



Agenda Report

Fullerton City Council

MEETING DATE: JANUARY 7, 2025

TO: CITY COUNCIL / SUCCESSOR AGENCY

SUBMITTED BY: SUNAYANA THOMAS, DIRECTOR OF COMMUNITY AND ECONOMIC DEVELOPMENT

PREPARED BY: SUNAYANA THOMAS, DIRECTOR OF COMMUNITY AND ECONOMIC DEVELOPMENT

SUBJECT: 6TH CYCLE (2021-2029) HOUSING ELEMENT (*Continued from December 10, 2024 meeting*)

SUMMARY

This item continues the public hearing held on November 19, December 3 and December 10, 2024. City Council directed staff to remove parcels between Raymond and Euclid along Chapman Avenue and Commonwealth Avenue from the Housing Sites Inventory. Staff adjusted the Housing Element document to reflect the change.

PROPOSED MOTION

Adopt Resolution No. 2025-XXX.

RESOLUTION NO. 2025-XXX - A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FULLERTON, CALIFORNIA, AMENDING THE FULLERTON PLAN BY ADOPTING THE 6TH CYCLE HOUSING ELEMENT TO REPLACE CURRENT APPENDIX H (HOUSING ELEMENT) AND CHAPTER 2 "HOUSING"

ALTERNATIVE OPTIONS

- Approve the Proposed Motion
- Other options brought by City Council.

STAFF RECOMMENDATION

Staff recommends the Proposed Motion.

CITY MANAGER REMARKS

- Changes were made to the Housing Element based on the December 17th direction by the City Council. I recommend approval.

PRIORITY POLICY STATEMENT

This item matches the following Priority Policy Statements:

- Fiscal and Organizational Stability
- Infrastructure and City Assets.

FISCAL IMPACT

This action would require a General Fund request to cover consultant costs not funded through grants or overages, currently \$146,500. The City could face significant financial and operational consequences if the state does not find the Housing Element in compliance, placing approximately \$2 million in funding, including Local Early Action Planning (LEAP) Grant allocations, SB-2 Planning Grant Program (PGP), pending consultant payments and overdue NorthSPA payments tied to housing-related programs at risk.

Failure to adopt the Housing Element by the stipulated January 2025 deadline may result in forfeiture of this funding and imposition of penalties ranging from \$10,000 to \$50,000 per month from the California Attorney General's Office or the California Department of Housing and Community Development (HCD). The City could face additional fines ranging from \$10,000 to \$100,000 per month for failure to comply with court orders or judgments.

Operationally, the City may face restrictions on issuing building permits, zoning changes, grant variances, map approvals and other development-related permits, except in limited circumstances for housing projects. Noncompliance may result in court-appointed receivership to bring the Housing Element into compliance, thereby reducing the City's control over housing-related decisions. The City would become ineligible to apply for new California State grants that require Housing Element compliance, limiting funding opportunities for infrastructure, housing and community projects.

BACKGROUND AND DISCUSSION

California Government Code Section 65588 requires the City of Fullerton update its Housing Element every eight years. The 6th Cycle (2021–2029) Housing Element includes a program to establish a Housing Incentive Overlay Zone (HIOZ) and related standards. These updates necessitate amendments to the Fullerton Plan (General Plan) Land Use Element to meet state requirements and fulfill City Regional Housing Needs Assessment (RHNA) allocation of 13,209 units by 2029.

The Housing Element update process began in 2019. Over the years, the city explored several strategies to meet these heightened housing requirements, including but not limited to, Specific Plan approach, potential rezone of religious sites and surplus sites and an inclusionary housing ordinance to require affordable units in new residential projects. However, these approaches had challenges and did not move forward based on either City Council direction or HCD.

By 2021, the Housing Incentive Overlay Zone (HIOZ) became the primary strategy. Delays due to staff turnover, noncompliance status and time constraints necessitated focusing on this program to meet HCD's requirements. The City retained Rincon Consultants to assist with Housing Element compliance efforts, given the significant corrections required by HCD and prior lapses in time and retained DUDEK to assist with the Housing Incentive Overlay Zone Program, Development Guidelines and Environmental.

