

BUSINESS OF THE CITY OF HALF MOON BAY CITY COUNCIL

AGENDA REPORT

For the Meeting of: **December 7, 2021**

TO: Honorable Mayor and City Council

VIA: Robert Nisbet, City Manager

FROM: Jill Ekas, Community Development Director
Brittney Cozzolino, Associate Planner

TITLE: **2022 RESIDENTIAL DWELLING UNIT ALLOCATION PURSUANT TO HALF MOON BAY MUNICIPAL CODE CHAPTER 17.06 (MEASURE D)**

RECOMMENDATION:

Adopt a resolution setting the 2022 Residential Dwelling Unit Allocation and Administration System pursuant to Half Moon Bay Municipal Code Chapter 17.06 for 69 residential dwelling units, 46 units for the Downtown and 23 units outside of the Downtown.

FISCAL IMPACT:

There is limited fiscal impact associated with the annual allocation of allowable residential building permits as the Measure D allocation application fees cover some of the costs of administering the program.

STRATEGIC ELEMENT:

This action supports all Elements of the Strategic Plan (Infrastructure and Environment, Healthy Communities and Public Safety, Fiscal Sustainability, and Inclusive Governance).

BACKGROUND:

In 1991, Measure A was adopted by City voters establishing a 3 percent annual growth limit. In 1999, Measure D amended the Residential Growth Limitation Ordinance reducing the allowable percentage increase of residential population from 3 percent to 1 percent, with an additional 0.5 percent for residential development in the "Downtown Area." On December 1, 2010, the City Council adopted an ordinance amending Chapter 17.06 of the Half Moon Bay Municipal Code entitled "Residential Dwelling Unit Allocation System." Measure D mandates that "the City shall allocate permissible dwelling units among applications on the basis of the existing allocation system or a subsequently modified system." Measure D allocations are reviewed and authorized annually by the City Council per the Municipal Code.

This report provides an update on the annual Measure D allocations and recommends 69 total allowable residential unit allocations for 2022.

DISCUSSION:

Chapter 17.06 of the Municipal Code establishes the methodology for determining the annual maximum number of residential dwelling unit allocations, or “Measure D Certificates.” The ordinance specifies that the most recent U.S. Census data must be used for determining the average number of persons per household.

The 2020 U.S. Census provides the most recent Census data, replacing the 2010 U.S. Census data for a new baseline. The 2020 Census data indicates a total population of 11,795 and a total occupied housing unit count of 4,569, which equates to an average of 2.58 persons per household (PPH) in Half Moon Bay. Table 1 presents the methodology and calculations for determining the annual allocation.

Table 1 – Allocation Calculations

Year	Base Population ¹	New Units ²	Persons Per Household	Calculated Additional Population ³	New Projected Population ¹	Base Allocation ⁴	Allocation Distribution		Total Annual Allocation
							Downtown ⁵	Outside Downtown	
2021	11,795	35	2.58	90	11,885	46	46	23	69

¹2020 U.S. Census Population was utilized for the 2021 baseline from which the calculated additional population is added to each year.
²Number of new units that were issued building permits during the prior calendar year.
³Most current US Census PPH data (2.58) multiplied by the number of new units that were issued building permits during the calendar year.
⁴1% of New Projected Population divided by average PPH.
⁵Includes an additional 0.5% in the downtown area per Section 17.06.020(B).

The “new projected population” estimate is used to calculate the total number of units within the City at year-end. The equation for establishing the “new projected population” involves multiplying the number of new units issued building permits during the calendar year by the average PPH (2.58 from the 2020 Census data, used for the 2021 baseline), then adding the result to the projected population from the previous year. In this case, the 2020 Census data can be used as the base population count for the previous year instead of a projected population.

With the actual population count and occupied households count from the 2020 Census data, an updated persons per household count was calculated at 2.58 as compared to 2.69 that was calculated for last year’s allocation adoption based on 2013-2018 American Community Survey data. The decrease in persons per households results in a modest increase in the number of new dwelling units allowed for 2022 compared to the number of new dwelling units allowed in 2021.

The base allocation of 1% is split evenly between Downtown and outside of the Downtown. As discussed earlier in “Background,” Measure D includes a 0.5% increase in residential allocations for Downtown, which consists of the City’s former Redevelopment Area. As summarized in Table 2,

this provides for a maximum of 69 new dwelling unit allocations for 2022, reserving 46 dwelling unit allocations for the Downtown Area, and 23 dwelling unit allocations outside Downtown.

