizations for and construct accessory units, particularly with respect to reduced setback and parking requirements. For this 2013-2021 Housing Element cycle, the City will consider different programmatic options that could incentivize additional production, which may include some or all of the following:

- First point-of-contact. The City can also consider assigning a staff person to serve as a first point-of-contact for permitting information. The City could also establish and maintain a “second unit specialist” in the Development Services Section to assist in processing and approving accessory units.
- Permit fee reductions. Reducing permitting costs could help decrease up-front costs, which have been shown through different studies to be a barrier to affordable housing provisions. Fee reductions could be applied to permit applications for units that are rented to lower-income households or for family members (in-law apartments) at low or no-cost.
- FAR increase. In a community where land costs are high and FARs are strictly regulated, the provision of this additional building floor area could bring new interest to the program. Permitting additional residential floor area above the maximum allowable Floor Area Ratio (FAR) for the property could greatly incentivize construction.
- Reduced rear-yard setbacks. An allowance for single-storied encroachment into otherwise required rear-yard setbacks could create more flexibility to the property owner. In this case, reductions could be considered provided that 1) a minimum setback of ten (10) feet is provided adjacent property and 2) all other structures on the property fully comply with other specified setback and height requirements, including the primary residence from the front, side, and rear lot lines. Building height for accessory units would be reduced the deeper into the reduced setback the building is located.
- Parking waivers for the main residence. Parking requirements typically serve as the greatest barrier to housing development due to land availability, existing site constraints and cost. Parking waivers could be applied to the accessory unit. On-street parking would suffice for an accessory unit, if the parking is available within a short walking distance of the unit, except within one-quarter mile of public beach access points.
- Junior second units. The City may also evaluate “junior” second units as a means to achieve more housing for lower income households. Junior second units could be limited in size and have different requirements than other unit types.

The above list of regulatory and non-regulatory incentives illustrates a wide range of different approaches that the City could take to increase interest in the Accessory Unit Program. Other items may also be considered as a means to increase the use of the Accessory-Unit Program. The approaches outline potential courses of action that City Council could take as a course of action. Since there is a need to incentivize accessory unit production early in the Housing Element cycle, the City will initiate an ordinance update in the first part of 2016 and work with the community to determine the most effective and efficient approach or mix of strategies.

In order to minimize adverse impacts on established neighborhoods, the City will monitor the effects that construction of these new accessory units may have on the character of surrounding neighborhoods. If detrimental impacts are found, the City may revise its

Accessory Unit Program and re-evaluate any correlated Housing Element Program actions to accommodate the City's remaining regional housing needs.

[...]

Objectives:

- Relax development standards to encourage accessory housing unit production
- Continue to administer the accessory unit regulations
- Develop informational packets to market accessory unit production
- Achieve an average of 30 accessory units annually; 242 total over the eight year period.

Timeframe:

- ~~November~~ June 2016 for Zoning Code amendments
- ~~December 2017~~ October 2016 availability of promotional materials for accessory housing units
- ~~January 2018~~ November 2017 Coastal Commission certification of Local Coastal Program Amendments

**Program 1E: Promote and streamline lot consolidation**

[...]

Objectives:

- Subdivision maps and lot consolidations involving the very low/low income RHNA category of housing units will be made an administrative decision to the extent allowable under the Map Act
- Prepare an inventory of potential lot consolidations
- Meet with developers on an annual basis to review permit activity associated with different development regulations and evaluate improvements to the permitting process, including potential incentives to encourage lot consolidations
- Achieve on average one lot consolidation project per year over the planning period

Timeframe:

- November 2016 General Election for Subdivision and Zoning Code amendments
- January 2018 Coastal Commission certification of Local Coastal Program Amendments
- Meeting with developers in the summer of every year
- December 2017 availability of potential lot consolidation inventory

**Program 2B: Facilitate Affordable Housing**

[...]

Objectives:

- Facilitate the development of one affordable housing project in the 2013-2021 planning period.

[...]

## **Program 2E: Establish infrastructure and public amenities financing tools**

[...]

Timeframe:

- ~~January 2018 initiate feasibility study~~ Initiate feasibility study as soon as possible after November 2016 General Election.

## **Program 3D: Accommodate specialized housing types**

[...]

Timeframe:

- June 2017 zone establishment for SB 2 implementation within one (1) year of adoption
- January 2018 update other regulations
- May 2019 Coastal Commission certification of Local Coastal Program Amendments

[...]

## **Program 3E: Right to Vote Amendment monitoring**

In 2013, a citizen initiative resulted in the Right to Vote Amendment (Proposition A), which requires voter approval of most land use changes and building heights higher than two stories. In the short term, Proposition A does not present a constraint to housing development in the City because a ballot measure to vote upon this Housing Element Update will be put before the voters, consistent with Proposition A. However, it will be important to monitor the overall impact that Proposition A. Therefore, this 2013-2021 Housing Element proposes a program to monitor the effects of Proposition A and address constraints to development.

Funding:

- Planning and Building Department

Responsible Agency:

- Planning and Building Department

Objectives:

- Administer a program that analyzes the impacts of Proposition A on the cost, supply, and certainty of housing development
- Monitor developer interest and permit activity to determine if the height standards from Proposition A constrains housing development

Timeframe:

- Monitor the impacts of the initiative through annual Housing Element Progress Reports.

## **Program 3F: Growth Management**

The Land Use Element portion of the Encinitas General Plan contains goals and policies that manage new growth. The measures provide a guiding framework on how the City will ensure that new development does not outpace the ability to provide essential services and infrastructure to support it. One measure establishes a Growth Management Plan which phases development through building permit limitations. In 1999, the City analyzed the effectiveness of the growth management plan in regulating the pace of residential growth in Encinitas. The City found that the cumulative number of unallocated permits from year-to-year was far greater than housing production. As a result the City discontinued calculation of the permit cap due to the carryover of unallocated permits. As the Growth Management Plan is no longer enforced, the City will eliminate the requirement and ensure that there are no potential constraints to meeting its obligation, under California law, to satisfy its current or future Regional Housing Needs Allocation.

Funding:

- Planning and Building Department

Responsible Agency:

- Planning and Building Department

Objectives:

- Rescind the Growth Management Plan Ordinance to eliminate the annual housing permit allocation process and grant approvals to projects.
- Amend the growth management policies of the Land Use Element

Timeframe:

- June 2016 Land Use Element amendment
- January 2018 Coastal Commission certification of Local Coastal Program

**Program 4A: Pursue opportunities to create safe and healthy housing**

[...]

Objectives:

- Healthy and safe housing
- Pursue the legalization of 25 units using the Affordable Unit Program during the 2013-2021 planning period and amend the Zoning Code to clearly state that existing units legalized under the AUP automatically are deemed legally nonconforming as to zoning standards

[...]