Housing Element

The Housing Element is a mandatory General Plan component outlined in California Government Code Section 65302. The General Plan, specifically named the "Fullerton Plan", contains the community vision for future growth of the City. The Housing Element focuses on attaining and preserving housing for City residents of different economic levels and different needs. Government Code Section 65588 requires the City review and revise the Housing Element on a regular basis, which coincides with the Regional Housing Needs Assessment (RHNA) eight-year cycles.

The California Department of Housing and Community Development (HCD) has significantly increased its oversight and enforcement related to Housing Elements. Stringent state requirements leave cities with minimal flexibility, making compliance essential to avoid penalties, loss of critical funding and the inability for a developer to file a Builder's Remedy application.

Under State law, every city's Housing Element must address the following core components:

1. Past Performance Review:

An evaluation of how the city performed in achieving the goals and objectives of the previous Housing Element. This includes assessing whether construction on planned housing units occurred and identifying areas for improvement.

2. Housing Needs Assessment:

A detailed analysis of demographic and housing data to identify community housing needs across various income levels. This assessment ensures the City plans for the needs of all residents, including low-income and special needs populations.

3. Suitable Land Inventory:

Cities must identify specific parcels viable for residential development and zone or rezone these parcels must to accommodate required housing units. HCD emphasizes that these sites must be realistically developable within the planning cycle, leaving little room for speculative or uncertain projects.

4. Analysis of Development Constraints:

An examination of governmental and non-governmental barriers that may hinder housing production, such as zoning regulations, infrastructure limitations and market conditions. This section must also identify strategies to overcome these barriers.

5. Policies and Programs to Meet Housing Needs:

The City must outline clear policies, programs and actions designed to encourage new housing development, preserve existing units and promote housing diversity. These policies must align with state objectives, such as increasing affordable housing and preventing displacement.

6. Quantified Objectives for New Housing Units:

Fullerton must establish specific numerical targets for new housing unit construction, preservation or rehabilitation during the 6th Cycle. The City must have measurable objectives to track progress towards RHNA goals.

The City Draft Housing Element covers all of the aforementioned requirements organized into the following four chapters:

1. Introduction

- a. Overview of the Housing Elements role within the General Plan (Housing Needs Assessment, Goals and Policies, Consistency with the Fullerton Plan, Citizen Participation, Themes for Community Input)

2. Housing Needs Analysis

- a. Analyzes factors influencing the demand and availability of housing in Fullerton and identifies areas requiring bolstered housing supply to accommodate growth. (Demographic Analysis, Household Characteristics, Market Conditions, Special Needs Groups)

3. Resources and Constraints Analysis

- a. Identifies resources available and constraints in the current land inventory and identifies parcels that the City can rezone to meet RHNA allocation that may hinder housing development in Fullerton. (Land Inventory, Constraints, Financial Resources)

4. Housing Policy Plan

- a. Details City strategies and specific actions to achieve housing goals over the planning period. (Housing Production, Conservation and Rehabilitation, Design and Livability, Access to Housing Opportunities)
- b. The chapter outlines 18 specific Policy Actions, each with measurable objectives, including:
 - i. Facilitating infill development (Policy 3.3).
 - ii. Supporting the production of regulated affordable housing (Policy 3.7).
 - iii. Increasing opportunities for Accessory Dwelling Units (ADUs) (Policy 3.6).
 - iv. Enhancing tenant protections and support (Policy 3.16).

The Housing Element includes six appendices providing supplementary information in addition to the main chapters:

1. Appendix H-A: Review of past performance in achieving housing goals.

2. Appendix H-B: Detailed inventory of residential land resources.
3. Appendix H-C: Analysis of housing units at risk of conversion to market rate.
4. Appendix H-D: Documentation of public participation efforts.
5. Appendix H-E: Assessment of Affirmatively Furthering Fair Housing (AFFH).
6. Appendix H-F: Glossary of housing-related terms.

Each appendix provides data, analysis and context that support the main content of the Housing Element, ensuring transparency and compliance with State requirements.

Attachments:

- Attachment 1 – Draft Resolution No. 2025-XXX

cc: City Manager Eric J. Levitt