

City of Morgan Hill

Housing Element Appendices

HOUSING ELEMENT APPENDIX

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APPENDIX A. REVIEW OF CURRENT HOUSING ELEMENT

1. INTRODUCTION

The current programs and policies have been successful in facilitating the construction of a wide range of housing types at different affordability levels. Since 2010, there have been over 487 units produced in Morgan Hill, and 62 of these, 13 percent, were affordable to very low, low, and moderate income households. Currently, out of an estimated 13,000 housing units, more than 10%, or 1,400, are affordable for very low, low, and moderate income households.

Morgan Hill’s Redevelopment Agency (RDA) assisted in the production of over 750 affordable ownership and rental units from 1999 until its dissolution in 2011. Some of these include the Viale Teacher Housing development on the Northwest corner of Watsonville Road; Calle Sueno; Jasmine Square; Royal Court; Madrone Plaza, a 95-unit ownership project with 71 units affordable to low and moderate income households; The Crossings, a 24-unit rental apartment acquisition and rehabilitation project; and Horizons, a 49-unit senior apartment project. In the absence of the Redevelopment Agency, the City continues to encourage and support affordable housing. See the Current City and County Programs Section for more on accomplishments.

Morgan Hill did not accomplish its quantified housing production objectives for extremely low, very low and low income housing during the previous Housing Element cycle (Table A-1). The City is achieving its objectives on total units and above moderate income units.

TABLE A-1 QUANTIFIED OBJECTIVE 2007-2014

	Extremely Low Income Obj/Comp.	Very Low Obj/Comp.	Low Obj/Comp.	Moderate Obj/Comp.	Above Moderate Obj/Comp.	Total Obj/Comp.
New Construction	66 / 9	158 / 89	249 / 100	246 / 36	500 / 1,027	1,219 / 1,261
Rehabilitation	56 / 5	56 / 36	56 / 9	56 / 0	N/A / 0	224 / 50
Conservation/ Preservation	176 / 0	213 / 59	51 / 35	N/A / 0	N/A / 0	440 / 94

Note: obj = objective; comp = completed.

Source: City of Morgan Hill, 2013.

2. POLICIES AND ACTIONS

Below is a list of the policies and actions from the previous Housing Element, followed by an evaluation and summary of achievements.

Policy 1a: Ensure that an adequate amount of land is available for new residential development.

Actions

- 1a-1: Maintain an adequate supply of vacant land zoned for a range of residential densities.
- 1a-2: Evaluate annually the amount of land available for development and the projected five-year need and adjust the General Plan and zoning as necessary to accommodate the City's regional housing allocation.
- 1a-3: Give high priority in the annual Capital Improvement Program to providing adequate public

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facilities to residentially zoned land needed to accommodate the City's ABAG-projected regional housing needs allocation (RHNA).

- 1a-4: Approve a sufficient number of housing unit allocations with the objective of meeting the City's regional housing need allocation for each income category. The primary method to accomplish this is through the annual RDCS planning meetings.
-

Evaluation/Achievements

Items 1a-1, 1a-2, and 1a-3 are ongoing, and have been successfully implemented during the Housing Element cycle. Specifically, Morgan Hill has produced an annual review of vacant land. There are currently approximately 1,063 acres of vacant and underutilized land. This provides an adequate supply for future development. As needed, Morgan Hill submits revisions to the Residential Development Control System (RDCS) to voters, including in 2004 to raise the population limit to increase the number of building allocations, in 2006 to exempt 100 units in downtown and in 2009 to exempt 500 units in downtown (approved by voters).

Action 1a-4 was not achieved in the 2007-2014 planning period, as shown in Table A-1, above, and as explained on page 4.

Policy 1b: Provide an adequate supply of land for multi-family housing located convenient to shopping, services, and transportation routes.

Actions

- 1b-1: Maintain an adequate supply of multi-family zoned (R-3 and R-4) land for multi-family use to accommodate the City's ABAG-assigned regional housing need allocation for lower-income households. This will be reviewed annually as part of the RDCS process.
- 1b-2: Continue to pursue opportunities for land acquisition for future affordable housing development in areas zoned for multi-family or commercial that permit mixed projects, either through acquisition of suitable sites by the Redevelopment Agency or by assisting a nonprofit housing developer to acquire land for future development. The Redevelopment Agency accomplishes this by maintaining close relationships with for profit and nonprofit developers, monitoring local real estate conditions, etc.
- 1b-3: Continue to promote smart growth development along identified transit corridors. Downtown is the primary transit corridor; see the Downtown Specific Plan for implementation information.
-

Evaluation/Achievements

Morgan Hill currently has 21 acres of vacant land zoned R-3, 7 of which have received entitlements for residential development. Much of this land was formerly industrial land that was rezoned in a previous Housing Element cycle. There are approximately eight acres of land zoned R-4 although construction of the Huntington Square project has begun on this site. This project is partially built out with 14 townhome units, and the remaining portions may start construction in 2014. With progress towards the Downtown Specific Plan, adopted in Fall 2009, there is a much larger supply of higher density housing sites. The Downtown Specific Plan will allow up to 1,200 mostly multi-family units.

The Bella Terra Senior Development opened at the end of August 2013. Morgan Hill provided a \$3.5 million loan to EAH, a nonprofit developer, to purchase property for affordable housing. The site will be the home of 40 affordable apartments for seniors and 40 market rate townhouses. The Agency also acquired 2.7 acres for the Horizons affordable senior housing project. The land will be included in the development of the project by UHC, a housing developer. The Horizons Senior Development, 49 units, was finalized in 2012. The Redevelopment Agency also acquired property (on Hale Avenue and on Monterey and Ciolino) for street right-of-way. The City now owns those via approved transfer from the Successor Agency, and will, as appropriate, land bank the surplus portions for future affordable housing development. The City is researching the possibility of a Habitat for Humanity project on the remnant street right of way parcel and a

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Transition Age Youth (TAY)/Veteran's Homeless project on the vacant Ciolino parcel.

Policy 1c: Encourage the allocation of the maximum possible number of housing units under RDCS allocations.

Actions

1c-1: Annually evaluate the outcome of the allocation process to determine if further adjustments to the system are advisable to ensure that the annual allocations are maximized for both market rate and affordable housing. Points to consider include the RDCS's impacts on cost, supply and affordability of housing, as well as the timing of the process. Ensure that there are sufficient allocations to meet the Regional Housing Need Allocation. Include results in the annual progress report submitted to HCD.

Evaluation/Achievements

The RDCS system has been evaluated annually with changes made as appropriate. For example, an RDCS competition category reserved for rental units has been created, and Measure A (passed 2009) exempted 500 units in the downtown area from competing for allocations under the RDCS.

Policy 1d: Encourage a variety of housing types and densities within the community.

Actions

- 1d-1: Continue to ensure that an average of at least 20 percent of all new housing allocations are designated for multi-family units.
 - 1d-2: Ensure that a minimum of 30 percent of new multi-family units are rentals. Continue to include a rental category in future RDCS competitions, as appropriate (the Downtown Area development may also serve to meet this requirement).
 - 1d-3: Establish annual objectives under the RDCS allocation process for affordable housing based on past production and future needs.
 - 1d-4: Avoid rezoning residential land for other uses and for lesser residential densities than shown on the General Plan.
 - 1d-5: Require development of property designated as multi-family to occur at a density no less than the minimum density prescribed by the General Plan.
 - 1d-6: Encourage the creation of rental housing, including housing for extremely low income households, through the actions of the Redevelopment Agency and implementation of its Affordable Housing Strategy. Update regularly.
 - 1d-7: Consider developing varied RDCS standards for different types of developments. For example, consider if senior or multi-family developments should have different scoring criteria than single-family.
-

Evaluation/Achievements

Since 2010, 14 percent of new allocations, on average, were multi-family units. In recent years, there have been no market rate apartment complexes created in Morgan Hill, though a number of the affordable units created were rental apartments. The terms of Action 1d-2 were met due to the construction of new senior housing. Among other issues, apartments were not able to compete successfully against condominiums in the RDCS. Morgan Hill recently established a separate set-aside to allow apartment complexes to have their own competition. This has resulted in 114 units approved since 2010. The Downtown Specific Plan will help meet the need for more apartments (and will be supported by Measure A, which exempted 500 units from the RDCS). Other action items are ongoing, and continue to be implemented. The Community Development Department continues to encourage multi-family development. For the next round of RDCS competition, scoring criteria are being adjusted to further facilitate multi-family development.

1d-3: Annual reports are prepared to include annual sales price data (collected in March of each year), number of affordable housing units produced for the reporting period, and identifying shortfalls in the 20%

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affordable competition set-aside numbers that will need to be made up in future RDCS competitions. The report also measures the City's progress toward meeting our Housing Element Regional Housing Needs (RHNA) Allotment.

Policy 1e: Provide for a variety of single-family lot sizes.

Actions

- 1e-1: Retain the existing residential land use designations, and ensure that the Community Development Element of the General Plan and the City's Planned Development zoning provisions offer flexibility that allows for a variety of lot sizes for single-family homes.
- 1e-2: Amend the general plan and zoning ordinance to create a Single-family High category (5-10 units per acre); R-1-4,500 zoning district, with the goal of accommodating market rate affordable homes. Due to the similarity in density range, the re-designation of existing Multi-family Low to Single-family High is encouraged over the conversion of lands with single-family land use designation. However there may be single-family and other areas that are appropriate for the new designation, as small lot single-family detached homes may provide an appropriate transition, such as between a multi-family low land use area and a single-family medium land use area. Infill sites seeking a change to the Single-family High land use designation should be a minimum of 30,000 square feet and result in development that is compatible with existing surrounding development. Ensure that the homes are an appropriate size and scale for the lot, and where possible have these houses be senior friendly (for example have a bedroom and bathroom on the ground floor).
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Evaluation/Achievements

The City has completed a General Plan Amendment and new zoning district called for in Action 1e-2 to create a "Single-family High" category that accommodates developments between five and twelve units per acre. The result of this General Plan Amendment and new zoning district has been increased activity, now that market conditions have improved. Units may be coming online in the 2013/14 FY.

Policy 1f: Promote and encourage provision of housing within new market rate development that is affordable to extremely low, very low, low, median, and moderate income households.

Actions

- 1f-1: Continue to monitor and ensure that an appropriate percentage of all new market rate housing be affordable to lower, median, and moderate income households, by continuing Planning Commission and City Council review of annual RDCS proposed allocation procedures for developers to maximize points in the RDCS.
- 1f-2: Continue to provide density bonuses and other incentives consistent with State law and local regulations for those projects committing to provide appropriate amounts of below market rate units, including extremely low income units. Other incentives may include: (a) exceptions to design and development standards on a case-by-case basis that reduce the cost of producing housing units without sacrificing the objectives for which these standards were adopted; (b) payment of fees from Redevelopment Agency tax increment housing set-aside funds and other funding sources independent of Redevelopment; (c) priority permit processing to ensure that project funding is not jeopardized; and, (d) assistance in accessing funding by applying to, or supporting applications to, State, federal, and private agencies.
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Evaluation/Achievements

The action items are ongoing and continue to be implemented.

Due to the competitive nature of the allocation process, virtually all market rate projects have included approximately 8 percent affordable housing to garner the maximum RDCS points possible. The City has over 500 below market rate units in its inventory of units currently restricted in the BMR program and administered/monitored by the City.

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The City has adopted a density bonus ordinance, found in Chapter 18.47 of the Zoning Code. Although the City has made density bonuses available for projects meeting minimum standards (at least ten percent affordable housing units to very low income households, 20 percent affordable units to low income households, or at least 50 percent senior units), few multi-family housing developers have taken advantage of these incentives over the past ten years. This is not true, however, for senior housing projects. Parcel size, the availability of financial subsidies, and other factors appear to affect the financial feasibility of affordable housing projects more than density bonuses in Morgan Hill. The Morgan Hill Redevelopment Agency provided housing set-aside funds and applied for funds from State programs to assure sufficient funding for affordable housing projects. Additional revenue sources are still being pursued along with the City Council voting in May, 2013 to support SB 391 (the California Jobs and Homes Act), which would add additional opportunities to the City for affordable housing funding if it is passed. The bill was heard in Assembly Committee in August 2013. While passed by the State Senate, the bill will remain on the Assembly Appropriations Committee's calendar while work is done to strengthen the bill and move it forward early in 2014. Furthermore, the City will still have approximately \$10 million to invest in limited programs and potentially at least two to three new affordable housing developments. These funds are sourced from in-lieu fees, existing funding, sales of City-owned BMRs, and SEREAF/ERAF repayments over the next five years.

As property values increase in Morgan Hill, density bonuses may become a more important incentive to assure the financial feasibility of affordable housing. For this reason, the City will continue to offer and promote density bonuses for affordable housing projects.

Policy 1g: Provide incentives through the RDCS for BMR and other affordable projects that provide a high percentage of affordable units

Actions

- 1g-1: Retain provisions within the RDCS that award points for developments that voluntarily reserve a percentage of the proposed housing for below market rate units.
 - 1g-2: Allow small projects (fewer than 16 units) to voluntarily pay a housing fee when it is not feasible to provide affordable housing on site.
 - 1g-3: Provide local residents and local employees preferential access to housing programs, as permitted by relevant law.
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Evaluation/Achievements

The action items are ongoing and continue to be implemented. As noted above, almost all developments have included affordable housing. The RDCS offers incentives to promote the construction of below market rate housing, both for purchase and for rent. In the competition for housing allotments, projects score higher if they reserve some of the proposed units at below market rates. This is the City's most significant method for providing housing for low and moderate income households. The program has been supported by the City Council and Planning Commission and accepted by the development community. Small projects have agreed to pay "in-lieu" fees instead of constructing BMR units in their developments.