Table 2: Dwelling Unit Allocations – 2022

Total Allocations	Downtown Allocations	Outside Downtown Allocations
69	46 (1.0%) (23 base and 23 bonus)	23 (0.5%)

Municipal Code Section 17.06.020 – “Establishment of number of residential dwelling unit allocations to be authorized annually” sets forth the procedures for establishing the residential allocations. In particular, Section 17.06.020.G specifies that the City Council shall consider the following when establishing the number of Dwelling Unit Allocations in the upcoming year:

1. The number of residential dwelling units allocated in the current year;
2. The number of residential dwelling units allocated in the preceding year, but not necessarily issued building permits;
3. The number of future residential dwelling unit allocations awarded in accordance with a development phasing plan and agreement as provided for in Section 17.06.055;
4. The information and data contained in the annual fiscal impact analysis as provided for in Section 17.06.045 Fiscal Impact Analysis Required.

The following discussion presents information pertinent to the above four considerations.

Residential Dwelling Units Allocated in Current and Preceding Year: Table 3 presents the number of Measure D certificates and building permits issued each year from 2017 through 2021. Since amending the Measure D allocation system in 2010, new residential development from 2010 through 2013 was especially slow as the City recovered from the great recession. From 2014 on, growth has increased modestly, but remains low due to a lack of larger-scale developments other than phase one of Pacific Ridge. Recent years (2019 and on) have seen a distinct increase in applications for both Measure D certificates and building permits. Accessory Dwelling Units (ADUs) account for much of this increase due to recent State law amendments that further relaxed ADU development requirements and amplified local interest in ADU construction. In 2021, all allocations were issued, including within and outside Downtown.

Table 3: Residential Building Permits Issued

Year	Available Allocations	Measure D Certificates Issued	Residential Building Permits Issued
2017	66	22	28
2018	66	25	16
2019	71	34	24
2020	69	48	26
2021	66	66	35
Average	68	39	26

Development Phasing Plans and Unit Prioritization: The City has not received applications for development phasing plans for Measure D allocations for several years. Phasing plans are applicable to subdivisions.

Before applying for a Coastal Development Permit (CDP) for new residential development, an applicant is required to obtain one Measure D allocation for each unit (per Section 17.06.010.B – Applicability). Measure D certificates are valid for one year (per Section 17.06.050.A. - Timing of building permits issued pursuant to this chapter), but may be extended if other approvals such as a CDP, are required (per Section 17.06.050.F). There is a more detailed comparative process for evaluating and ranking subdivisions (Section 17.06.215 – Evaluation procedures for subdivisions for residential development based upon design and amenity criteria and contribution to public facilities), but that process has not been triggered for phased development of subdivisions.

In the case that there is an increase in residential development activity beyond available allocations, Sections 17.06.120 and 17.06.275 – “Review of Points awarded and residential units allocated” establishes the criteria to evaluate applications and distribute residential dwelling unit allocations. The Measure D Allocation System is structured to prioritize projects in January of each year to evaluate and prioritize applications based upon competitive rating criteria (Sections 17.06.120 and 17.06.275). A detailed staff report to the Planning Commission in March 2020 outlined this process and presented that certain aspects of the rating system, as codified in 2010, are no longer especially relevant. Staff prepared an interpretation document for Planning Commission concurrence that will guide rating if there are more applications received during the annual January application window than available allocations, as occurred in January 2021. At a joint work session with the Planning Commission on November 9, 2021, City Council provided direction and guidance for updating the Measure D ranking and administration procedures to better reflect current Council priorities and community housing needs.

Fiscal Impact Analysis: Section 17.06.045 requires the City to prepare an annual report identifying the effects of new residential development on City finances and the City’s ability to provide services to the residents. The fiscal impact analysis for 2021 was prepared by Applied Development Economics and the summary of the analysis is included as Attachment 2. The fiscal impact analysis indicates the new units and residents would generate about \$48,229 per year in General Fund revenues and require about \$55,687 in General Fund expenditures, for an annual deficit of \$7,458. Notably, the 2021 fiscal impact analysis indicated an estimated net surplus of \$21,118. Both of these amounts are considered close to breaking even for this type of fiscal impact analysis.

ATTACHMENTS:

1. Resolution Establishing the Residential Dwelling Unit Allocation for 2022
2. Fiscal Impact Analysis Spreadsheet of New Residential Development, prepared by Applied Development Economics, November 2021