**Program 5A: Provide flexibility in reasonable accommodating housing for the physically and developmentally disabled.**

State law requires jurisdictions to analyze potential and actual governmental constraints on the development, maintenance and improvement of housing for persons with disabilities and demonstrate local efforts to remove or mitigate those constraints. Housing elements shall include programs that remove constraints or provide reasonable accommodation of housing for persons with disabilities. Through its building permit authority, the City enforces State Title 24 accessibility regulations. As needed on a case-



by-case basis, the City has made reasonable accommodations with respect to accessibility in its application of zoning/development standards. To ensure full compliance with reasonable accommodation procedures of the Fair Housing Act, the City will adopt a Reasonable Accommodation Ordinance to establish procedures for the review and approval of requests to modify zoning and development standards to reasonably accommodate persons with disabilities, including persons with developmental disabilities.

[...]

**Program 6A: Monitor publicly assisted housing projects**

[...]

Timeframe:

- Ongoing Contact project owner in January 2021 to determine their intent for the project and/or other improvement needs. If necessary, analyze the cost to preserve the Regal Road Apartments.

**Program 6B: Extend term of affordability with in-lieu programs**

[...]

Objectives:

- Allow developers to meet inclusionary requirements by preserving at risk housing units. This will require modification to the Inclusionary Housing Ordinance.
- Extend the term of ten (10) units that will convert to market rate during the 2013-2021 planning period or shortly thereafter

[...]

**TABLE 3-4 QUANTIFIED OBJECTIVES (2013-202021)**

*Note: Add 25 units to low-income category to account for AUP units anticipated to be legalized during the planning period. Change note to reflect that this is where units are coming from.*

Housing Plan: This section assesses the factors that affect future housing such as population projections, employment market, household characteristics, and special needs groups, just to name a few. The plan also lists the constraints to housing such as market constraints (i.e. economic factors, land and construction costs, financing availability), governmental constraints (i.e. land use controls, permit fees) and environmental constraints (seismic safety, flooding, storm water management, school and education, fire and emergency services).

Based on HCD's review letter, the following changes are proposed:

**3.2 Constraints to the Provision of Housing  
B. Governmental Constraints**

**Proposition A – Voter’s Right Initiative  
(page 58)**

[...]

The residential lands inventory (Attachment A) shows a total, maximum capacity of 704718 units in the DCM-1 Zone and 760717 units in the D-CM2, N-CM1, N-CM2, NCM-3, and NCRM1 Zones. It is anticipated that Proposition A’s impact on building heights would reduce the maximum, inventory capacity in the following zones:

- D-CM1: from 748704 to 318
- D-CM2, N-CM1, N-CM2, NCM-3, N-CRM1: from 747717 to 613553
- Additional small-lot infill sites/parcels may be lost due to less financial incentive for redevelopment

[...]

**3.2 Constraints to the Provision of Housing**

**B. Governmental Constraints**

**Proposition A – Voter’s Right Initiative**

**Consistency with State Density Bonus Law**

**(page 59)**

State Density Bonus Law (SDBL), in Government Code Section 65915, requires cities and counties to provide a density bonus to a housing developer when the housing development provides a certain amount of affordable housing. SDBL states that a density bonus does not require a general plan, coastal plan, or zoning amendment, and so no vote is required, and Proposition A does not interfere with the rights of a developer to obtain density bonuses. By virtue of meeting the City’s inclusionary housing requirement, a multi-family development would qualify for a density bonus, consistent with state law. In relation to the more restrictive height standards of Proposition A, an applicant who utilizes the density bonus provision may request one or more concessions or submit for waiver of development standards including height regulations. That is, if a project qualifies for the State density bonus, any development standard could be modified without voter approval.

[...]

**TABLE 3-50: Residential Capacity in Preserved Communities**

*Note: Table updated.*

**3.3 Housing Resources**

**A. Residential Sites Inventory**

**1. Residential/Mixed-use Development Capacity in Preserved Communities**

**(page 94)**

[...]

Prior to the development of the 2013-2021 Housing Element, the City’s land use plan identified one zone (DCM-1 Zone of the Downtown Encinitas Specific Plan) where future unit capacity was provided at the default density of at least 30 units per acre. While this

is a mixed-use zone classification, based on several factors it is reasonably anticipated that this specific zone will be able to handle a sufficient amount of residential growth in the near-term. However, residential only parcels/sites in other areas of the City are also reasonably expected to accommodate multi-family development. While a majority of these parcels/sites, zoned for multi-family development will most likely accommodate housing for moderate and above moderate-income categories, some housing will provide ample opportunity for affordable housing construction. ~~Consequently, the City has prepared an analysis that demonstrates that other zone/densities also encourage and facilitate the development of housing for lower-income households. The affordability analysis considers: (1) market demand, rents and trends; (2) financial feasibility; (3) information based on recent project experience; and (4) other information. The analysis contained herein identifies the methodology to determine the appropriate zoning densities~~ (at 25 units per acre) that meet a portion of the community's need for housing for very low- and low-income households.

[...]

### **3.3 Housing Resources**

#### **A. Residential Sites Inventory**

##### **1. Residential/Mixed-use Development Capacity in Preserved Communities**

###### **a. Affordable Housing Opportunities (page 94 to 105)**

*Note: Delete entire section*

### **3.3 Housing Resources**

#### **A. Residential Sites Inventory**

##### **1. Residential/Mixed-use Development Capacity in Preserved Communities**

###### **a. Affordable Housing Opportunities Suitability of Underutilized Sites (page 94)**

In order to determine what land is best suited for development, all the constraints and opportunities for development were combined and assessed to determine where future development will most likely occur. As stated elsewhere in this Housing Element, this resulting residential capacity information has been included in the site inventory, which has been provided in Table A-1. For non-residential *underutilized* sites, the inventory generally describes whether the use is operating, marginal or discontinued and the condition of the structure. For *underutilized* sites with residential uses, the inventory generally describes structural conditions and other circumstances that demonstrate redevelopment potential.

*Underutilized* sites with some form of existing development on the site may be less suitable for near term development than *vacant* sites. However, underutilized sites are often served by existing infrastructure, which reduces the cost of delivering housing. In order to demonstrate that some *underutilized* sites are viable during the 2013-2021 planning cycle additional analysis has been prepared. The information will help evaluate the extent to which existing uses or physical improvements onsite may impede or prevent additional residential development.

- For sites with residential uses, the inventory describes structural conditions or circumstances and trends that demonstrate the redevelopment potential to a more intense residential use.
- For nonresidential sites, the inventory describes whether the use is operating, marginal or discontinued.