1g-2: RDCS criteria allows small projects, fewer than 16 units, to receive additional points for payment of double housing fees computed at ten percent of the total projects (6 points). See Section 18.78.260B.

Policy 1h: Reserve a portion of the annual RDCS housing allocations for projects with 75 percent affordable housing

Actions

- 1h-1: Continue to reserve a minimum of 20 percent of the annual RDCS building allotments for projects that are 75 percent affordable housing projects or a level established by City Council policy. Ensure
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- that these developments meet the full spectrum of needs associated with all income groups.
- 1h-2: Continue to make RDA Housing Set-Aside funds available to finance 100 percent affordable projects, including for housing for extremely low income households. Consider assistance to below market rate ownership housing where a financing gap can be demonstrated.
- 1h-3: Continue to assist market rate and nonprofit developers in developing affordable rental housing. (See Policy 1[f]-2 for potential incentives.)
- 1h-4: Continue to work with a nonprofit housing agencies to acquire older, substandard market-rate rental units for conversion to a mix of market-rate and affordable units.
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Evaluation/Achievements

The affordable RDCS competition (Action 1h-1) has been a very successful way to provide affordable housing. Since 2010, the 49-unit Horizons Senior Development and 50-unit Crest Ave rehabilitation project have been completed. Under construction currently is the 40-unit EAH senior affordable development and 138-unit Morgan Hill Retirement residences, which will provide affordable senior independent living.

The Redevelopment Agency used its 20 percent Housing Set-Aside Funds to provide gap financing for a variety of affordable housing projects. The City will have \$10,000,000 over the next 5 years in order to facilitate affordable housing production. The City Council has also voted to support SB 391 and will continue to apply for CalHome funds for rehab and downpayment assistance. The Accomplishments section contains a list of the projects assisted. Since 2010, the City has assisted the Horizons, EAH Housing, and Crest Avenue Rehabilitation projects. In addition, downpayment assistance was provided to 40 households through the City's Downpayment Assistance Program, although this program has now been eliminated due to Redevelopment Agency dissolution. In FY 2010/11, there were five rehab loans totaling \$155,780. Since that time, the Rehabilitation Loan Program has also been disbanded.

Policy 1i: Encourage the production of multi-family units appropriate for larger households.

Actions

- 1i-1: Ensure that new affordable BMR rental units assisted with RDA funds provide a specified percentage of three- and four-bedroom units.
- 1i-2: Ensure that new BMR ownership units continue to offer an appropriate percentage of three- and four-bedroom units in consideration of the proportion of large, low income families in relation to the population as a whole.
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Evaluation/Achievements

Under the Morgan Hill BMR program, almost all the housing units for sale are three- or four-bedroom units suitable for large families.

Policy 1j: Allow mobile homes and manufactured housing where appropriate.

Actions

- 1j-1: Retain provisions in the Zoning Ordinance that permit manufactured housing on single-family lots by right in residential zoning districts so long as the manufactured homes are placed on permanent foundations and meet all other City requirements.
- 1j-2: Continue to allow mobile home parks as conditional uses in the R-2 zone and manufactured home subdivisions within single-family residential zones as permitted uses.
-

Evaluation/Achievements

These action items are ongoing and continue to be implemented, though there are few property owners that request permission to do this. The last new mobile home construction was an addition to Woodlands Estates in 1980. Because of the price of land and the RDCS competition, new mobile home parks are unlikely, and there may be better ways to encourage affordable housing. It may be possible to incentivize the development of manufactured home subdivisions within single-family residential zones, via amending the RDCS points

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available to them. This was not done during the past cycle, as Morgan Hill already has the third largest inventory of manufactured homes in Santa Clara, behind San Jose and Sunnyvale, and has the largest inventory per capita.

Policy 1k: Promote environmental sustainability in new construction.

Actions

- 1k-1: Evaluate street requirements and look for opportunities to conform to green streets and complete streets guidelines (e.g. alternate ways of handling storm water or making streets more walkable).
 - 1k-2: Study the possibility of forming a voluntary (opt-in) solar energy tax district to provide loans to offset the initial cost of installing solar panels or other efficiency improvements. Loans would be paid for by a municipal bond and paid back by an increase in the participating household's property taxes for the life of the loan.
 - 1k-3: Require more explicit sustainability requirements in all new projects, including adopting a green buildings ordinance.
 - 1k-4: Retain RDCS incentives for energy conserving building techniques for residential construction by providing additional points in the allocation process for developments that include energy conservation components in excess of minimum State building standards requirements.
-

Evaluation/Achievements

Implementation of Action 1k-1 is ongoing through the City's development review and RDCS processes. EAH Housing's Cochrane Village development will provide solar power for common areas and drought resistant landscaping with improved drainage system. Morgan Hill has added additional points in the RDCS for conservation components. Morgan Hill's planned sustainable building ordinance was not implemented, as the efforts were largely subsumed by the CALGreen code.

Policy 1l: Provide for a vibrant mix of residential and commercial development downtown.

Actions

- 1l-1: Continue implementing provisions of the Downtown Specific Plan, and encourage development in the nearby Central Commercial Residential (CC-R) zoning district. Examples include RDA payment of sewer connection fees, RDCS exemptions, assembling parcels, down payment assistance, etc. Monitor and track new housing developments, paying particular attention to affordability, adjusting strategy where appropriate.
 - 1l-2: Reduce per-unit impact fees for small downtown housing units, to reflect smaller household sizes and lesser impacts.
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Evaluation/Achievements

RDA funds can no longer pay sewer or other fees. The new housing developments that have come in downtown include:

- EAH Housing BellaTerra Senior
 - City Ventures
 - DeNova Homes
 - Main/Butterfield project (potentially starting FY 13/14)
-

Policy 1m: Encourage new residential development in appropriate residential and commercial areas.

Actions

- 1m-1: Continue to maintain the mixed residential and commercial uses classification on sites previously identified.
 - 1m-2: Continue to work with for-profit and nonprofit affordable housing developers to identify appropriate sites through regular contacts with such organizations and maintenance of a site inventory for the benefit of nonprofits.
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Evaluation/Achievements

These action items are ongoing. The City has worked with MDM Investments and Taylor Morrison on the Madrone Plaza II Project by facilitating sale from South County Housing, including obtaining extension of BEGIN DAP funds. This has resulted in development of site with 70+ units, including 10 BMR units.

Policy 1n: Encourage development of second dwelling units.

Actions

- 1n-1: Investigate the appropriateness of encouraging second units in R-2 zones and, if appropriate, modify the R-2 zoning standards to allow second units.
- 1n-2: Develop resources to help educate homeowners, architects, and builders about second units. Potential actions include producing handouts and facts sheets and hosting “How To” workshops.
- 1n-3: Continue to allow staff to approve second units ministerially when appropriate.
- 1n-4: Reduce per-unit impact fees for second units, to reflect smaller household sizes and lesser impacts.
- 1n-5: Evaluate scoring criteria for the RDCS to identify greater incentives for second units.
- 1n-6: Study and revise second unit ordinance to ensure it follows standard best practices. Points to consider include:
- Clarify the ordinance to ensure properties are not subdivided and second units sold as separate units
 - Utilize window design techniques to reduce impact on adjacent property for two story second units
 - Increase the maximum permitted second unit size to 50 percent of primary dwelling or 750 square feet, whichever is smaller
 - Reduce parking requirements to one space for a two-bedroom second unit, or allow tandem parking for the two spaces.
 - Reduce or eliminate the minimum lot size for second units.
 - Have second units governed by the same land use controls as other buildings (setbacks, lot coverage, etc.).
 - Review and revise the zoning ordinance to allow second units in additional zoning districts, including certain multi-family and mixed use districts such as CC-R and CL-R, where some existing lots developed with single-family uses could accommodate greater density in a second unit configuration.
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Evaluation/Achievements

Secondary Dwelling Units, per Chapter 18.55 of the Zoning Code, are allowed in R-2 (3,500), as a result of Ordinance No. 1992, adopted in October 6, 2010. However, the R-2 District chapter remains to be cleaned up to explicitly list Secondary Dwelling Units as allowed uses. The previous Housing Element explored additional policies to encourage second units. As part of the 2008 BMR City Council study issue and follow-up Planning Commission RDCS subcommittee, the City examined the issue of second units and made revisions to the RDCS Criteria to encourage second unit construction in new projects in order to help achieve the Morgan Hill regional “fair share” housing estimates. The City believes this will produce 56 new units. Updated policies included a reduced per-unit impact fee for secondary units, recommended by a development fee study the City conducted in 2010. Secondary Dwelling Units are now allowed in CC-R by right, per Chapter 18.55 of the Zoning Code. CL-R was not selected for revision to allow secondary dwelling units, as it is primarily commercial, and residential is not a permitted use except in a mixed-use configuration. The City has developed a Secondary Dwelling Unit webpage to support homeowners in constructing secondary dwelling units.

1n-5: Projects can receive 2 points under Section 18.78.260B.2 of the RDCS scoring criteria for a commitment to provide 15% of the total dwelling units as secondary (granny) units.

Policy 1o: Participate in programs that assist very low and low income households to secure adequate housing.

Actions

- 1o-1: Continue participating in and publicizing programs such as the County’s Mortgage Credit
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- Certificate program, Housing Trust Fund of Santa Clara County, CalHFRA, etc.
- 1o-2: Require relocation assistance when privately funded redevelopment displaces extremely low, very low, low, or moderate income residents.
- 1o-3: Encourage landlords to utilize rental assistance programs, such as housing vouchers and Section 8 vouchers administered by the Housing Authority of Santa Clara County. The City will undertake the following actions: (1) Refer rental property owners to the Santa Clara County's Housing Authority's waiting list; (2) When in contact with rental property owners, the staff will inform them of the Housing Authority's vouchers program; and, (3) Promote the availability of vouchers for use in the rental rehabilitation program.
- 1o-4: The City will evaluate as part of its comprehensive housing strategy a first and last month's rent and security deposit program for eligible renter households.
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Evaluation/Achievements

Mortgage Credit Certificates (MCCs) are aimed at assisting the first-time home-buyer. The MCC Program is operated by Santa Clara County, and ten to fifteen Morgan Hill residents use the program in a typical year.

City code requires relocation assistance for households displaced by private development in Downtown. The Housing Section monitors the process to ensure compliance of qualified, displaced residents. The monitoring begins with notification from Community Development staff. Since the previous Housing Element, no new dwelling units have triggered relocation requirements.

HUD's Section 8 rental assistance program issues a limited number of vouchers to local housing authorities to make up the difference between one-third of an eligible household's income and rental payments up to a set price. Participation in the program by property owners and landlords is voluntary. The Housing Division provides referrals to the Santa Clara County Housing Authority for more information on participation in the Section 8 Program. The City will continue to encourage local property managers and owners to participate in the program as it makes contact with these parties. City-assisted projects have participated in the Section 8 rental assistance program and continue to do so.

After researching the establishment of a new program to provide first and last month's rental assistance, the staff determined that existing programs offered by area nonprofit organizations are more viable than starting a new unfunded City program, and that there are insufficient City resources to sustain a first and last month's rental assistance program. The City referred needy households to area nonprofit organizations that provide this type of assistance. Staff determined that a higher priority potential need was the future development of an emergency voucher program for families displaced by natural disaster, criminal activity or other reasons. However, an emergency vouchers program is no longer possible due to the dissolution of the Redevelopment Agency.

Policy 1p: Leverage housing assistance funds wherever possible by combining them with funds from State, federal, and other sources.

Actions

- 1p-1: Use RDA "20 percent" Housing Set-Aside funds to leverage the maximum amount of additional financing for affordable housing projects.
- 1p-2: Continue to work with local legislators and provide input to the State Legislature to ensure that State programs and legislation meet local housing needs and support local housing programs.
- 1p-3: Update, as needed, directories of State and federal housing and community development programs that provide financial assistance. Annually identify State and federal programs that are most applicable to Morgan Hill and have the greatest potential for funding affordable housing in the city.
-

Evaluation/Achievements

The action items are ongoing, although alternative funding sources are being pursued in response to the

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dissolution of redevelopment. There is \$4 million in Housing funds remaining from the former Redevelopment Agency. Furthermore, there will be another \$6 million in SERAF/ERAF funds coming back from the former agency.

The Redevelopment Agency/City applied for and received the following grants and loans for funding from CalHFA and HCD during the 2007-2008 timeframe. The BEGIN grant was renewed for one more year to June 2014:

- \$1,900,000 in CalHFA HELP funds
- \$2,000,000 in CalHFA RDLP funds
- \$2,160,000 in CalHFA BEGIN funds
- \$152,633 in a CalHFA workforce grant

The City has obtained an extension in State BEGIN funds in excess of \$1.5 million to help facilitate the sale of homes at Madrone Plaza II project and applied for \$800,000 in CalHome funds. The City will also have \$10,000,000 in Housing funds to use over the next five years, and will continue working with our non-profit partners Housing Trust of Silicon Valley and Neighborhood Housing Services of Silicon Valley to leverage our funds.

Policy 1q: Provide housing assistance funds in the form of loans wherever possible so that the funds will eventually return to the City for future use.

Actions

- 1q-1: Provide home improvement loans through the City's Housing Rehabilitation programs to very low, low, median, and moderate income homeowners.
 - 1q-2: Provide financial assistance for substantial housing rehabilitation to rental property owners with extremely low, very low or low income tenants in exchange for long-term affordability (as required by the funding source).
 - 1q-3: Maintain the first-time homebuyer down payment assistance program targeted to low and moderate income residents and employees.
 - 1q-4: Provide priority funding consideration for extremely low income housing developments.
-

Evaluation/Achievements

These programs have been left unfunded with dissolution of the Redevelopment Agency. However, with the City's remaining funds the City will continue to pursue loans instead of grants. Currently the City receives approximately \$300,000 annually in loan repayments which can serve to fund new loans and help fund loan administration.