For this analysis, the proportion of the value of the improvement to the value of the land is an important parcel characteristic. Land value is reassessed at point of sale. When improvements are made on a property, then the valuation of the area scoped for improvements are reassessed. Reassessments are intended to restore fairness within the community. Therefore, a property's overall assessment is supposed to reflect its market value. It is important to note that as market values increase or decrease and the assessments do not keep pace and reflect these changes, some property taxpayers could pay more than their fair share of taxes, while others may pay less than their fair share. However, in terms of an overall impression of site's near-term viability, the assessment improvement value will best reflect if a property owner has made reinvestments and/or reflect if there is anything holding the owner back from redeveloping or adding residential uses to the property.

To confirm the "readiness" of *underutilized sites*, the following section provides an assessment of improvement and land value data.

- 1) Vacant land will have no improvement value. Redevelopable land that is not vacant, but is available to support some of the new development demanded by increasing population and employment, will have some sort of improvement value on the property, but it should not be perceived as limiting or holding the property owner back from redeveloping.
  - Sites with low improvement values but high land values have a good chance of recycling. As noted in Table A-1, some parcels have been developed with structures that are likely to be demolished for new buildings to be constructed in their place.
  - When assessing viability for redevelopment, a property owner or developer will consider the relative timing of revenues and costs and create a pro forma for real estate developments, acquisitions, and dispositions. Financial results typically make sense when a return on investment shows that one home can be demolished and replaced with three new units (1:3), where a higher return is expected.
  - Whether it is a single-family unit or multi-family structure, the land portion of a rental income property may be relatively small and fixed. But the structures on the land are highly variable, subject to a variety of changes and improvements. Improvements to existing structures, or the construction on new ones, can lead to higher rents. Therefore, look for an improvement to land value ratio that is 1.0 or less for sites that are zoned for single-family residential uses; 2.0 or less for sites with existing multi-family structures or nonresidential sites where mixed use is permitted.
  - Exceptions to the improvement/land value ratio threshold are made in specific instances where developer interest has been expressed or received by City staff. In these cases, the City and property owner or developer have had very detailed conversations about the range of options available; and 1) a conceptual site plan has been prepared; 2) the property owner is seriously considering the provisions of housing;

or 3) developer has made an offer to purchase the property. Other exceptions also address multiple parcels with common ownership; opportunities to still develop around or above existing structures (e.g., large parking fields); and for sites in the Downtown Encinitas Specific Plan (as noted in the section below). SANDAG has designated the DCM-1, DCM-2, D-OM, and D-VCS Zones of the Downtown Encinitas Specific Plan as areas where major infrastructure investment in housing and transportation will occur in the future. SANDAG has identified the specific plan area as a “Smart Growth Community Center”, which facilitates smart growth principles and policies in future land use decisions, such as involving compact pedestrian friendly neighborhoods, transit oriented development, and other improvements to roads, sewers, and services. This is important because it establishes a framework for coordinating land use and transportation planning with the goal of concentrating regional growth into urban areas, making this area highly suitable and likely to redevelop during the planning cycle. Appendix E also provides a rationale by way of regional policies and project examples/trends to support the viability of parcels or portions of parcels with revitalization and reuse potential. For some parcels or portions of parcels, the City is not counting the acres toward the adequate sites inventory, but includes the parcel/portion within the “Viable Housing Site” to create a cohesive planning area and avoid spot zoning.

- 2) Not Viable - A property with new development or that has made high-cost improvements will be less likely to redevelop in the near term. This can be attributed to existing financial obligations, such as higher debt-costs. These site circumstances can be identified with a relatively high equivalent ratio (such as 2:1 or above). Even though the full-development potential has not been maximized, there is low probability for near-term development.

### **Improvement Value Calculations**

The following analysis looks at the sites that are identified as *underutilized* in the inventory and groups them together for a zone-by-zone level of comparison. This summary is helpful because it helps segment the site inventory (provided in Table A-1) into sub-areas for evaluation purposes. Although this does not identify sites on parcel-by-parcel basis, it generally represents what to expect from the many parcels covered in Table A-1. Please note that the analysis is limited to sites with some sort of improvement value on the property to determine the extent of its relationship on rebuilding the site.

### **DCM-1 Zone: 70 underutilized parcels**

1. Assessor’s average land value is about \$495,364
2. Assessor’s average improvement value is approximately \$340,645
3. Average improvement ratio is 3.4:4.9, or 69 percent equivalent
4. Most properties were originally developed in the 1940s, 1950s, 1960s, 1970s and 1980s.
5. These parcels are included in a regional Smart Growth Area that identifies locations in the region that can support smart growth and transit. Designated areas serve as the foundation for prioritizing transportation investments and

determining eligibility for Smart Growth Incentive funds. Public and private reinvestment in this area is expected to be relatively high in the near-term.

**NCM-1 Zone: 60 underutilized parcels**

1. Assessor's average land value is about \$372,119
2. Assessor's average improvement value is approximately \$202,930
3. Average improvement ratio is 2.0:3.7, or 54 percent equivalent.
4. Most properties were built in the 1940s, 1950s, 1960s with additional development and/or remodeling occurring in the 1980s and 1990s.

**DCM-2 Zone: 52 underutilized parcels**

1. Assessor's average land value is about \$443,739
2. Assessor's average improvement value is approximately \$319,008
3. Average improvement ratio is 3.1:4.4, or 70 percent equivalent
4. Most properties were built in the 1940s, 1950s, 1960s with additional development and/or remodeling occurring in the 1980s and 1990s.
5. These parcels are included in a regional Smart Growth Area that identifies locations in the region that can support smart growth and transit. Designated areas serve as the foundation for prioritizing transportation investments and determining eligibility for Smart Growth Incentive funds. Public and private reinvestment in this area is expected to be relatively high in the near-term.

**NCM-2 and NCM-3 Zones: 20 underutilized parcels**

1. Assessor's average land value is about \$296,940
2. Assessor's average improvement value is approximately \$191,758
3. Average improvement ratio is 1.9:2.9, or 65 percent equivalent
4. Most properties were built in the 1940s, 1950s, 1960s with additional development and/or remodeling occurring in the 1980s and 1990s.

**NCRM-1 and NCRM-2 Zones: 37 underutilized parcels**

1. Assessor's average land value is about \$465,585
2. Assessor's average improvement value is approximately \$211,421
3. Average improvement ratio is 2.1:4.6, or 45 percent equivalent
4. Most properties were built in the 1940s, 1950s, 1960s with additional development and/or remodeling occurring in the 1980s and 1990s.