Policy 1r: Monitor housing development and housing needs annually to ensure that goals and quantified objectives are being met

- 1r-1: Continue to update the City's Affordable Housing Strategy with the most current Census data. Identify methods to create housing affordable to extremely low income households.
 - 1r-2: Review housing objectives annually and recommend program modifications if annual housing objectives are not being met.
 - 1r-3: Continue to review potential governmental constraints, such as public works standards (including Chapter 12 of Morgan Hill's Municipal Code and standards for private streets), to ensure that they do not pose an undue impediment to the provision of new housing or the rehabilitation of existing housing.
 - 1r-4: Continue to have developers report initial sales price and rents of new units prior to occupancy approval.
-

Evaluation/Achievements

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These items are ongoing. The annual housing objectives and goals are contained in the City's annual budget under the Housing Department.

Policy 1s: Continue the Below Market Rate (BMR) program as a source of affordable housing.

Actions

- 1s-1: Require all BMR units to be restricted to use as affordable housing as required by funding source.
 - 1s-2: Continue to require the recordation of deed restrictions for all affordable units except as second dwelling units.
 - 1s-3: Review the term of affordability for ownership housing units.
 - 1s-4: Develop opportunities for owners of BMR units to build equity/wealth, while protecting the public investment of resources.
-

Evaluation/Achievements

The current affordability term requirement is 45 years for BMR ownership units and 55 years for 100 percent affordable rental projects. The City has left the BMR Covenant period as-is at this time in order to maintain the number of units, given that the BMR waiver program reduces the number of new BMR units coming online. The City always analyzes whether the term of affordability is correct for its units, and uses this information to help standardize the program (in the past, the program had 23 different agreements).

The BMR Reduction Program included two primary reduction provisions: 1) full waiver of BMR commitments, and 2) a buyout option that allows up to a 50 percent reduction in a Housing In-Lieu Fee. The full waiver provision ended in September 2012. The buyout provision is still available to projects with FY2011-12 or earlier building allotments that commence construction by June 30, 2014. The City has implemented a new BMR rehabilitation program, and also provides ongoing education to homeowners on refinancing and how to stay in their homes even if over encumbered.

Policy 1t: Preserve as many at-risk below market rate ownership and rental units as possible.

Actions

- 1t-1: Continue to extend the affordability restrictions as part of the next sale to eligible purchasers and, if necessary, exercise the City's right of first refusal to purchase BMR units to ensure they remain affordable.
 - 1t-2: Annually monitor the status of at-risk assisted rental housing units. Contact current property owners of at-risk projects to determine their financial objectives and appropriate financial assistance needed to meet those objectives (rehabilitation assistance, operating subsidies, additional Section 8 vouchers, etc.).
 - 1t-3: Assist nonprofit housing organizations in acquiring and/or rehabilitating existing affordable rental housing through the provision of financial assistance in exchange for extending the affordability period as required by the applicable funding source.
-

Evaluation/Achievements

The City continues to extend affordability restrictions as part of the next sale to eligible purchasers. The Housing Services Division has placed a litigating attorney under contract to protect covenants from unauthorized loans, and is exercising right of first refusal on agreements. The Redevelopment Agency purchased three BMR units from developers and lenders to ensure they remain affordable, and is in the process of reselling these units to qualified homebuyers.

The Division is active in pursuing extensions of covenants for at-risk units. As an example, refinancing and rehabilitation approval of Chchrane Village apartments included extending covenants to 2068 (from 2028). The City had one "At-Risk" project, Village Avante. In 1999, the Agency assisted EAH, a nonprofit developer, with the acquisition and rehabilitation of the 112-unit project. The affordability term for the units was extended, and they are affordable for the 55 year period that began in 1999. In 2015, Housing Services staff will be hiring a consultant to conduct compliance monitoring of all rental units.

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The Redevelopment Agency provided additional funding to South County Housing (SCH) to rehabilitate existing affordable units in exchange for a longer affordability period. Specifically, the Skeels and the Willows affordability controls were extended by 10 years. Staff is actively assisting nonprofits in acquiring and rehabilitating existing affordable rental units. Current projects include EAH Housing Cochrane Village Resyndication, which will increase affordability covenants until 2068 on these units, plus add an additional 10 units to the Extremely Low Income stock.

Policy 1u: Regulate the amount and timing of condominium conversions.

Actions

1u-1: Continue the City's program to restrict conversion of rental units to condominiums if the rental vacancy rate is less than five percent. Clarify the applicability of conversion requirements on new units that were originally approved, mapped and constructed to condominium standards, but are currently rented. Also clarify whether projects that receive allotments under the "Rental" category are allowed to map the project as condominiums and later convert the units to for-sale units under different provisions than standard City condominium conversion provisions.

1u-2. Conduct a semi-annual survey of rental housing vacancies to determine the applicable vacancy rate for implementing the condominium conversion ordinance.

Evaluation/Achievements

Both actions are ongoing and continue to be implemented.

Policy 1v: Work to eliminate discrimination in housing based on race, color, religion, sex, age, family size, marital status, or national origin.

Actions

1v-1: Refer discrimination complaints to Project Sentinel or other organizations that combat housing discrimination.

1v-2: Continue to contract with organizations that provide Fair Housing services or support programs and have a demonstrated track record of effectiveness as available funds allow.

1v-3: Maintain an equitable buyer selection procedure through a waiting list process for low, median, and moderate income units.

1v-4: Continue to publicize and broaden understanding and acceptance of City housing programs, including the discrimination complaints procedure, through public presentations, publications, news items, advertisements in the Morgan Hill Times and Gilroy Dispatch, public service announcements on the City's local access television channel, and by posting flyers at City Hall, City parks, and at various local houses of worship on a continuing bases. Make special outreach efforts to the non-English speaking community and underserved/underrepresented populations.

Evaluation/Achievements

Federal and State civil rights and fair housing laws guarantee the right of citizens to purchase or rent housing without discrimination. State law requires local governments to adopt programs to promote housing opportunities for all. Project Sentinel has been funded in past years by the City using CDBG funds or other funds. Other actions are ongoing.

The City has been actively publicizing its housing programs. Actions include: (1) articles in the City's newsletters; (2) communication from the BMR Administrator, Neighborhood Housing Services of Silicon Valley, plus a Housing Section Twitter Page; (3) direct mailers in utility billing; (4) notices on the government channel; and, (5) articles on the website to publicize the City's housing assistance programs.

Policy 1w: Integrate below market rate and other affordable "set-aside" units into existing or proposed developments.

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Actions

- 1w-1: Retain provisions within the RDCS that give higher ratings to projects that create neighborhoods and residential developments of ethnic and economic diversity.
- 1w-2: Revise the RDCS process to allow developers the flexibility to develop creative approaches for mixing various housing types and affordability levels within the boundaries of an entire development in order to achieve their voluntary BMR set-aside commitments.
-

Evaluation/Achievements

The City has maintained these provisions of the RCDS, which has successfully resulted in mixed-income residential developments. Due to the competitive nature of the RDCS, market rate projects typically include affordable housing units without the participation of nonprofit organizations. There is an interest in creating more creative approaches for mixing housing types and affordability levels within the boundaries of a development, and this will be examined more closely during the current housing element period.

1w-2: This policy has been implemented by incorporating the new R-1 (4,500), Single-family High zoning into the Housing Needs and Lot Layout & Orientation categories.

Policy 1x: Provide flexibility in the RDCS system where possible.

Actions

- 1x-1: Allow developers to propose changes to their approved but not built projects assuming that the modifications do not cause a net loss of RDCS points, promote affordability, and are in the best interest of the City.
-

Evaluation/Achievements

The City has provided flexibility with BMR For Sale developers to encourage faster development of these projects.

Policy 2a: Maintain and conserve the city's existing housing stock

Actions

- 2a-1: Continue the City's Home Improvement Loan Program which provides rehabilitation assistance using both RDA Housing Set-Aside and/or CDBG funds.
- 2a-2: Continue City's code enforcement programs with emphasis on rental units, assistance in maintaining affordability, and non-displacement of existing tenants.
- 2a-3: Encourage the renovation of buildings consistent with the Downtown Specific Plan.
- 2a-5: Continue to provide funding for mobile home repair, senior home repair programs, neighborhood clean-up and paint, and rental lighting and security grant programs. Where possible, cooperate with code enforcement inspectors.
-

Evaluation/Achievements

The housing rehabilitation loan program is no longer active due to dissolution of the Redevelopment Agency. Five loans were granted in amount of \$155,780 during the last year (2010/11 FY) that it was in operation.

The City has an active enforcement program, with one code enforcement officer. The City's main code enforcement problems are illegal signage, failure to obtain building permits, and improper storage of vehicles, boats, and trailers. Other offenses include public nuisances, litter, illegal dumping, and other similar offenses. The city averages around 1,000 code violations a year, though this number varies. Code enforcement case files range from citizen complaints regarding public nuisances, failure to obtain building permits, blight removal, as well as illegal sign postings. The City enforces only if complaints are received and/or if issues are spotted by City staff. Housing staff works closely with the Code Enforcement Officer to assist residential cases to help residents, especially low-income residents, resolve their issues.

Housing staff generally tried to ensure that units assisted under the rehabilitation program are energy

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efficient. The Redevelopment Agency previously funded approximately 828 grants for the mobile home and senior home repair, and clean-up/paint. This program has been eliminated due to dissolution of the Redevelopment Agency.

Policy 2b: Promote and encourage the preservation of existing residential neighborhoods.

Actions

- 2b-1: Coordinate the planning and funding of neighborhood infrastructure improvements by integrating the Capital Improvement Program with the annual Redevelopment Agency programs.
 - 2b-2: Support neighborhood code enforcement programs with low cost loans and technical assistance to homeowners. (See Policy 2a regarding City programs for housing rehabilitation, code enforcement, and neighborhood improvement).
 - 2b-3: Continue public information efforts to encourage property owners in target neighborhoods to participate in the rehabilitation loan program.
 - 2b-4: Utilizing the Rehabilitation Loan program, continue to assist the expansion of existing units to alleviate overcrowding. (The City will implement this action by continuing to permit the addition of bedrooms and other expansions as an eligible rehabilitation activity to alleviate overcrowding.)
 - 2b-5: Continue to work with nonprofit housing organizations to identify and acquire dilapidated or substantially substandard housing units for the purpose of rehabilitating or replacing these housing units. The City has entered into legally enforceable agreements with South County Housing (SCH) for \$4,400,000 and Urban Housing Communities (UHC) for \$2,600,000 in tax increment funding to acquire, rehabilitate and convert the Crest Avenue Apartments and Crossing Apartment Complex, respectively, into housing affordable to low and very-low income households. The City shall monitor progress, coordinate with the nonprofits as they complete these projects, and report to the State Housing and Community Development Department on the financing and construction in compliance with State Government Code Section 65583.1(c)(4).
-

Evaluation/Achievements

The City coordinates capital improvement funding decisions under its Five Year Capital Improvement Program with its affordable housing strategies implemented through the Housing Element. Many improvements, such as road reconstruction, benefit neighborhoods.

The Rehabilitation Loan Program has been eliminated due to dissolution of the Redevelopment Agency.

For Action 2b-2, see also achievements under Actions 1q-1 and 1q-2.

Work with nonprofit groups continues (2b-5). The Agency worked with South County Housing and Urban Housing Communities (UHC) to acquire dilapidated housing and trailer parks and replace them with new affordable housing units. Recent examples include:

- Crest Avenue Apartments – 40 apartment units (three fourplexes and an 18-unit complex), in need of rehabilitation, acquired by SCH to be combined with existing 12 units. This occurred and was completed in 2013.
-

Policy 2c: Preserve and protect existing mobile home parks.

Actions

- 2c-1: Maintain the City's rent stabilization ordinance for mobile home parks.
 - 2c-2: Continue the City's program to provide rehabilitation loans to upgrade older mobile homes.
 - 2c-3: Work with mobile home residents and nonprofit groups, as opportunities and interests arise, to explore the purchase of existing mobile home parks to preserve or enhance their affordability. Options include providing funding for feasibility studies, assisting in accessing State and federal programs (such as the California Home Park Purchase Program), and using redevelopment Housing
-

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Set-Aside funding as gap funding.

Evaluation/Achievements

The City has maintained its rent stabilization ordinance, which has been successful in limiting the rate of rent increases in mobile home parks, and holds hearings as necessary.

The rehabilitation program has been eliminated due to dissolution of the Redevelopment Agency.

The City believes that acquisition of mobile home parks by nonprofits is a more financially feasible alternative than typical residential ownership (i.e., co-op structure). However, staff will continue to facilitate discussions between residents and mobile home park owners (including assistance in accessing funding), if requested by either or both parties.

During the summer of 2012, Community Development staff worked with the residents and owner of a mobile home park, the State, Project Sentinel, City Management and Finance staff to help facilitate property improvements, and maintenance of utilities leading to continued provision of affordable housing and operation of the park.

Policy 2d: Promote environmental sustainability in the existing housing stock.

Actions

- 2d-1: Partner with local organizations for energy audits/weatherization programs. Typical projects include energy audits, energy efficiency rebate applications, weatherization (reducing air leakage, etc.), window replacement, appliance swaps, etc.
 - 2d-2: Ensure that all housing units rehabilitated with City assistance are environmentally-friendly and energy efficient. The City has adopted the latest version of Title 24 and can include funding for required updates as part of the assistance package. Typical projects include replacing traditional water heaters with tankless models, new windows, etc.
-

Evaluation/Achievements

The City may provide limited rehabilitation assistance to BMR owners if CalHome funds are allocated and will work with non-profits to provide limited rehabilitation services as well.

Policy 3a: Provide incentives through the RDCS for the production of affordable housing for large families.