**D-OM Zone: 1 underutilized parcel**

1. Assessor's land value is about \$199,074
2. Assessor's improvement value is approximately \$103,511
3. Improvement ratio is 1.0:1.3, or 76 percent equivalent
4. This property was built in 1930
5. This parcel is included in a regional Smart Growth Area that identifies locations in the region that can support smart growth and transit. Designated areas serve as the foundation for prioritizing transportation investments and determining eligibility for Smart Growth Incentive funds. Public and private reinvestment in this area is expected to be relatively high in the near-term.

**D-VCS Zone: 2 underutilized parcels**

1. Assessor's land value is about \$1,251,625
2. Assessor's improvement value is approximately \$816,847
3. Improvement ratio is 0.8:1.2, or 66 percent equivalent
4. The properties were built in 1970s
5. These parcels are included in a regional Smart Growth Area that identifies locations in the region that can support smart growth and transit. Designated areas serve as the foundation for prioritizing transportation investments and determining eligibility for Smart Growth Incentive funds. Public and private reinvestment in this area is expected to be relatively high in the near-term.

**DR-25 and NR-25 Zones: 24 underutilized parcels**

1. Assessor's average land value is about \$346,478
2. Assessor's average improvement value is approximately \$154,474
3. Average improvement ratio is 1.5:3.4, or 44 percent equivalent
4. Most properties were originally built in the 1940s, 1950s, 1970s and 1980s

**DR-15 and NR-15 Zones: 12 underutilized parcels**

1. Assessor's average land value is about \$163,934
2. Assessor's average improvement value is approximately \$91,358
3. Average improvement ratio is 0.9:1.6, or 56 percent equivalent
4. Most properties were originally built in the 1950s and 1960s.

**DR-11 and R-11 Zones: 60 underutilized parcels**

1. Assessor's average land value is about \$635,461
2. Assessor's average improvement value is approximately \$191,578
3. Average improvement ratio is 1.9:6.3, or 30 percent equivalent
4. Most properties were originally built in the 1930s, 1940s, 1950s, 1960s with additional development and/or remodeling occurring in the 1980s and 1990s.

**R-5 and R-8 Zones: 79 underutilized parcels**

1. Assessor's average land value is about \$338,931
2. Assessor's average improvement value is approximately \$149,012
3. Average improvement ratio is 1.4:3.3, or 42 percent equivalent
4. Most properties were originally built in the 1930s, 1940s, 1950s, 1960s, and 1970s.

**R-3 Zone: 95 underutilized parcels**

1. Assessor's average land value is about \$360,721
2. Assessor's average improvement value is approximately \$105,820
3. Average improvement ratio is 1.0:3.6, or 28 percent equivalent
4. Most properties were originally built in the 1940s, 1950s, and 1960s.

**RR, RR-1, and RR-2 Zones: 49 parcels**

1. Assessor's average land value is about \$569,022
2. Assessor's average improvement value is approximately \$171,454
3. Average improvement ratio is 1.4:5.6, or 25 percent equivalent

4. Most properties were originally built in the 1920s, 1930s, 1960s, 1970s, and 1990s.

The improvement value information demonstrates the overall, near-term economic viability of the Housing Element's sites inventory. Based on zone aggregation, most nonresidential site zone categories have a range from 45 to 76 percent equivalent and residential-only sites have a range of 25 to 56 percent, demonstrating average improvement values as evidence of an opportunity cost thereby promoting redevelopment. Together, the 551 *underutilized* parcels that are listed in Table A-1 have existing structures or some form of improvement value on it, but also have site and improvement characteristics that encourage recycling sometime in the near future. That is, there is not much holding these property owners back from redeveloping their properties.

Another aspect of the land to improvement value equation is the potential for a relatively small amount of land to hold a relatively high number of structures, as the same piece of land can contain a single-family home with one set of tenants or a multiplex consisting of two, three or even four units, creating the possibility of doubling, tripling or even quadrupling the amount of rent that can be collected from the property. Redevelopment is likely to occur in those instances where an *underutilized* site has a high land value and relatively low improvement value. In terms of the basic relationship between "land" as a scarce resource and "choice", there is a great opportunity cost to the property owner since the potential gain from the "highest and best use" alternative exceeds the alternative of not redeveloping.

Accepted economic theory, as applied to the real estate market, is that the amount of housing built over a planning period is a function of demand factors (e.g., for a type of housing, preferences, and prices of alternatives), supply factors, and prices (housing substitutes by type, quality, and location). In short, housing absorption results from the interaction of many factors. The City of Encinitas has a good track record and history of *underutilized sites* recycling to accommodate additional homes. Recent project experiences are referenced as a hurdle test to reflect the construction period and absorption characteristics of future real estate projects. In terms of trends of *underutilized sites* recycling in the City, Encinitas has had on average 99 new housing starts per year 2011, 2021, and 2013. This housing "starts" activity is reported to HCD on April 1<sup>st</sup> every calendar year. Overall, building on previously vacant or subdivided land demonstrates a high degree of land turn-over or repurposing land in a built-out community.

Creating lots from subdividing one lot from another creates separate land title for additional housing development activity. As of this writing, there are 33 applications on file in the Planning and Building Department to subdivide land. This includes applications to subdivide vacant (36 percent of 33 applications) and underutilized properties (64 percent). As noted below, most activity has occurred in single-family zones, which is reflective of the existing land use distribution and character in the City. However, 7 of the 33 applications are in residential or mixed use zoning districts where multi-family housing is permitted (comprising of about 21 percent of the applications). The remaining 26 applications, or 79 percent, are associated with parcels that are zoned for single-family residential construction (density maximum of 11 units per acre permitted). It is anticipated that additional permitting activity will occur after the RHNA Rezoning Program is complete.

*List of Subdivision Applications in Review - Development Trends on Vacant Properties:*



- 14-256 TPM/CDP; Ames Berryman - 2 lot subdivision (R-3 Zone)
- 13-214 TPM/CDP; Engert Subdivision - 2 lot subdivision (R-3 Zone)
- 14-007 TPM/CDP; Tennis Club Dr. LLC/New Urban West – 2 lot Parcel Map (R-3 Zone)
- 15-124 TPM/DR/CDP; Beacon's Beach Triad - 3-Unit Condominium (R-11 Zone)
- 14-244TPM/MIN/DR/CDP; Granite Homes 4 - Lot Subdivision (RR-1 Zone)
- 13-223 TPM/DR/CDP; La Esquina Mixed-Use Project - Mixed-use project with 3 live/work units and 1 commercial unit (North 101 SPA, NCRM 1 Zone)
- 13-056 TPM/CDP; Mashayekan subdivision - 4-lot subdivision with remainder parcel and grading of site (R-3 Zone)
- 13-272 TMDB/DR/CDP; City Ventures at Union Street - 12 market rate housing units and 1 affordable unit single family residential density bonus subdivision. Existing greenhouse operations on site. (R-3 Zone)
- 14-111 TMDB/DR/CDP/EIA; Cardiff MacKinnon Residential - 5 market rate housing units and 1 affordable density bonus unit. Existing greenhouse operations on site. (R-5 Zone)
- 13-267 TMDB/DR/CDP/EIA; Laurel Cove - 8 market rate housing units and 1 affordable unit single family residential density bonus subdivision. Existing greenhouse operations on site. (R-5 Zone)
- 14-069 TMDB/DR/CDP; Specimen House - 12 market rate housing units and 1 affordable unit single family density bonus subdivision. Existing greenhouse operations on site. (R-3 Zone)
- 15-049 TPM/DR/CDP Scheerer 2-lot Subdivision Subdivide an existing parcel into 2 lots and construct two new single-family residences. Existing greenhouse operations on site. (R-8 Zone)

*List of Subdivision Applications in Review - Development Trends on Infill Properties:*

- 14-209 TPM / CDP; Chaber Parcel Map - 2 lot subdivision. One existing home. (R-3 Zone)
- 14-172 TPM/CDP; Gilmer Subdivision - 2 lot subdivision. One existing home. (RR-2 Zone)
- 14-290 TPM/CDP; Hygeia 3-T - 3 lot subdivision. One existing home. (R-8 Zone)
- 15-004 TPM/CDP; Kopion Group Residence - 2 lot subdivision. One existing home. (R-8 Zone)

- 14-209 TPM/CDP; Madelyn Chaber - 2 lot subdivision. One existing home. (R-3 Zone)
- 13-195 TPM/CDP; Yaussy TPM – 2 lot subdivision. One existing home. (R-11 Zone)
- 15-121 DR/TPM/CDP; Avocado Subdivision - 4 lot subdivision. One existing home to be demolished. (R-11 Zone)
- 14-075 DR/TPM/CDP; Diana Beach Homes - Demolition of 4 existing legal units and construct 4 new detached condominium units. (R-11 Zone)
- 14-123 TMDB/DR/CDP; N Vulcan Density Bonus Condominiums - 6 market rate housing units and 1 affordable unit condominium density bonus subdivision with waivers of setbacks and lot coverage standards, and parking standards incentive/concession. One existing home. (North 101 SPA, N-25 Zone)
- 12-116 DR/TPM/CDP Law condo project 4-townhome condo project; demo existing 2 apartments. (North 101 SPA, N-25 Zone)
- 14-251 TPM/DR/CDP; Law 4 Lot Subdivision - 4 lot subdivision. One existing home. (North 101 SPA, N-25 Zone)
- 13-230 TMDB/DR/CDP; Northstar Requeza - 15 market rate housing units and 1 affordable unit single family residential density bonus subdivision. One existing home. (R-8 Zone)
- 14-047 TM/DR/CDP; Windsor Road Subdivision - 6-lot subdivision with home construction. Commercial office space to be demolished. (R-8 Zone)
- 15-088 DR/PMW/CDP; Six8twoPCHEncinitas, LLC - Demolition of an existing commercial building and construction of a new mixed-use building and a lot consolidation. (DESP, DCM-1 Zone)
- 15-008 TMDB/MUP/DR/CDP/EIS; Manzanita Cove - 13 market rate housing units and 1 affordable unit density bonus duplex. One existing home to be demolished. (R-8 Zone)
- 13-187 TMDB/DR/CDP/EIR; Hymettus Estates - 8 market rate housing units and 1 affordable unit single family residential density bonus subdivision. Two homes to be demolished. (R-3 Zone)
- 14-168 PMW/DR/CDP; Helvetica Chesterfield - New single-family residence and two new twin homes (5 units total) on six existing legal lots. Includes lot consolidation of two lots for the single-family residence. (R-11 Zone)
- 14-115 TPM/DR/CDP; Bracero TPM – 3 lot subdivision and construction. Two homes to be demolished. (R-3 Zone)
- 15-121 TPM/DR/CDP; Avocado Street Beach Homes/Estrada - 4 lot subdivision. One existing home. (R-11 Zone)

- 13-043 TPM/DR/CDP; Capri Final Map - 4 residential units and 1 commercial unit to replace existing commercial building. (DESP, DCM-1 Zone)
- 14-306 DR/CDP; Latitude 33 - 6 Unit Condo to rehabilitate 6 existing apartments. (North 101 SPA, N-25 Zone)

### 3.3 Housing Resources

#### A. Residential Sites Inventory

##### 1. Residential/Mixed-use Development Capacity in Preserved Communities

##### b. Accommodation on Non-Residential Sites (page 105)

The purpose of the land inventory is to identify specific sites suitable for residential development in order to compare the local government's RHNA allocation with its residential development capacity. The Housing Element identifies specific sites or parcels that are available for residential development. Underutilized commercial sites that permit residential development are a key component of the housing sites inventory. Under a June 9, 2005 HCD Technical Assistance Paper, a community may consider non-vacant sites as suitable and available for residential development provided the site is realistically available for redevelopment during the planning period (has available public services and facilities for immediate development). While not all underutilized properties will be redeveloped with a residential component, market studies in the region have indicated future growth will most likely be spearheaded by mixed-use developments. Accordingly, this Housing Element assumes that approximately 50 percent of sites in the DCM-2, D-VSC and D-OM Zones of the Downtown Encinitas Specific Plan, as well as the N-CM1, N-CM2, N-CM3, N-CRM1, and N-CRM2 of the North 101 Corridor Specific Plan, will be redeveloped as mixed-use projects, with residential component. This yields a total, realistic capacity of ~~614 total~~643 units, or 306 potential units that can be credited to this planning cycle and applied against the RHNA obligation for moderate- and above moderate-income household opportunities.

To demonstrate the viability of sites, different methodologies have been employed for the DCM-1 Zone rather than other mixed-use sites in the inventory. Based on the analysis, it can be reasonably concluded that 75 percent of the sites listed in the DCM-1 Zone inventory are reasonably expected to provide viable, short-term opportunities. This "discounting" methodology yields a total, realistic capacity of 318 units, or 239 potential units that can be credited to this planning cycle and applied to the moderate-income category (at 15 units per acre). (Please note that if the constraint to housing development in this zone is repealed or removed, a total realistic capacity of ~~748~~704 units, or ~~528~~538 units could be credited to this planning cycle and applied to the lower income categories. For this DCM-1 Zone analysis, as part of the evaluation, the criteria used in this section include:

- Land-to-improvement value (where land is worth more than improvements onsite);
- Improvements on-site;
- Common ownership;
- Age of structure (over 30 years, and in some cases more than 50 years); and
- Properties within ¼ mile or ½ mile of the transit center.

Please refer to Attachment B to this Appendix for this analysis as this section helps demonstrate the basis for assigning a particular number of units to non-residential sites, where mixed-use development is permitted in the DCM-1 Zone.