Actions

- 3a-1: Continue to implement RDCS criteria that provide additional points for the production of housing for large families in the "Housing Needs" and "Housing Types" sections of the criteria.
-

Evaluation/Achievements

Most new homes approved under the RDCS have three or more bedrooms. No further revisions to RDCS allocation criteria are considered necessary to encourage housing with more bedrooms. Single-family production still remains high.

Policy 3b: Meet the needs of residents who are homeless or at risk of homelessness.

Actions

- 3b-1: Adopt a Housing First model that recognizes the unique characteristics of Morgan Hill as a small suburban city. Study how to best implement the policy to meet the needs of Morgan Hill residents. Through the Housing First policy, Morgan Hill will emphasize permanent affordable housing. When appropriate and feasible, Morgan Hill will try to make support services accessible.
 - 3b-2: Continue to support the effort of agencies providing emergency shelter for homeless Morgan Hill residents. When appropriate and possible, provide funding.
 - 3b-3: Continue engagement with other Santa Clara County agencies and nonprofits to address homelessness and other housing or community service related issues.
-

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- 3b-4: Amend the zoning ordinance to ensure transitional and supportive housing is considered a residential use, and only subject to those restrictions that apply to other residential uses of the same type in the same zone.
 - 3b-5: Amend the Zoning Ordinance to permit emergency shelters without a conditional use permit or other discretionary permits in the public facilities zone (to be renamed the public/quasi-public/community facilities district). The shelter will only be subject to the standards permitted under California law.
 - 3b-6: Allow religious institutions to operate small emergency shelters and transitional facilities as an ancillary part of their regular operations with no additional local permitting requirements.
-

Evaluation/Achievements

The most recent affordable developments over the last four years have been the Senior Projects mentioned elsewhere herein. However, the City is exploring options with non-profits to develop a Transition Aged Youth (TAY) project or Veterans Homeless project on City-owned property. Furthermore, the City participates on a variety of taskforces to address homelessness and provided additional funds to South County Housing for the Crest Avenue II acquisition and rehabilitation project. Additionally, the new senior development The Lodge has about 30 vouchers using the Housing First model, including taking advantage of the HUD Veterans Affairs Supportive Housing (HUD-VASH) program. Finally, the City is participating in the resyndication of the Cochrane Village Apartments which will add an additional 10 units of extremely low income housing to the City's inventory.

The public facilities zone was amended to allow emergency and transitional housing by right. This zone contains 25 acres and is located near transportation and retail stores. There are a number of potential sites within these 25 acres for an emergency shelter.

In September 2014, the City amended its Zoning Code to update and add definitions of emergency shelter, supportive housing, and transitional housing to meet the conditions of both SB 2 and SB 745. These Zoning Code definitions include statements clarifying that both supportive and transitional housing are permitted in all zones allowing residential uses and are not subject to any restrictions (e.g., occupancy limit) not imposed on similar dwellings (e.g., single family home, apartments) in the same zone in which the supportive housing is located.

Policy 3c: Promote housing that is appropriate for and accessible to persons living with disabilities.

Actions

- 3c-1: Continue to enforce State and federal requirements for accessibility to the disabled in new multi-family units. Educate builders about the relevant laws.
 - 3c-2: Provide low interest rehabilitation loans to make existing residences accessible to the disabled.
 - 3c-3: Work with nonprofit organizations (Community Solutions and South County Housing are two examples of nonprofits with which the City and Agency have relationships) to evaluate the need for additional units in Morgan Hill for mentally impaired homeless adults.
 - 3c-4: Create a process to allow individuals with disabilities to have reasonable accommodation to ensure equal access to housing. The process will allow people with disabilities to make requests for reasonable accommodation in regard to relief from the various land use, zoning, or building laws, rules, policies, practices and/or procedures of the City. Once policy is created, produce handout for staff, homeowners and developers to summarize and publicize the process.
-

Evaluation/Achievements

State and federal laws require five percent of multi-family units to be handicapped accessible or adaptable. These requirements are enforced through the City's Building Division as part of normal building code enforcement. Federal provisions adopted during the 1990s have broadened the applicability of the standards.

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Action 3c-2 continues to be implemented. The City will be contracting with a non-profit during 2013/14 FY for emergency and code related retrofitting for seniors and disabled residents.

The Agency provided a loan to Community Solutions to rehabilitate the Casa Del Puente Home for people with mental disabilities, and the City is currently working with both Habitat for Humanity and the Housing Trust to implement new programs.

Action 3c-4 The Planning Division has implemented a reasonable accommodation policy, which is posted on the City's website at <http://www.morgan-hill.ca.gov/index.aspx?NID=99>. A handout with this information and information about the City's accessibility grant program is available at the Planning counter. The Planning Division is in the process of updating the funding sources in the handout as a result of recent changes since the dissolution of the Redevelopment Agency. Additionally, the City is using in-lieu fee funds to create a BMR and Senior Rehab loan program which includes accessibility improvements as eligible uses. The first loans and grants will be issued end of 2014. The City also works with Rebuilding Together, a local nonprofit, for Senior Accessibility improvements.

Policy 3d: Assist in providing housing for seniors.

Actions

- 3d-1: Identify criteria and locations within the city that are appropriate for senior housing developments and assist developers as appropriate.
 - 3d-2: Continue funding the SHRP and Home Rehabilitation Programs. Maintain priority for eligible improvements related to health, safety or other essential repairs.
 - 3d-3: Consider the creation of a RDCS allocation for senior housing or senior friendly housing with separate criteria.
 - 3d-4: Allow small senior units on single-family lots.
 - 3d-5: Consider reducing parking standards for senior developments.
 - 3d-6: Reduce per-unit impact fees for small senior housing units to reflect smaller household sizes and lesser impacts.
-

Evaluation/Achievements

Morgan Hill Retirement Residences is currently being constructed with 138 units, 24 of them restricted affordable.

The City adopted a variety of zoning amendments in 2008 to clarify what types of senior housing are exempt from the RDCS, and amended zoning districts to allow various senior housing types in additional zoning districts.

The City is meeting with several developers interested in pursuing senior projects within the city. Furthermore, with \$10 million in funding dollars expected to be set aside for Housing over the next five years (SERAF, in lieu fees, residual receipts payments) the City expects to fund two to three housing developments with at least one of them to be a senior project.

As of Ordinance 18.50.020, parking requirements for senior housing have been reduced. In single-family senior housing, instead of 2 covered spaces for each unit (standard), up to 50 percent of units can have 1 covered space. For multifamily senior housing, only 1 covered space is required per unit instead of the standard range between 1.5 and 2.5.

Policy 3e: Assist in providing housing related services to groups with special needs.

Actions

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- 3e-1: Continue to work with outside agencies and organizations to maximize housing opportunities for the full spectrum of housing needs.
 - 3e-2: Continue to use CDBG and other available funds to support the provision of housing related services for groups with special needs such as the elderly, single parents with children, and battered women.
 - 3e-3: Continue to fund upgrades at facilities for people leaving domestic violence as appropriate.
 - 3e-4: Include preferential handling of special needs populations, such as domestic violence cases, youth aging out of foster care, the developmentally disabled, single parents, etc., in the management plans and regulatory agreements of funded projects.
 - 3e-5: Research and evaluate a one-time emergency voucher program to assist residents displaced by criminal activity, natural disasters or other emergencies. Coordinate with social service providers.
-

Evaluation/Achievements

The City and Agency continue to provide annual funding for housing related services for special needs groups such as the domestic violence shelter and the adult day health care center for the fragile elderly. The Emergency Housing Consortium (EHC) provides emergency shelter for homeless families and individuals. They have a year-round shelter in San Martin and provide winter shelter at a migrant workers camp and the National Guard Armory. The County Department of Social Services administers the Homeless Assistance Program which provides temporary shelter grants for up to 21 days per individual or family and permanent housing assistance with grants to help defray some of the costs of moving into a rental unit. In addition, the City has provided EHC with capital funding for a shelter in Gilroy. The City has regularly participated in intergovernmental conversations about homelessness (though the specific group mentioned in the action item is no longer the main organization).

The City provided CDBG and other funds to EHC since 1986. The City no longer has the ability to provide CDBG funds to service organizations although we support any local organization that applies through the County CDBG process. With the dissolution of Redevelopment Agencies, the City has no other mechanism to support Homeless organizations although the City has a proposed project with EACH Housing that would house Transition Age Youth (TAY) or Homeless Veterans with remaining housing funds on a city owned property.

Policy 3f: Encourage universal design and maximize visitability, building on Title 24.

Actions

- 3f-1: Increase awareness of universal design principles. Educate the Planning Commission about universal design. Make information available at Development Services Center.
 - 3f-2: Study and if appropriate adopt a universal design ordinance or policies to encourage the inclusion of universal design features in new construction. Options include identifying minimum, cost-effective amenities for all new construction and offering points in the RDCS for homes that provide a more extensive selection of universal design features.
-

Evaluation/Achievements

The RDCS scoring criteria awards points to projects that provide at least 25 percent of the dwellings as visitability accessible units. For the RDCS competitions that were held in 2009 through 2012, 15 projects committed to provide a total of 140 visitability accessible units, representing 25 percent of the units in each project.

APPENDIX B. ADDRESSING AFFORDABLE HOUSING IN THE ABSENCE OF REDEVELOPMENT

Morgan Hill has many programs to promote affordable housing and help reduce overpayment. However, with the elimination of redevelopment agencies under State law in 2012, Morgan Hill is now more constrained in terms of the types of local financial resources available to help build affordable and workforce housing projects. Available types of funding resources remaining include residual receipts payments from previously subsidized rental developments, in lieu payments from new developments and payoffs from previously issued down payment assistance. Also, the City expects to receive back from the former Redevelopment Agency \$6.1 million in Supplemental Educational Revenue Augmentation Fund (“SERAF”) repayments. This will enable the City to fund 2-3 affordable developments over the next 5-7 years while maintaining limited housing programs such as the Below Market Rate Home Rehabilitation Program. The City has also submitted a CalHome application which, if awarded, would provide for limited downpayment assistance.

Alternative sources of funding such as Infrastructure Financing Districts (IFDs) and Community Benefit Districts may provide a viable alternative to redevelopment in the future, depending on current proposed legislation under consideration in the State Senate and Assembly. The City of Morgan Hill City Council has also voted to support SB 391, The California Homes and Jobs Act, which, if passed by the State Legislature, would ensure a permanent source of affordable housing by adding a \$75 fee to all non-sale related recording of documents. Programs funded by this proposed funding mechanism have not been detailed but current legislative efforts appear to be going in the direction of creating tools to assist development projects that are consistent with the goal of California’s SB 375 (Sustainable Communities), meaning that infill development, transit-oriented development, and higher density housing that will help to reduce auto dependence and associated greenhouse gas emissions may be favored by policies and incentive programs.

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APPENDIX C. EXISTING CONDITIONS

1. DEMOGRAPHICS

A. POPULATION

Morgan Hill's current population (2013) is estimated by the California Department of Finance to be 40,079. From 2000 to 2013, the City saw its population increase by 17.5 percent, with an annual average growth rate of 2.6 percent (Table C-1).

TABLE C-1 POPULATION GROWTH TRENDS, 2000-2013

	Population	Numerical Change	Percent Change	Average Annual Growth Rate
Morgan Hill				
1990	23,928			
2000	33,586	9,658	40%	4%
2013	40,079	6,493	19.3%%	1.5%
Santa Clara County				
2000	1,682,579			
2013	1,842,254	159,675	9.5%	73%

State of California Department of Finance 2000 E-4 and 2013 E-1.

The Association of Bay Area Governments (ABAG) in collaboration with the Metropolitan Transportation Commission (MTC) is the regional agency responsible for preparing demographic and economic projections for the nine-county Bay Area region. ABAG and MTC released the most recent projections in May 2012. These projections, known as the Bay Area Jobs-Housing Connection Strategy (Strategy), are part of the Plan Bay Area project and represent broad policy-based jobs and housing targets. The growth targets shown in the Strategy project that household growth will occur at a slightly slower rate in Morgan Hill than in Santa Clara County overall between 2010 and 2040, counter to recent trends. As shown in Table C-2, the Strategy estimates that the number of households in Morgan Hill will increase by 31 percent (+3,800 households) during this time period.

TABLE C-2 PROJECTED HOUSEHOLD GROWTH, 2010-2040

	Number of Households			
	2010	2040a	# Change 2010-2040	% Change 2010-2040
Morgan Hill	12,236	16,147	3,821	31.0%
Santa Clara County	604,204	819,129	214,925	35.6%

Source: ABAG Projections, 2007.

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B. AGE

Between 2000 and 2013, changes in the proportions of persons by age cohort reflect the “bubble” of the baby boom generation aging. In Morgan Hill, the proportion of the population 45 and older has increased from 31 percent to 39 percent (Table C-3). Among younger populations, only the 18 to 20 and 21 to 24 age cohorts have grown proportionally, representing the “echo boom” children of the baby boom generation growing older. The median age in Morgan Hill increased from 34.0 to 37.2. This shift to an older population largely mirrors trends countywide.