### *Emerging Demand*

If current socio and demographic trends continue, the demographic profile of the San Diego region will change dramatically by the middle of this century. According to draft population forecasts developed by SANDAG (Series 13, 2014), the region's population will rise to 4,068,759 million in 2050, from 3,095,313 million in 2010. This represents a 31.4 percent increase. Forecast modeling also reveals that the region's fastest-growing population overall will be its retirement or senior-aged community. Based on the Series 12 modeling (2010), the swell in the 65 years-and-older group will lead to an increase in the proportion of the population in older age groups, with the share of those 65 years and older rising 143 percent and the number of people older than 85 projected to increase by 214 percent by year 2050. Nationwide, a lot of attention has also been paid to the baby boomer generation, those born between 1946 and 1964. This large group of Americans currently totals 76 million, and as they age, their changing housing demands and choices create changes in housing markets.

A rise in the overall population, as well as in particular age groups, will have important impacts on the nation's tax base, workforce, and effect on the overall magnitude of the economy. This will place very different demands for services and goods that our earlier younger populations did. Not only does demographic changes have major implications for government spending in key areas such as health programs, community services, infrastructure and Social Security, forecasts also provide the private market (i.e. business and industry) with a basis upon which to make judgments about future market demand. A growing elderly population generates demand for housing near commercial goods and services, amenities, and where older adults can get what they need without getting in a car. Also, typically, income decreases with age this reflects a willingness to live in smaller spaces to be able to afford their lifestyle. As boomers start to retire, many more will be seeking more of a senior-friendly lifestyle and housing. Although many will initially expect to stay in their existing homes and communities, others will choose to downsize homes and/or seek more service-rich environments. One development association, the Urban Land Institute (ULI), contends that these demographic factors will lead to a population that will want to adapt to smaller, more efficient living units in areas more convenient to work, shopping, recreation and entertainment (ULI, *Emerging Trends*, 2011). Other documents and publications have also indicated that smaller units near transit services are expected to be the trend (Sources: Builder Online, American Public Transportation Association, National Association of Realtors®, Journal for Public Transportation, Real Estate Economics, etc.)

Nationally, America's suburbs are experiencing a shift away from the development patterns of previous decades, which were almost entirely auto-centric. Evolving demographics and preferences held by specific demographic groups, or generational cohorts will drive the change. And it isn't just the baby-boomer generation. A February 2013 article posted on ULI's website, "How to Make Suburbs Work Like Cities", and discussed at a Housing Opportunity 2013 Conference, reported that Generation Y (an 80 million-member group that is just entering the housing market), tends to favor the convenience and choices provided by urban-style environments and apartment like mixed-use housing; and not the suburb environments that they grew up in. In response to this growing trend and demographic swing, local agencies are looking at innovative solutions to create unique places where people can live and work. This will

fundamentally reshape our cities in terms of transport infrastructure and density to meet everyday shopping and lifestyle needs within a single neighborhood.

### San Diego Region - Revitalization and Reuse

Land availability and demographic trends are reshaping the location and types of residential development in urban areas of the San Diego region. Policy direction at the state, regional and local levels coupled with these trends, along with emerging out of the Great Recession, has begun to result in new projects. The revitalization and reuse of existing underdeveloped areas into multifamily and mixed use projects at higher densities is the primary way in which housing needs will be met in the San Diego region. As a coastal community in the northern San Diego region with little undeveloped and unconstrained land yet in need of more housing, the regional influences pushing revitalization and reuse for accommodating new housing is expected to be mirrored in Encinitas. The context to support feasibility of proposed sites inventory for Encinitas is well documented in Appendix E. The paper demonstrates that multifamily and mixed use revitalization and reuse projects are indeed getting developed or are in the pipeline throughout the San Diego region. Higher density projects are also underway in the core areas of remaining master planned communities. Included in Appendix E are at least 25 project examples indicative of site conditions and development potential in the proposed Encinitas sites inventory. As demonstrated therein, the entire region has begun a shift to revitalization and reuse, which is forecast to result in over 80 percent of the new housing to be built as multifamily through 2050 and largely located within existing urbanized areas. The development industry, represented by the Urban Land Institute, recognizes this trend. Many of the proposed sites for Encinitas involve revitalization and reuse, consistent with regional policies and trends backed by market analysis. There is also a practical need to rely in part on these types of sites since undeveloped and unconstrained sites are largely lacking in the city.

The site assessment methodology for evaluating ~~mixed-use sites/parcels~~ listed in Table A-1 was crafted under realistic assumptions regarding the potential of each candidate site to develop and recycle with high density housing. The analysis demonstrated that these inventoried mixed-use sites are not only ripe for development, but collectively represent a smart and sustainable housing strategy for both market-rate and affordable housing opportunities for lower income households.

### **3.3 Housing Resources**

#### **A. Residential Sites Inventory**

#### **2. Residential/Mixed-use Development Capacity in Study/Change Areas**

As part of the Housing Element update, the City identified several areas that will benefit from a focused approach to land use regulation, infrastructure investment and services. These include “focus areas” along with a number of other potential improvement areas around key corridors and activity centers. Attachment A to this Appendix identifies properties that have strong development or redevelopment potential to accommodate housing affordable to moderate and lower income households. The Housing Element is proposing a new rezoning programs, where mixed-use and high-density residential development in these study/change areas will be allowed at 2530 units per acre, with a minimum density of 20 units per acre. The areas of change were selected based on the existing underutilized character, low intensity of development, business operations, presence of vacant and undeveloped land, and appropriateness for mixed-use/transit-oriented development. Table 3-56 summarizes the residential capacity within the

study/change areas. The goal of this strategy is to develop an approach allowing “by-right” development at a density consistent with the General Plan designation and to not permit residential development at a density below the density for that site in the Housing Element, unless the City can demonstrate the remaining sites in the inventory can accommodate the City’s remaining RHNA. The City recognizes that not all mixed-use sites will include a residential component. The capacity analysis assumes that half of the non-residential sites will include residential uses. In total, this rezoning program results in the rezoning of XX acres of land, creating an opportunity for additional multi-family rental or ownership housing development during the planning period. XXXX units are permitted under the maximum density and XXXX units can be achieved as realistic capacity under the new zoning.

**TABLE 3-5556: Residential Capacity in Change Areas**

*Note: Table updated and subsequent table numbers have changed, reflecting Table 3-55 deletion.*

In some cases, these sites collectively comprise entire commercial blocks with marginal land uses and/or development patterns. Along with vacant residential sites, underutilized commercial sites are a key component of the study/change areas, consistent with the goal of revitalizing commercial corridors, and well as introducing housing in key locations in which people are closer to jobs, commercial goods and services, schools, parks, and other public amenities. Both vacant and non-vacant sites were evaluated on their capacity to accommodate at least 16 dwelling units, either independently or through aggregation with abutting sites with similar development and recycling potential, or by common ownership. For a representation of what these developments may look like, please refer to Appendix C.

**3.3 Housing Resources**

**A. Residential Sites Inventory**

**3. Accessory Unit Production  
(page 111)**

[...]

Based on assumptions reflecting conditions the City expects to exist, the forecast of housing production over the next 8-year period should increase by at least 20 percent, and facilitate more housing construction across the board (single-family, multi-family, and accessory unit construction). Reaching these targets is attainable, and has been achieved in Encinitas before.

A 20 percent increase in total housing starts over the next planning cycle, calculated on an annual basis, would generate 182 total accessory units in 8-years. If the housing rebound has a firm footing and does not contract, the increase in total housing starts and resulting accessory unit production should be much higher. Still, this Housing Element assumes a conservative estimate of accessory unit production over the next years.

**3.3 Housing Resources**

**A. Residential Sites Inventory**

**3. Accessory Unit Production**

**a. Incentivizing Additional Production  
(page 112)**

Due to limited available land within the City, Second-Dwelling-Unit construction is very important element to the City in its efforts to provide opportunities for affordable housing. Currently, the City promotes accessory (second) units as a viable option by making requirements and procedures for permitting this building type available to the public at the Planning and Building Department and through the City's website. To incentivize the construction of accessory units, the Planning and Building Department will develop informational packets to market second unit construction, explain the application process, etc.; and advertise second unit opportunities to homeowners on the web page, at community and senior centers, in community newsletters, etc. The City is also looking in the near-term to adopt additional incentives to facilitate accessory unit production, as delineated in the implementation/program section of this Element, which will include a comprehensive review of the City Code and identify barriers to the construction of these units. State law allows local jurisdictions the flexibility to set development standards for Second-Dwelling-Units, including limitation on unit sizes, heights, setbacks and minimum parking requirements. Revising the Second-Unit Ordinance so that the development standards are more flexible will facilitate second unit construction and help address a rental housing deficit and also assist in low- and moderate-income homeowners gain supplemental income from renting the affordable unit.

Given that the median price of a single-family home in Encinitas is almost \$1 million, and given the absence of vacant land for multi-family housing, the need for second units in the city is substantial. Accessory units may be created in a number of ways. The most common source of production is incorporating new units into brand new homes or adding the units onto existing homes as new floor space. However, in some cases they may also be created within the footprint of an existing home. About 28 percent of the city's homes have four or more bedrooms, including more than 1,700 homes with five or more bedrooms. Many of the city's homes were built with multiple entrances and other physical attributes that lend themselves to accessory unit conversion (i.e. by adding new bathrooms and kitchens and configuring space within an existing home). Therefore, the City will also strongly encourage the inclusion of second units when existing homes are expanded.

Due to Encinitas' topography, there are a number of houses on down-sloping lots with existing lower level spaces that could be converted to second units, without the capital required for additions or new detached structures. In some instances, adding an accessory unit on the property may be as simple as improving existing spaces that already have a kitchen, bathroom and separate entrance, but are not currently used as independent dwelling units. This occurrence is sometimes referred to as "unintended second units." These spaces may already have a living and/or sleeping areas, but they are not occupied by a separate household. Such spaces are often used as domestic quarters, home offices, or living space for extended family (grandparents, etc). "Unintended" second units may also include pool houses (with kitchens and baths), guest cottages, and similar detached structures.

[...]

### **3.3 Housing Resources**

#### **A. Residential Sites Inventory**

##### **3. Accessory Unit Production**

##### **b. Tracking Future Production of Accessory Units (page 113)**

[...]

Please note that the City will continue to monitor accessory unit production over the next Housing Element planning period. If the rate of accessory unit production falls below anticipated levels, City staff will consider different regulatory or processing options to facilitate their production. ~~For example, to further advance and streamline the permitting process, the City will establish and maintain a “second unit specialist” in the current planning division to assist in processing and approving accessory units or to evaluate accessory unit regulations.~~

[...]

### 3.3 Housing Resources

#### A. Residential Sites Inventory

#### 4. Regional Housing Needs Allocation

Credits towards the ~~2013-2020~~2021 RHNA  
(page 115)

[...]

~~The City also recently acquired four apartment units that are located directly behind the historical boat houses at 726 and 732 Third Street. These units were acquired in partnership with Encinitas Preservation Association. Two of the four units needed to be legalized, and would be permitted and deed-restricted under the Affordable Dwelling Unit policy.~~

- ~~\_ 2 deed-restricted, very-low income housing units~~
- ~~\_ 2 deed-restricted, low-income housing units~~

Furthermore, in addition to units constructed, several residential development projects have been approved by the City. Housing units entitled since January 1, 2010 can be credited toward satisfying the City’s RHNA, even though those units were entitled prior to the planning period covered by this Housing Element.

- \_ 1 affordable housing development (Iris Apartments):
  - o 20 deed-restricted, very low-income units
- \_ 9 density bonus unit subdivisions:
  - o 134 above moderate-income single-family units
  - o 22 above moderate-income townhome units
  - o 8 deed-restricted, low-income townhome units
  - o 9 deed-restricted, low-income units

Overall, the City has a remaining RHNA of ~~4,925~~1,929 units, including ~~564~~563 extremely low-/very low-income units, ~~424~~423 low-income units, 413 moderate income units, and 530 above moderate income units.

#### **TABLE 3-59: CREDITS TOWARD THE RHNA (BUILT AND/OR APPROVED)**

*Note: Updated to delete units reported under acquisition. This changes the total remaining RHNA from 836 to 840.*

[...]

### 3.3 Housing Resources

#### A. Residential Sites Inventory

#### 4. Regional Housing Needs Allocation



## RHNA Penalty from the Previous Planning Period (page 117)

[...]