TABLE C-3 AGE CHARACTERISTICS

Age Cohort	2000		2013	
	Number	Percent	Number	Percent
Morgan Hill				
Under 18	10,248	30.0%	11,034	27.7%
18-20	1,243	3.6%	1,573	3.9%
21-24	1,408	4.1%	1,880	4.7%
25-34	4,594	13.5%	4,202	10.5%
35-44	6,202	18.2%	5,590	14.0%
45-54	5,004	14.7%	6,428	16.1%
55-64	2,776	8.1%	4,873	12.2%
65-84	2,342	6.9%	3,769	9.5%
85 or older	287	0.8%	527	1.3%
<i>Total</i>	<i>34,104</i>	<i>100.0%</i>	<i>39,876</i>	<i>100.0%</i>
<i>Median Age</i>	<i>34.0</i>		<i>37.2</i>	
Santa Clara County				
Under 18	416,382	24.7%	445,134	24.1%
18-20	64,902	3.9%	68,387	3.7%
21-24	91,015	5.4%	93,260	5.1%
25-34	299,157	17.8%	257,948	14.0%
35-44	296,868	17.6%	281,792	15.3%
45-54	218,717	13.0%	273,018	14.8%
55-64	135,025	8.0%	207,659	11.3%
65-84	142,535	8.5%	187,251	10.2%
85 or older	17,978	1.1%	29,025	1.6%
<i>Total</i>	<i>1,682,579</i>	<i>100.0%</i>	<i>1,843,474</i>	<i>100.0%</i>
<i>Median Age</i>	<i>34.0</i>		<i>37.0</i>	

However, while the median age of residents is similar to that of the county, Morgan Hill has a higher proportion of youth under the age of 18. Specifically, in 2013, 27.7 percent of Morgan Hill’s population is under 18, versus only 24.1 percent for the county.

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As the oldest of the baby boomers turn 65 over the next several years, there may be a dramatic increase in seniors and retirees within Morgan Hill (see Seniors section below for more information). Just between 2013 and 2018, the number of seniors 65+ in Morgan Hill’s population is projected to increase from 4,296 persons (10.8 percent of the population) to 5,395 persons (12.7 percent), as shown in Table C-4. However, the number of children under 18 will also increase slightly, indicating continued need for family housing.

TABLE C-4 AGE PROJECTIONS, 2018

Age Group	Number	Percent
Under 18	11,263	26.6%
18-24	1,729	4.1%
21-24	2,260	5.3%
25-34	4,205	9.9%
35-44	5,280	12.5%
45-54	6,384	15.1%
55-64	5,804	13.7%
65-84	3,461	8.2%
75-84	1,426	3.4%
85 or older	508	1.2%
Total	42,320	100.0%

Source: Nielsen, 2013.

C. HOUSEHOLDS

Household growth in Morgan Hill and Santa Clara County mirror population growth, with the City growing at a slightly higher rate than the county. Between 2000 and 2013, Morgan Hill’s number of households increased by 17.3 percent, for an average annual growth rate of 1.2 percent (Table C-5).

TABLE C-5 HOUSEHOLD GROWTH TRENDS 2000-2013

	Households	Numerical Change	Percent Change	Average Annual Growth Rate
Morgan Hill				
2000	10,945			
2013	12,838	1,893	17.3%	1.2%
Santa Clara County				
2000	565,871			
2013	626,424	60,553	10.7%	0.8%

Sources: Nielsen Marketplace, 2013; BAE, 2013.

Morgan Hill is projected to have a broad range of households by age category (based on the age of the householder) in 2018 (

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Table C-6). However, in keeping with the overall age distribution, there are limited younger households, and nearly half of all householders will be between the ages of 45 and 64. Senior households (householder 65 and older), which tend to be smaller and may have special needs related to fixed incomes and disabilities, are projected to make up nearly one-fourth of Morgan Hill households by 2018.

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TABLE C-6 HOUSEHOLDS BY AGE OF HOUSEHOLDER, 2018

Age Group	Number	Percent
Under 25	256	1.9%
25-34	1,354	10.0%
35-44	2,454	18.1%
45-54	3,341	24.6%
55-64	3,145	23.2%
65-74	1,932	14.2%
75 to 84	812	6.0%
85 or older	275	2.0%
Total	13,569	100.0%

Source: Nielsen, 2013.

D. INCOME

For the purposes of housing affordability analyses, households are divided into five income categories, based on the Area Median Income (AMI) for a particular geographic region. For Morgan Hill, AMI is based on Santa Clara County as a whole.

- Extremely low income = 30 percent of AMI or lower
- Very low income = 31 to 50 percent AMI
- Low income = 51 to 80 percent AMI
- Moderate income = 81 percent to 120 percent AMI
- Above moderate income = over 120 percent AMI

As shown in Table C-7, approximately 11 percent of Morgan Hill households are extremely low income; an additional 11 percent are very low income. Seven percent are low income and the remaining 71 percent are moderate or above moderate income. Elderly families are somewhat more likely to be at lower AMI levels, with only 58 percent of these households at 80 percent AMI or above. Small family households are the least likely of the listed categories to be at low income levels; eighty percent are at 80 percent AMI or higher. At 76 percent of the category, large families are also more likely to be at 80 percent AMI or higher. Elderly non-family households are by far the lowest income category, with two-thirds of households below 80 percent AMI. Other household types (non-elderly and non-family, such as single persons living alone) are slightly less likely than households overall to be at 80 percent AMI or higher (64 percent of other households).

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TABLE C-7 HOUSEHOLD TYPE BY HOUSEHOLD INCOME

Income Level	Elderly Family ^a		Small Family ^b		Large Family ^c		Elderly Non-Family		Other (Non-Elderly, Non-Family)		Total ^d	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
<=30% AMI	130	11%	540	8%	165	10%	375	35%	150	10%	1,370	11%
31% to 50% AMI	235	20%	390	6%	185	11%	200	19%	245	17%	1,260	11%
51% to 80% AMI	120	10%	395	6%	50	3%	135	13%	135	9%	830	7%
80% AMI or Above	675	58%	5,290	80%	1,280	76%	350	33%	940	64%	8,535	71%
Total	1,160	100%	6,615	100%	1,680	100%	1,060	100%	1,470	100%	11,995	100%

^a 2 persons, with either or both age 62 or over.

^b 2 persons, neither person 62 years or over, or 3 or 4 persons of any age.

^c 5 or more persons.

^d Parts may not sum to total because of rounding rules for special Census tabulations.

Source: Comprehensive Housing Affordability Strategy (CHAS) Data, Table 7. Based on 2005-2009 American Community Survey. See www.huduser.org.

E. EMPLOYMENT

Table C-8 provides data on jobs located in Morgan Hill and Santa Clara County based on data from the US Census and the American Community Survey (ACS). The data capture all jobs for which the workplace is located in Morgan Hill, rather than jobs held by Morgan Hill residents. According to ACS data collected between 2007 and 2011, manufacturing accounted for the largest share of employment in the City, comprising 21 percent of all employment in Morgan Hill. Significant manufacturers in Morgan Hill include Anritsu, Specialized Bicycles, and TenCate Advanced Composites.

TABLE C-8 EMPLOYMENT BY INDUSTRY BY PLACE OF WORK, 2007-2011

Industry	2000		2007-2011 ^b	
	Number	% Total	Number	% Total
Workers Employed in Morgan Hill^a				
Agriculture, forestry, fishing & hunting, and mining	225	1.7%	65	0.4%
Construction	1,025	7.9%	878	5.6%
Manufacturing	3,190	24.7%	3,296	20.9%
Wholesale trade	810	6.3%	682	4.3%
Retail trade	1,905	14.7%	1,430	9.0%
Transportation, warehousing & utilities	80	0.6%	80	0.5%
Information	235	1.8%	704	4.5%
Financial activities	605	4.7%	1,221	7.7%
Professional & business services	1,195	9.2%	2,047	13.0%
Educational & health services	1,780	13.8%	2,645	16.7%

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TABLE C-8 EMPLOYMENT BY INDUSTRY BY PLACE OF WORK, 2007-2011

Industry	2000		2007-2011 ^b	
	Number	% Total	Number	% Total
Leisure & hospitality	880	6.8%	1,479	9.4%
Other services	745	5.8%	917	5.8%
Public administration	250	1.9%	360	2.3%
Armed forces	0	0.0%	0	0.0%
<i>Total^c</i>	<i>12,930</i>	<i>100.0%</i>	<i>15,804</i>	<i>100.0%</i>
Workers Employed in Santa Clara County				
Agriculture, forestry, fishing & hunting, and mining	4,175	0.4%	5,043	0.5%
Construction	50,350	5.3%	52,694	5.7%
Manufacturing	259,060	27.4%	188,174	20.2%
Wholesale trade	28,795	3.0%	21,401	2.3%
Retail trade	91,170	9.6%	86,783	9.3%
Transportation, warehousing & utilities	26,270	2.8%	24,811	2.7%
Information	45,500	4.8%	39,201	4.2%
Financial activities	41,000	4.3%	44,797	4.8%
Professional & business services	150,515	15.9%	166,734	17.9%
Educational & health services	139,755	14.8%	175,875	18.9%
Leisure & hospitality	52,580	5.6%	62,436	6.7%
Other services	32,100	3.4%	36,184	3.9%
Public administration	24,750	2.6%	25,064	2.7%
Armed forces	725	0.1%	755	0.1%
<i>Total^c</i>	<i>946,755</i>	<i>100.0%</i>	<i>929,952</i>	<i>100.0%</i>

^a Data on workers employed in Morgan Hill refers to jobs located within Morgan Hill city limits, based on data from the US Census and American Community Survey (ACS).

^b The ACS data used in this table is based on statistical sampling conducted between 2007-2011.

^c Totals may not equal sum of parts due to independent rounding. Data is reported for workers age 16 and over.

Sources: 2000 Census Transportation Planning Package; ACS, 2007-2011; BAE, 2013.

Educational and health services, which includes the school district and medical offices, was the second largest employment sector (17 percent of employment in the City) followed by professional and business services (13 percent of employment in the City). Compared to Santa Clara County overall, Morgan Hill had a relatively large share of jobs in the financial activities and leisure/hospitality sectors, which accounted for 8 percent and 9 percent of all employment in the City, respectively. In general, the industries located in Morgan Hill are largely similar to those in Santa Clara County overall, indicating that the economic activity in Morgan Hill is closely tied to the Silicon Valley economy.

ACS data collected between 2007 and 2011 indicate that Morgan Hill has experienced a net increase in employment since the 2000 US Census, while employment decreased slightly on a countywide basis, as shown in Table C-8. With respect to total net new jobs, the most significant growth industries in Morgan Hill were educational and health services, professional and business services, financial activities, and leisure and hospitality.

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These employment trends demonstrate the importance of manufacturing, educational and health services, and leisure and hospitality to the Morgan Hill employment base. Although the manufacturing sector has not shown much growth in recent years, it has remained steady in Morgan Hill despite declines elsewhere. Consistent with trends throughout the county and state, educational and health services has become an increasingly significant employment industry in Morgan Hill over time, a trend that is likely to continue. The leisure and hospitality industry has represented a growing share of employment in Morgan Hill in recent years, suggesting that the City's recreational and visitor amenities are becoming increasingly significant local employers.

Table C-9 shows the estimated median annual salaries for jobs located in Morgan Hill in industries with high or growing employment in the City. The figures presented in the table are based on ACS data collected between 2006 and 2008 (the most recent time period for which these data are available), inflated to 2013 dollars.

As shown, the median wage in Morgan Hill across all industries is estimated at approximately \$42,000. The median wage for manufacturing jobs located in Morgan Hill was approximately 20% percent higher at \$51,000 while the median wage for leisure and hospitality jobs located in Morgan Hill was approximately half of the median for all industries (\$21,000). This means that a four-person household with a single income earner in one of these industries is likely to be an extremely low- or very low-income household. A four-person household with two incomes in these industries is likely to be a low- to moderate-income household.

**TABLE C-9 MEDIAN ANNUAL SALARY FOR JOBS IN MORGAN HILL,
SELECTED INDUSTRIES, 2013^A**

Industry	2013
Manufacturing	\$51,300
Educational and Health Services	\$37,900
Professional and Business Services	\$49,700
Leisure and Hospitality	\$21,100
Financial Activities	\$51,900
All Industries	\$42,400

^a Figures presented are based on ACS data collected between 2006 and 2008 inflated to 2013 dollars and include employees working in Morgan Hill that reported earnings in the 12-month period prior to being surveyed.

Source: Census Transportation Planning Package, 2006-2008; Bureau of Labor Statistics Inflation Calculator, 2013; BAE, 2013

F. COMMUTER FLOWS

Table C-10 shows work locations for Morgan Hill residents, as well as where people employed in Morgan Hill live, based on ACS data collected between 2006 and 2008 (the most recent time period for which this data is available). According to this data, an estimated 4,780 people both lived and worked in Morgan Hill, which amounts to 28 percent of employed Morgan Hill residents. Almost one third (32 percent) of Morgan Hill residents worked in San Jose, making San Jose the most common workplace for Morgan Hill residents. In total, 92 percent of employed Morgan Hill residents worked within Santa Clara County, most of whom were employed in cities north of Morgan Hill.

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With respect to people employed in Morgan Hill, the data indicate that one third of people working in Morgan Hill were also Morgan Hill residents. San Jose residents made up approximately one-quarter of people employed in Morgan Hill. Overall, 79 percent of people employed in Morgan Hill lived in Santa Clara County.

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TABLE C-10 COMMUTE FLOWS, MORGAN HILL

Morgan Hill Residents by Place of Work	Employed Persons	
	Number	Percent
Santa Clara County	15,819	91.9%
San Jose	5,535	32.2%
Morgan Hill	4,780	27.8%
Gilroy	1,005	5.8%
Santa Clara	730	4.2%
Sunnyvale	650	3.8%
Mountain View	375	2.2%
Palo Alto	335	1.9%
Milpitas	310	1.8%
Cupertino	210	1.2%
Campbell	190	1.1%
Other Cities	170	1.0%
Unincorporated	1,529	8.9%
All Other Locations	1,391	3.1%
Total	17,210	191.9%
Morgan Hill Workers by Place of Residence		
Santa Clara county	11,980	79.4%
Morgan Hill	4,780	31.7%
San Jose	3,520	23.3%
Gilroy	1,860	12.3%
Other Cities	620	4.1%
Unincorporated	1,200	8.0%
San Benito County	680	4.5%
Merced County	505	3.3%
Alameda County	385	2.6%
Monterey County	345	2.3%
Santa Cruz County	285	1.9%
San Mateo County	215	1.4%
All Other Locations	690	4.6%
Total	15,085	100.0%

Note: The American Community Survey (ACS) data used for the most recent Census Transportation Planning Package (CTPP) uses demographic estimates based on statistical sampling conducted between 2006-2008. Data is reported for workers age 16 and over. Sources: 2006-2008 Census Transportation Planning Package; ACS, 2006-2008; BAE, 2013.