Overall, the City met approximately half of its RHNA for the 2005-2010 planning period with actual production, with a remaining RHNA of 900 units that the City should accommodate through land use planning. As previously discussed, the City's Housing Element update does not alter existing land use planning for the majority of the City. In these preserved communities, existing land use policy offers capacity to accommodate additional housing. Specifically, during the previous planning period (2005-2010), ~~829884~~ units (at a maximum density of 25 units per acre and average density of 20 units per acre) could be accommodated at vacant and underutilized mixed-use and R25 sites in the Downtown Encinitas and North 101 Corridor Specific Plans, more than double the sites required for the City remaining moderate income RHNA units. ~~(Please note that R25 sites satisfy the criteria to provide housing to moderate-income households in the 2005-2010 planning period and to lower income households in the 2013-2021 planning period.)~~

Furthermore, the D-CM1 districts in the Downtown Encinitas Specific Plan area allowed for mixed-use development with no density limit during the previous planning period. The Specific Plan, based on the development standards established in the Plan in effect at the time, a typical mixed-use project can achieve 34 units per acre. Up to ~~704748~~ units could be accommodated at the vacant and underutilized D-CM1 sites. Assuming only half of these mixed-use sites would have been redeveloped with a residential component, these sites could fulfill ~~352359~~ units of the City's remaining lower income RHNA, resulting in a RHNA penalty of ~~243236~~ lower income units from the previous Housing Element cycle. For the purposes of calculating the penalty, the RHNA penalty will be rounded to 250 units. This conservative, rounding-up approach helps account for any miscellaneous site suitability calculation issues.

### **TABLE 3-~~6059~~: AB 1233 Penalty from Previous Housing Element Cycle**

*Note: Updated D-CM1 total from 718 to 704. This changes the overall site capacity to 352 and the penalty to 243. No change to the rounded penalty amount. Change table's footnote to add the inventory amount reported in the D-CM1 Zone in 2005-2010 is the same as 2013-2021.*

*Also updated to account for revised inventory, such as changes to capacity for moderate income category and above moderate income category. A note will be added stating that "Parcel 2540610100 (also known as 1657 Vulcan Avenue) is not identified in the 2013-2021 lands inventory. The 9.91-acre site is zoned N-R8 and, in the previous planning cycle, had a realistic development potential of 6.4 units per acre, or 63 units total. A recent 69 unit project was built on the property; however, the site was available in the previous planning period and should be factored into AB 1233 penalty analysis".*

### **3.3 Housing Resources**

#### **A. Residential Sites Inventory**

#### **4. Regional Housing Needs Allocation**

#### **Adequacy of Sites for RHNA (page 118)**

[...]

Local governments have a responsibility to use the powers vested in them to facilitate the improvement and development of housing, and to make adequate provision for the housing needs of all economic segments of the community (Government Code Section 65580(d)). The statutes governing the development of Housing Elements express the Legislature's intent to assure local governments "recognize their responsibilities in contributing to the attainment of the state housing goal". To that end, State law requires local jurisdictions to plan their residential land and standards to ensure adequate housing is available.

As part of this Housing Element update, the City is proposing an adequate site's rezoning program to accommodate 100 percent of the shortfall of sites necessary to accommodate the remaining housing need for housing for all income categories during the planning period. The program ensures that the sites are zoned to allow residential uses "by-right" and permit the development of at least 16 units per acre per site new housing opportunities pursuant to Section 65583.2. State law also requires that a local jurisdiction's rezoning program must ensure at least 50 percent of the lower income regional needs be accommodated on sites designated for exclusively residential uses, at appropriate densities, or that all of the housing units may be accommodated on sites allowing mixed use where 50 percent of the floor area must be used for housing.

The Housing Element update (through both preserving much of the community and identified viable housing sites for rezoning provides a capacity for more than XXXX additional units. Approximately XX percent of these units are provided in residential only zones. The remaining XX percent of the units are provided in mixed-use districts. Furthermore, this capacity already discounts the development potential in mixed-use areas, recognizing that not all mixed-use sites will include a residential component. Overall, the City has adequate capacity to accommodate the new RHNA and the ~~236~~243-unit penalty incurred.

**TABLE 3-~~606~~4: Adequacy of Sites Inventory**

*Note: Updated to change "units built/approved" from 26 to 24 in the EL/VL income category and from 25 to 23 to Low-income category. Table also changes the "preserved residential areas" from 124 to 0. The 124 units is changed to 112 and moved to the moderate income category. This changes the remaining RHNA amount from 962 to 1,090.*

*The footnote will be deleted since the City is not pursuing a 25 unit per acre density argument.*

**Table A-1 Additions**

2542421400		GC	N-CM1	0.15	25	20	3
2542422800		GC	N-CM1	0.29	25	20	5
2561210400		R3	R3	0.33	3	2.4	1
2542623500	912 Urania	R3	R3	0.56	3	2.4	1
2543633400		R3	R3	0.25	3	2.4	1
2543633300		R3	R3	0.34	3	2.4	1
2543633200		R3	R3	0.33	3	2.4	1
2543633600		R3	R3	0.46	3	2.4	1
2543621200		R3	R3	0.18	3	2.4	1

2543621300	764 Leucadia Blvd	R3	R3	0.19	3	2.4	1
2543628500	840 Leucadia Blvd	R3	R3	0.93	3	2.4	2
2580350600	371 Second	VSC	D-VCM	1.26	18	15	18

**Table A-1 Deletions**

544	2582735000	633 Melba	R11	R11	0.33	11	8.8	2
545	2582740100	661 Melba	R11	R11	0.44	11	8.8	3
41	2543242900	106 Leucadia	GC	N-CM1	0.40	25	20	8
50	2560230600	718 Coast Hwy	GC	N-CM1	0.11	25	20	2
78	2562721100	434 Coast Hwy	GC	N-CM1	0.27	25	20	5
84	2562910400	338 Coast Hwy	GC	N-CM1	0.11	25	20	2
116	2580330400		GC	N-CM1	0.12	25	20	2
105	2580341900	140 Coast Hwy	GC	N-CM2	0.42	25	20	11
125	2580510400	230 2nd	GC	N-CM3	0.12	25	20	2
119	2580341900	233 2nd	GC	N-CM3	0.37	25	20	7
19	2542222300	1354 Coast Hwy	GC	N-CRM1	0.09	25	20	1
18	2542222200	1354 Coast Hwy	GC	N-CRM1	0.17	25	20	3
28	2542421400	1144 Coast Hwy	GC	N-CRM1	0.15	25	20	3
57	2560303600	847 Vulcan	GC	N-CRM2	0.74	15	12	8
393	2543244600	1077 Vulcan	R25	R25	0.29	25	20	5
388	2543243300		R25	R25	0.38	25	20	7
504	2580232200	104 5th	R11	R11	0.28	11	8.8	2

**Table A-1 Deletions, but parcel was available in the 2005-2010 planning period and included in AB1233 penalty analysis**

355	2540610100	1657 Vulcan	R8	N-R8	9.91	8	6.4	63
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## II. Project Schedule

Now that the environmental review process has begun, it is anticipated that the next steps in the process include the following.

- **Late 2015 to Early 2016:** Draft Environmental Impact Report will be released for public review and comment
- **Late 2015:** Draft zoning and design guidelines will be made available for public comment
- **Spring 2016:** The Housing Plan is anticipated to be voted on by the Encinitas City Council.
- **Fall 2016:** The Housing Plan is anticipated to be voted on by the general public.