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G. CONCLUSIONS

The extent to which individuals employed in Morgan Hill will live locally depends in part on complex relationships between the housing types available in the City, the skills and education levels among the City’s labor force, and the jobs that are located in the City. In no Bay Area community do all employed residents work in the city where they live, nor do all people employed in any given city live in that city. In Morgan Hill, it may be possible to increase the number of local workers who also live in Morgan Hill, by improving the match between the type and affordability level of local housing options, the quality of jobs, and the incomes and preferences of local workers, which is likely to require additional housing units affordable to households earning moderate and below-moderate incomes. Given that some degree of cross-commuting is expected to continue, consideration should be given to improving the accessibility to and from Morgan Hill relative to other locations, including mixed-use development adjacent to the City’s Caltrain station.

2. HOUSING STOCK CHARACTERISTICS

A. HOUSING TYPE AND TENURE

Morgan Hill is made up primarily of single-family detached homes, a pattern that will likely continue in the future.

Morgan Hill had an estimated 13,129 housing units in 2012, of which 61 percent were single-family detached housing units and 15 percent were multi-family housing (Table C-11). The number of detached single-family houses increased by 17 percent from 2000 to 2012 (Department of Finance), a somewhat faster rate of growth than multi-family units (2 or more units), but a slower rate than for single-family attached units. The mix of housing units by type did not change greatly over the 2000 to 2012 period. Almost no units in buildings of five or more units were added.

TABLE C-11 HOUSING UNITS BY TYPE, 2000-2012^a

Unit Type	2000		2012		Change	
	Number	Percent	Number	Percent	Number	Percent
Single-Family Detached	6,899	62.2%	8,035	61.2%	1,136	16.5%
Single-Family Attached	1,520	13.7%	1,935	14.7%	415	27.3%
2-4 Units	629	5.7%	798	6.1%	169	26.9%
5+ Units	1,126	10.1%	1,133	8.6%	7	0.6%
Mobile Home & Other	926	8.3%	1,228	9.4%	302	32.6%
<i>Totals</i>	<i>11,100</i>	<i>100.0%</i>	<i>13,129</i>	<i>100.0%</i>	<i>2,029</i>	<i>18.3%</i>

^a The sources for this data are the Census for 2000 and Department of Finance (DoF) for 2012, whereas Table 2-3 in the Morgan Hill 2035 Population and Housing white paper used Nielsen data. Due to the difference in methodology between Nielsen and DoF, there is a slight difference in the numbers presented in the two reports.

Sources: Department of Finance E-5 County/State Population and Housing Estimates for 2012; 2000 U.S. Census for 2000.

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In 2013, 70 percent of houses were owner-occupied and 30 percent were renter-occupied (Table C-12). These proportions of owner- and renter-occupied units have remained nearly the same since 2000.

TABLE C-12 HOUSEHOLDS BY TENURE, 2000-2013

	2000		2013	
	Number	Percent	Number	Percent
Owner	7,857	72%	8,993	70%
Renter	3,088	28%	3,845	30%
<i>Total</i>	<i>10,945</i>	<i>100%</i>	<i>12,838</i>	<i>100%</i>

Source: Nielsen MarketPlace.

B. HOUSING UNIT SIZE

Housing unit size is strongly correlated with tenure in Morgan Hill. Almost all units with four or more bedrooms are owner-occupied, while only 63 percent of smaller units are owner-occupied. Slightly more than half of owner units are four bedrooms or more, while only six percent of renter units are four bedrooms or more (Table C-13).

TABLE C-13 HOUSING UNIT SIZE BY TENURE

	0-3 Bedrooms		4+ Bedrooms		Total	
	Number	Percent	Number	Percent	Number	Percent
Owner-occupied	4,652	63%	4,925	96%	9,577	76%
Renter-occupied	2,774	37%	205	4%	2,979	24%
<i>Total</i>	<i>7,426</i>	<i>100%</i>	<i>5,130</i>	<i>100%</i>	<i>12,556</i>	<i>100%</i>

Source: American Community Survey, 2009-2011, Table B25042.

C. HOUSEHOLD TENURE AND SIZE

As shown in Table C-14, 10,267 households out of 12,326 households in Morgan Hill, or over 80 percent, have four or fewer persons. Renter households are a larger proportion of households of five or more persons; only 27 percent of households of one to four persons are renters, but 38 percent of households of five or more persons are renters. This may indicate that large households have more difficulty finding affordable for-sale housing of an appropriate size. In fact, there are nearly 800 renter households of five or more persons, but as shown in Table C-13 above, only 205 renter-occupied units have four or more bedrooms.

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TABLE C-14 HOUSEHOLD SIZE BY TENURE^a

	1-4 persons		5+ Persons		Total	
	Number	Percent	Number	Percent	Number	Percent
Owner	7,515	73%	1,278	62%	8,793	71%
Renter	2,752	27%	781	38%	3,533	29%
<i>Total</i>	<i>10,267</i>	<i>100%</i>	<i>2,059</i>	<i>100%</i>	<i>12,326</i>	<i>100%</i>

^a The total percentage of owners and renter in the far right column of Table C-14 differs slightly from the total percentage of owners and renters shown above in Table C-12 because Table C-12 uses Nielsen data and Table C-14 uses Census data, and these two different sources return two slightly different results.
Source: 2010 Census SF 1 Table H16.

D. HOUSING AGE AND CONDITION

The housing stock in Morgan Hill is fairly new. As shown in Table C-15, approximately 40 percent of the existing housing stock was built in 1990 or later. Only 14 percent was built prior to 1970. (American Community Survey, 2007-2011). A relatively new housing stock is often an indicator of a sound housing condition. In addition to the age data, American Community Survey data collected between 2009 and 2011 indicate that 100 percent of the occupied housing stock in Morgan Hill had complete plumbing and kitchen facilities.

The age of the housing stock varies across the City (Table C-16), with the oldest housing stock found in Census Tract 5123.14, which includes the downtown and other areas to the west of the railroad tracks, north of Dunne Avenue, and south of Llagas Road.

TABLE C-15 YEAR STRUCTURE BUILT FOR MORGAN HILL

Year Built	Number	Percentage
Built 2005 or later	699	5.5%
Built 2000 to 2004	1,257	9.8%
Built 1990 to 1999	3,200	25.0%
Built 1980 to 1989	2,592	20.3%
Built 1970 to 1979	3,302	25.8%
Built 1960 to 1969	843	6.6%
Built 1950 to 1959	480	3.8%
Built 1940 to 1949	142	1.1%
Built 1939 or earlier	285	2.2%
<i>Total</i>	<i>12,800</i>	<i>100.0%</i>

Source: U.S. Census, 2007-2011 American Community Survey, Table B25034.

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TABLE C-16 YEAR STRUCTURE BUILT: CENSUS TRACTS

Census Tract #	Built 2005 or Later	2000-2004	1990-1999	1980-1989	1970-1979	1969-Earlier	Total Housing Units
5123.05 (part)	50	117	229	267	151	87	901
5123.07 (part)	39	233	523	453	692	318	2,258
5123.08 (part)	195	176	446	332	573	101	1,823
5123.09 (part)	11	44	271	386	661	138	1,511
5123.10 (part)	189	224	482	121	118	71	1,205
5123.11 (part)	96	230	265	78	250	37	956
5123.12	-	49	551	216	89	47	952
5123.13 (part)	-	98	268	399	257	112	1,134
5123.14 (part)	119	86	165	340	511	839	2,060

Note: Includes only portions of Census Tracts within the City of Morgan Hill.
Source: U.S. Census, 2007-2011 American Community Survey, Table 525034.

E. VACANCY

Morgan Hill has very low vacancy levels for rental housing, indicating high demand relative to the available supply. Based on Nielsen Marketplace estimates, the City's rental vacancy rate in 2013 is estimated at 2.5 percent, compared to 3.3 percent for Santa Clara County and 5.2 percent statewide (see Table C-17). The most recent vacancy survey conducted by Morgan Hill City staff, which occurred in April 2012, showed that the citywide multi-family rental vacancy rate was 1.18 percent, even lower than the rate estimated by Nielsen. A common "rule of thumb" is that a 5 percent rental vacancy rate represents a market with a healthy balance of supply and demand, allowing enough vacancy for tenant movement between units.

In the for-sale market, Morgan Hill's vacancy rate of 1.6 percent is in the same range as Santa Clara County (1.4 percent) and slightly lower than California (2.1 percent). These rates are in a range typical of the for-sale housing market.

3. HOUSING PRODUCTION

From 2002 through 2012, Morgan Hill produced or approved slightly fewer than 2,200 housing units.

Most of the houses built in the past ten years, almost 80 percent, have been single-family homes. Since 2002 the number of permits issued for multi-family housing has fluctuated (Table C-18). One reason for this is because many multi-family developments are large, so one or two additional projects can mean 50 or 100 additional units. Overall, the total housing production has decreased slightly over the period, which reflects the overall slowing of the population growth rate.

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TABLE C-17 HOUSING UNITS BY OCCUPANCY STATUS, 2000-2013

Occupancy Status	Morgan Hill 2013		Santa Clara County 2013		California 2013	
	Number	Percent	Number	Percent	Number	Percent
Occupied Housing Units	12,838	95.7%	626,424	95.6%	12,883,977	91.8%
Vacant Housing Units	580	4.3%	29,025	4.4%	1,153,253	8.2%
For Rent	97	0.7%	8,973	1.4%	300,997	2.1%
For Sale Only	146	1.1%	5,217	0.8%	152,860	1.1%
Rented, Not Occupied	18	0.1%	2,000	0.3%	52,068	0.4%
Sold, Not Occupied	17	0.1%	1,455	0.2%	44,840	0.3%
For Seasonal, Recreational, or Occasional Use	44	0.3%	3,227	0.5%	307,425	2.2%
For Migratory Workers	0	0.0%	64	0.0%	1,854	0.0%
Other	258	1.9%	8,089	1.2%	293,209	2.1%
<i>Total Housing Units</i>	<i>13,418</i>	<i>100.0%</i>	<i>655,449</i>	<i>100.0%</i>	<i>14,037,230</i>	<i>100.0%</i>
Rental Vacancy Rate	2.5%		3.3%		5.2%	
For-Sale Vacancy Rate	1.6%		1.4%		2.1%	

Notes: Rental vacancy rate based on number of units for rent divided by the sum of occupied rental units and units rented but not yet occupied. For-sale vacancy rate based on number of units for sale only divided by the sum of owner-occupied units and units sold but not yet occupied.

Source: Nielsen Marketplace, 2013; BAE, 2013.

TABLE C-18 HOUSING PERMITS ISSUED, 2002-CURRENT

	Single-Family	2-4 units	5+ Units	Total
2002	155	74	0	229
2003	239	0	72	311
2004	200	28	10	238
2005	264	8	0	272
2006	146	4	54	204
2007	147	0	0	147
2008	57	0	0	57
2009	24	0	0	24
2010	108	0	49	157
2011	97	0	0	97
2012	254	0	177	431

Source: U.S. Census Bureau, Building Permit Estimates.

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4. HOUSING SALES AND AFFORDABILITY

A. HOME PRICES

For Sale

The median 2012 home price of \$500,000 in Morgan Hill is similar to Santa Clara County, with Dataquick reporting a median of \$525,000 for Santa Clara County, based on sales of both single-family homes and condominiums (see Figure C-1). Home prices fell dramatically during the recession, with a steeper decline in Morgan Hill than the county overall. In 2005, before the peak of the housing market, the median home price in the City was reported at \$762,000, compared to only \$660,000 countywide. Median prices peaked in 2007 (\$802,250 in Morgan Hill, \$700,000 countywide), with steep declines to \$500,000 for the City and \$455,000 for the county by 2009. Subsequently, prices have generally stabilized, with a slight uptick between 2011 and 2012 for both geographies. Palo Alto and Mountain View actually have 2012 home values above 2005 levels (Table C-19).

FIGURE C-1 *MEDIAN HOME PRICE TRENDS, 2005-2012*

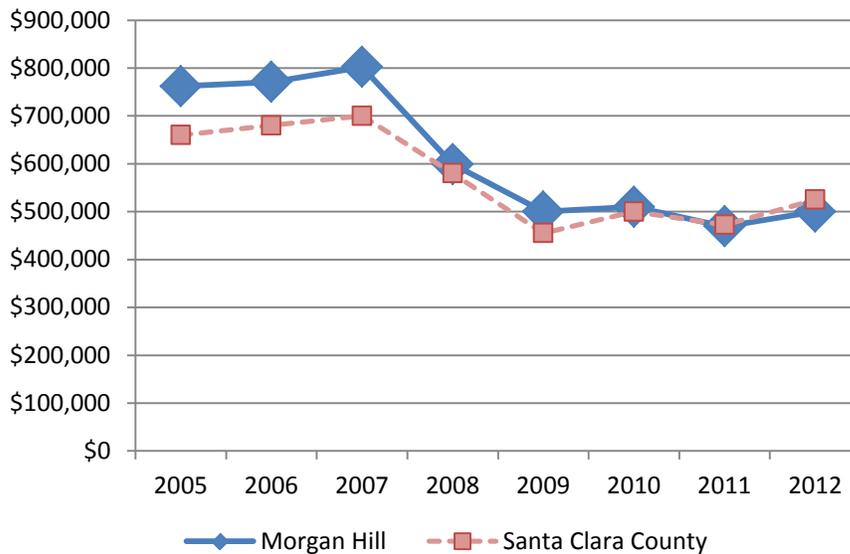


TABLE C-19 *REGIONAL MEDIAN HOME VALUES*

City	Median Value		Percent Change
	2005	2012	
Morgan Hill	\$762,000	\$500,000	-34%
Gilroy	\$688,000	\$415,000	-40%
San Jose	\$640,000	\$438,000	-32%
Mountain View	\$680,000	\$769,250	13%
Palo Alto	\$935,000	\$1,492,000	60%
Santa Clara County	\$660,000	\$525,000	-20%

Source: Dataquick, based on all sales of single-family homes and condominiums.

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Despite the significant housing market decline from 2007 to 2009, longer-term trends may indicate increasing values (see Table C-20). In 2000, the median house value reported in Morgan Hill was \$435,200 (2000 U.S Census). For the 2009-2011 period, the value was \$560,200 (2009-2011 American Community Survey).

TABLE C-20 MEDIAN VALUE/RENT IN MORGAN HILL, 2000-2011

Value/Rent	2000	ACS 2011	ACS Margin of Error	2000-2011 Percent Change
Median Home Value	\$435,200	\$560,200	+/- \$34,712	29%
Median Gross Rent	\$1,112	\$1,442	+/- \$113	30%

Note: Based on three year American Community Survey (ACS) data from 2009-2011.
Sources: U.S. Census 2000 SF3, Tables H076 and H063; 2009-2011 American Community Survey (ACS) Tables B25064 and B25077.

For Rent

As shown above in Table C-21, rents in Morgan Hill have increased over time. For the fourth quarter of 2012, based on a survey of 267 units in Morgan Hill, the average monthly contract rent for one-bedroom/one-bath apartments is reported at \$1,598, with two-bedroom/two-bath flats averaging \$1,834 and two bedroom townhouses averaging \$2,000 (RealFacts).

TABLE C-21 CURRENT AVERAGE RENTS

Bedroom Type	Average Market Rents
One-Bedroom/One Bath	\$1,598
Two-Bedroom/Two Bath	\$1,834
Two-Bedroom/Townhouse	\$2,000

Source: RealFacts, 4th Quarter 2012, based on rental communities of 50 or more units in Morgan Hill. No data available for other unit sizes due to lack of supply.

B. AFFORDABILITY

Federal guidelines recommend that people not spend more than 30 percent of their gross earnings on rent or mortgage, including utilities. Therefore, what is affordable to one household is not necessarily affordable to another. As explained in section 1.D, above, income categories are based on the Area Median Income, or AMI. For example, a “lower income” family of four is defined as a household with income between \$53,050 and \$84,900. A family of four with income of \$84,900 could spend up to \$25,470 a year, or 30 percent of their earnings, on housing.

Home Ownership

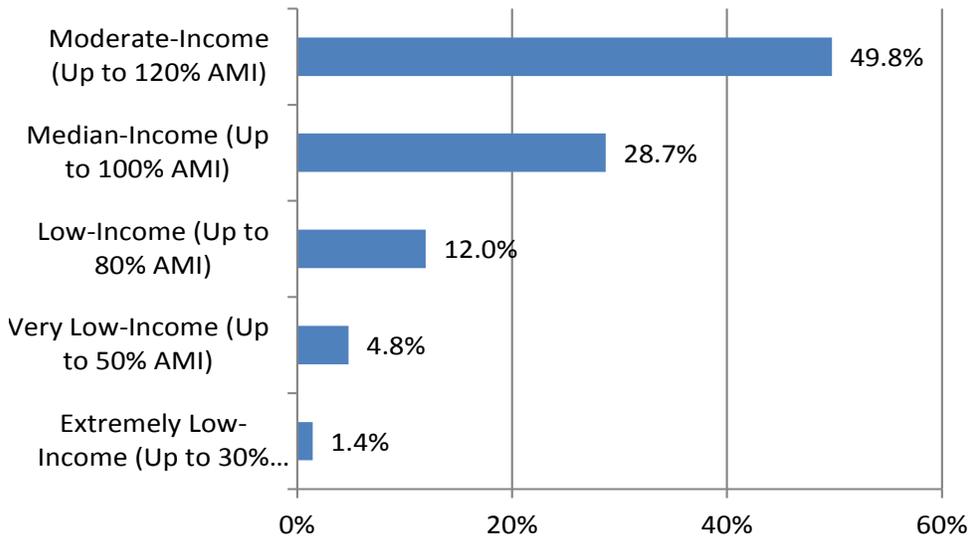
Despite the decrease in home sale prices since 2005, purchasing a home continues to be unaffordable to many Morgan Hill residents. Figure C-2 shows the percentage of single-family homes in Morgan Hill with

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three or more bedrooms that were sold from August 2012 through January 2013 and are affordable at various income levels. With a median sale price of \$565,000 for single-family homes with three or more bedrooms, just under half of those homes sold in Morgan Hill during this period were affordable to households with moderate incomes.¹ For lower income brackets, fewer single-family homes were affordable.

Morgan Hill has a number of programs to promote affordability, including maintaining an Affordable Housing Strategy. See the Housing Element Programs Review section of the Housing Element for more information.

FIGURE C-2 PERCENTAGE OF MORGAN HILL 3+ BEDROOM SINGLE-FAMILY HOMES AFFORDABLE BY INCOME LEVEL



Note: Based on sales prices of 3+ bedroom homes sold August 2012-January 2013. Income levels correspond to 2013 income limits for a four-person household in Santa Clara County, as published by the California Department of Housing and Community Development.

Sources: U.S. HUD, 2013; CA HCD, 2013; Freddie Mac, 2013; Santa Clara County Assessor's Office, 2013; CA Dept. of Insurance, 2013; DataQuick, 2013; BAE, 2013.

Rental

Multi-family rental units in Morgan Hill tend to be relatively more affordable than housing that is available for sale; still, multi-family rental units are not typically affordable for extremely low- or very low-income households.

Table C-22 shows the maximum affordable rent for one- and two-person households based on income category. The average rent of \$1,598 for a one bedroom/one bath apartment would be out of reach for extremely low, very low, and low income households of one or two people.

¹ Single-family homes with three or more bedrooms were considered due to their predominance in the local market area and this is representative of a typical single-family home oriented towards families. Although homes with fewer bedrooms are available in more limited numbers within the local market, they will accommodate smaller household sizes which typically also have lower household incomes. While pricing may be lower than for larger homes, affordability may not be better, after adjusting for household income.

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TABLE C-22 AFFORDABLE RENT FOR ONE- AND TWO-PERSON HOUSEHOLDS

Income Level	Income Limit^a	Maximum Affordable Rent^b
One-Person Household		
Extremely Low-Income (Up to 30% AMI)	\$22,300	\$426
Very Low-Income (Up to 50% AMI)	\$37,150	\$797
Low-Income (Up to 80% AMI)	\$59,400	\$1,353
Median-Income (Up to 100% AMI)	\$73,850	\$1,714
Moderate-Income (Up to 120% AMI)	\$88,600	\$2,083
Two-Person Household		
Extremely Low-Income (Up to 30% AMI)	\$25,500	\$506
Very Low-Income (Up to 50% AMI)	\$42,450	\$929
Low-Income (Up to 80% AMI)	\$67,900	\$1,566
Median-Income (Up to 100% AMI)	\$84,400	\$1,978
Moderate-Income (Up to 120% AMI)	\$101,300	\$2,401
Average Rent		
1 Bedroom/1 Bath Unit in Morgan Hill		\$1,538

^a Income limits published by CA Department of Housing and Community Development for households in Santa Clara County, 2013.

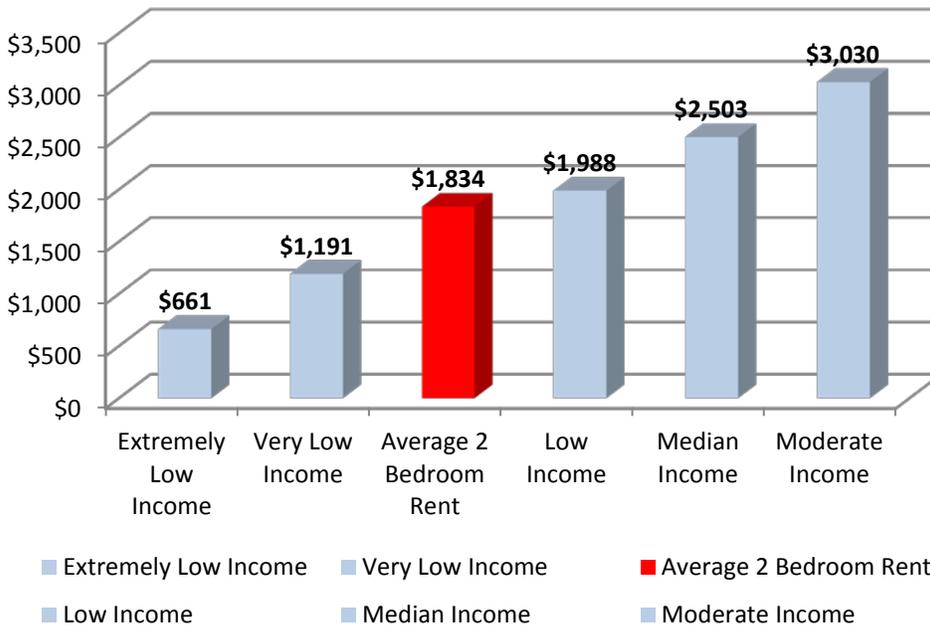
^b Assumes 30 percent of household income spent on rent and utilities, based on Santa Clara County Housing Authority utility allowance for a 1-BR detached unit. Rent shown is maximum affordable contract rent if tenant pays all utilities directly.

Sources: CA HCD, 2013; Santa Clara County Housing Authority, 2013; RealFacts, 2013; BAE, 2013.

Figure C-3 considers the maximum affordable rents for a four-person household as compared to the average rent for a two-bedroom unit. Figure C-3 demonstrates that, based on the County threshold for a four-person household, extremely low and very low income households earning less than 50 percent of the County median income cannot afford the current average rent for a two-bedroom apartment unit in the City. Moreover, renter households tend to be smaller than owner households, and since the thresholds for low-income for smaller families approach, or are as low as, the very low-income thresholds for four-person households, even low-income households (along with extremely low- and very low-income households) of smaller sizes might find average rents unaffordable in Morgan Hill.

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FIGURE C-3 RENT AFFORDABILITY LEVELS BY INCOME FOR MORGAN HILL



Sources: CA HCD, 2013; Santa Clara County Housing Authority, 2013; RealFacts, 2013; BAE, 2013.

Manufactured Housing/Mobile Homes

Manufactured housing or mobile homes provide an affordable option for residents.

The City of Morgan Hill adopted the Mobile Home Rent Stabilization Ordinance to encourage stability in mobile home rent increases in a manner that is fair to both tenants and property owners. Under this ordinance, rents may be increased once every 12 months by a maximum of 75 percent of the Consumer Price Index for the previous 12 months. Rents may not be increased by more than eight percent without approval from the Mobile Home Rent Stabilization Commission. Mobile home spaces that are owner-occupied or leased for periods greater than 12 months are not covered by this ordinance; therefore, not all spaces within these mobile home parks are subject to the ordinance. There are seven mobile home parks in Morgan Hill: Acacia Associates, Alpine Motel, Hacienda Valley, Madrone, Northwind, Windmill, and Woodland. Together, the seven mobile home parks offer 1,213 mobile home spaces and 522 spaces for RVs in the City. Hacienda Valley, Windmill, and Woodland provide senior mobile home units. This ordinance stabilizes mobile home rent increases so that seniors and others renting mobile home spaces are better able to afford these units and prepare for potential rent increases.

Because land is becoming increasingly expensive, the City is no longer encouraging new mobile homes, but will support the existing parks.

Second Units

Second units (guest houses, in-law suites, granny apartments, etc.) provide an important source of flexibility and affordability in the housing stock. They often are desirable housing choices for young adults, seniors and

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other special needs populations. The rental income can often help the primary home owner afford their mortgage.

Currently in Morgan Hill, second units are encouraged through the RDCS. Specifically, if 15 percent of units in a development have second units, the development is awarded two points in the housing needs category. Recent residential developments in Morgan Hill that utilized this option include Cochrane Borello, City Ventures, Sherimar Ranch, and Mission Ranch.

Homeowners have the option of adding second units on their own; however, few have chosen to do this in recent years. Potential reasons include the fact that fees (although reduced) may still be considered to be high (around \$20,000 plus school district fees); development controls are strict (large lots are needed and second units are limited to 640 square feet in single-family medium zones) and/or there is a lack of awareness or interest.

At 640 square feet, second units are likely to consist primarily of studio and one-bedroom units that provide housing for one- or two-person households. As shown in Table C-21, the average rent for a one-bedroom unit in Morgan Hill is \$1,598 per month, according to data from RealFacts. Assuming that rental rates for second units are similar to this average, this housing type is affordable to households earning the County median income for a one-person household as well as low-income households earning 80 percent of the County median for a two-person household. While these data suggest that second units are not likely to be a significant source of units affordable to households at the lowest income levels, the data do indicate that second units can provide affordable housing for some lower- and median-income households.

5. HOUSING PROBLEMS

A. HOUSING PROBLEMS OVERVIEW

For the purposes of this analysis, housing problems are defined as follows: lacks kitchen or plumbing, cost burden greater than 30 percent of gross income (overpayment), or more than one person per room (overcrowding). Each of these problems is addressed individually in the section below. Low and extremely low income households tend to have more housing overpayment and affordability problems than higher income households, especially among renters (

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Table C-23). Approximately two-thirds of low, very low and extremely low income households have one or more housing problem as defined for this table. While some of these households may have other problems, most of those with at least one housing problem report high cost burdens. Over eighty percent of very low and low income renters report at least one housing problem; a slightly lower proportion, but still over 80 percent, also report high cost burdens.

B. LACKS KITCHEN OR PLUMBING

American Community Survey data collected between 2009 and 2011 indicate that 100 percent of the occupied housing stock in Morgan Hill had complete plumbing and kitchen facilities. Lack of kitchen or plumbing is not a significant problem in Morgan Hill.

C. OVERPAYMENT BY TENURE

As explained in Section 5.G, above, according to federal definitions, households which spend more than thirty percent of their gross income on housing costs are overpaying for housing.

A substantial portion of low-income households have high cost burdens. As shown in Table C-24, nearly half of low-income owner households and over three-fourths of low income renters pay 30 percent or more of income for housing costs.

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TABLE C-23 HOUSING PROBLEMS FOR HOUSEHOLDS BY TENURE AND INCOME

	Total Renters	Total Owners	Total Households
Household Income <=30% MFI?	745	625	1,370
% with any housing problems	82%	47%	66%
% Cost Burden >30%	83%	45%	65%
% Cost Burden >50%	74%	38%	57%
Household Income >30% to <=50% MFI	540	720	1,260
% with any housing problems	88%	49%	66%
% Cost Burden >30%	81%	49%	63%
Household Income >50% to <=80% MFI	405	425	830
% with any housing problems	77%	48%	62%
% Cost Burden >30%	65%	46%	55%
Household Income >80% MFI	1,190	7,345	8,535
% with any housing problems	29%	38%	37%
% Cost Burden >30%	18%	37%	34%

Source: Comprehensive Housing Affordability Strategy (CHAS) Data, Tables 1 and 8. Based on 2005-2009 American Community Survey. See www.huduser.org

TABLE C-24 PERCENTAGE OF LOW-INCOME HOUSEHOLDS OVERPAYING FOR HOUSING

	Households with Incomes <= 80% AMI	Paying 30% or More of HH Income	Percent
Owner-Occupied Units	1,770	830	47%
Renter-Occupied Units	1,690	1,315	78%

Source: Comprehensive Housing Affordability Strategy (CHAS) Data, Tables 1 and 8. Based on 2005-2009 American Community Survey. See www.huduser.org

Household type and household tenure make a significant difference to the housing cost burden of lower-income households. Elderly householders and large families tend to be burdened disproportionately whether they rent or own. However, tenure impacts these two groups differently: elderly householders are more likely to be overpaying in rental accommodations than in owned homes, whereas large families are more likely to be overpaying in owned homes than in rental accommodations.

Renter Households

Between 2007 and 2011, approximately 58 percent of Morgan Hill renter households were paying 30 percent or more of their income for housing (Table C-25).

The overpayment percentage is higher for extremely low income families. For households with incomes below \$20,000 annually, all households for which cost burden is calculated are paying 35 percent or more of their income for housing.

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TABLE C-25 RENTER HOUSING COST AS A PERCENTAGE OF HOUSEHOLD INCOME – RENTER-OCCUPIED UNITS

Income Range	Total HHs	% of Total HHs	0-19% of HH Income	20-24% of HH Income	25-29% of HH Income	30-34% of HH Income	35+% of HH Income	Not Computed
\$0-9,999	158	1.3%	0	0	0	0	100	58
\$10,000-19,999	487	4.0%	0	0	0	0	475	12
\$20,000-34,999	370	3.1%	11	0	23	14	322	0
\$35,000-49,999	564	4.7%	0	0	111	103	350	0
\$50,000 +	1,525	12.6%	507	308	284	268	158	0
Subtotal	3,104	25.7%	518	308	418	385	1,405	70
<i>Total</i>	<i>12,066</i>	<i>100.0%</i>						

Source: U.S. Census, 2007-2011 American Community Survey, Tables C25095 and B25074.

Owner Households

Over half of owner households with annual incomes of less than \$50,000 are impacted by high housing cost burdens of 30 percent or more (Table C-26). Even for households with incomes at or above \$50,000, 42 percent report a high cost burden; this is a higher proportion than for renters at this income level. Overall, renters with low incomes tend to have a higher cost burden than owners, but high housing costs are also prevalent among low income owner households.

TABLE C-26 OWNER HOUSING COST AS A PERCENTAGE OF HOUSEHOLD INCOME

Income Range	Total Households	% of Total Households	0-29% of HH Income	30+% of HH Income	Not Computed
\$0-9,999	185	1.5%	27	111	47
\$10,000-19,999	337	2.8%	157	180	-
\$20,000-34,999	540	4.5%	261	279	-
\$35,000-49,999	528	4.4%	262	266	-
\$50,000 +	7,372	61.1%	4,269	3,103	-
<i>Total</i>	<i>8,962</i>	<i>74.3%</i>	<i>4,976</i>	<i>3,939</i>	<i>47</i>

D. OVERCROWDING

An overcrowded unit is defined as one occupied by more than one person per room, excluding bathrooms and kitchens. According to the 2007-2011 American Community Survey, shown in Table C-27, 6.4 percent of households in Morgan Hill lived in overcrowded units (1.01 or more) and 2.5 percent of households lived in severely overcrowded units. The total figure represents 776 households living in overcrowded units.

Overcrowding is much more prevalent in renter-occupied housing; nearly 20 percent of all renter households are overcrowded, while only 1.8 percent of owner households are overcrowded.

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TABLE C-27 OVERCROWDING IN MORGAN HILL

Persons per Room	Owner		Renter		Total Overcrowded	
	Households	Percent	Households	Percent	Households	Percent
1.00 or less (not overcrowded)	8,805	98.2%	2,485	80.1%	11,290	93.6%
1.01 to 1.50 (overcrowded)	151	1.7%	321	10.3%	472	3.9%
1.51 or more (severely overcrowded)	6	0.1%	298	9.6%	304	2.5%
<i>Total</i>	<i>8,962</i>	<i>100.0%</i>	<i>3,104</i>	<i>100.0%</i>	<i>12,066</i>	<i>100.0%</i>
<i>% Overcrowded by Tenure</i>	<i>1.8%</i>		<i>19.9%</i>		<i>6.4%</i>	

Source: American Community Survey, 2007-2011.

6. HOUSING IN NEED OF REHABILITATION

Because Morgan Hill’s housing stock is relatively new, most houses are in good condition. The City has not conducted a housing condition study or windshield survey recently, so there are no exact numbers for the need for rehabilitation. Age of housing is often correlated with need for rehabilitation, so the approximately 900 units built before 1960 are of particular concern (Table C-15). To the extent that a portion of these units have been maintained in a state of good repair or have already been rehabilitated, the actual number of units in need of rehabilitation is likely somewhat lower than the number of units constructed prior to 1960.

7. ASSISTED DEVELOPMENTS AT RISK OF CONVERSION

California Housing Element law requires jurisdictions to identify units with affordability restrictions that are scheduled to expire within ten years of the beginning of the Housing Element Update cycle. The only project in Morgan Hill with affordability restrictions that will expire during the next ten years is Sycamore Glen at 140 West Dunne Avenue, which consists of 20 Section 8 units for individuals age 62 and over earning 50 percent of AMI or less. The affordability restrictions for Sycamore Glen were originally scheduled to expire during the previous Housing Element Update cycle; however, the City’s RDA provided funding to extend the affordability expiration date to 2021.

Sycamore Glen is owned and operated by South County Housing, a nonprofit community development corporation with properties in the counties of Santa Clara, Santa Cruz, Monterey, and San Benito, including several properties in Morgan Hill. According to the organization’s Director of Housing Development, South County Housing plans to further extend the affordability of Sycamore Glen past the current 2021 expiration date by applying for tax credits, which will be used to finance rehabilitation work on the property. In addition to tax credits, South County Housing will be in need of a predevelopment loan totaling approximately \$150,000, and has not yet identified a source for these funds.

If the affordability restrictions at Sycamore Glen were to expire, the costs associated with replacing these units would be substantially higher than preservation costs. EAH housing is in the final stages of development of Bella Terra Senior Apartments, a 40-unit affordable development for individuals 55 and older earning 50 percent of AMI or less. Total development costs for the project are estimated at approximately

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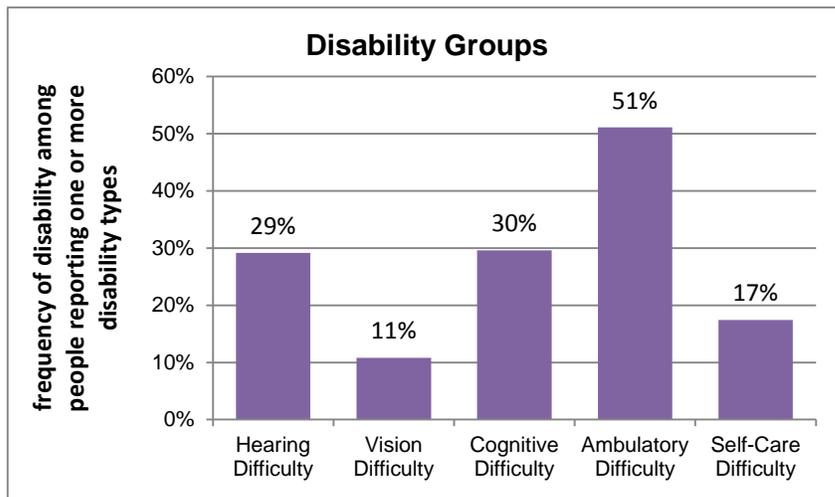
\$12.5 million, or slightly more than \$300,000 per unit. EAH staff familiar with the project estimate that it is reasonable to assume that construction costs for a senior housing development in Morgan Hill would total approximately \$300,000 per unit, or \$6 million to replace the 20 units at Sycamore Glen.

8. SPECIAL HOUSING NEEDS

A. PERSONS WITH DISABILITIES

According to 2009-2011 American Community Survey data, 2,809 residents of Morgan Hill age five and over identified as having some kind of disability (Figure C-4).² Most of these residents (2,614 people) were at least 18 years old. For many of these people, their disability will affect their ability to live independently in a conventional residential setting. These individuals have mobility impairments, self-care limitations, or other conditions that may require special housing accommodations or financial assistance.

FIGURE C-4 DISABILITIES



Source: US Census American Community Survey 2009-2011.

Table C-28 shows the range of disability types in Morgan Hill residents with disabilities. While many of these individuals may not have limitations that are severe enough to be defined as disabling, individuals with such physical challenges can have a number of special housing-related needs that distinguish them from the population at large. Individuals with mobility difficulties (such as those confined to wheelchairs) may require special accommodations or modifications to their homes to allow for continued independent living. Such modifications are often called “reasonable accommodations.”

Individuals with self-care limitations (which can include persons with mobility difficulties) may require residential environments that include in-home or on-site support services, ranging from congregate to convalescent care. Support services can include medical therapy, daily living assistance, congregate dining,

² The questions related to disability status and type changed between the 2000 Census and 2009-2011 American Community Survey. Disability data provided by the 2000 Census is not directly comparable to data provided by the 2009-2011 American Community Survey.

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and related services. Individuals with developmental disabilities and other physical and mental conditions that prevent them from functioning independently may require assisted care or group home environments. Individuals with disabilities may require financial assistance to meet their housing needs because a higher percentage are low income than in the population at large, and their special housing needs are often more costly than conventional housing.

TABLE C-28 PERSONS WITH DISABILITIES BY DISABILITY TYPE

	Number	Percent
Total persons age 5+ with one or more disabilities	2,809	
Total Persons with one or more disabilities, ages 5-17	195	7%
With a hearing difficulty	0	0%
With a vision difficulty	0	0%
With a cognitive difficulty	107	4%
With an ambulatory difficulty	59	2%
With a self-care difficulty	124	4%
Total Persons with one or more disabilities, ages 18-64	1,390	49%
With a hearing difficulty	272	10%
With a vision difficulty	159	6%
With a cognitive difficulty	472	17%
With an ambulatory difficulty	617	22%
With a self-care difficulty	216	8%
With an independent living difficulty	363	13%
Total Persons with one or more disabilities, age 65+	1,224	44%
With a hearing difficulty	547	19%
With a vision difficulty	144	5%
With a cognitive difficulty	253	9%
With an ambulatory difficulty	759	27%
With a self-care difficulty	150	5%
With an independent living difficulty	522	19%

Note: Totals may be less than sum of list of disabilities, since a person may have more than one disability.
Source: 2009-2011 American Community Survey, Table S1810.

Some people with mobility and/or self-care limitations are able to live with their families and receive assistance in housing and daily living needs. Over half of the disabled persons between the ages of 18 and 64 are not employed, as shown in Table C-29. This segment of the disabled population, along with other disabled persons with low incomes and retired individuals, may not have the financial capacity to pay for needed accommodations or modifications to their homes. In addition, even those able to pay for special housing accommodations may find them unavailable in the City.

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TABLE C-29 PERSONS WITH DISABILITY BY EMPLOYMENT STATUS

	Number	Percent
Persons Age 0-17 with a Disability	218	1%
Age 18-64, Employed Persons with a Disability	596	2%
Age 18-64, Not Employed Persons with a Disability	794	2%
Persons Age 65 Plus with a Disability	1,224	3%
<i>Total Persons with a Disability</i>	<i>2,832</i>	<i>8%</i>
<i>Total Population (Civilian Non-institutional)</i>	<i>37,650</i>	<i>100%</i>

Source: American Community Survey, 2009-2011, Table B18120.

Disabled persons often require special housing features to accommodate physical limitations. Some disabled persons may have financial difficulty due to the cost of having their special needs met or due to difficulty in finding appropriate employment. Although California Administrative Code Title 24 requires all public buildings to be accessible to the public through architectural standards such as ramps, large doors, and restroom modifications to enable handicap access, not all available housing units have these features.

Many persons with disabilities can benefit from a residential environment that provides supportive services in a group setting. Although there are no City-based agencies serving the disabled, San Andreas Regional Center is a community-based California State-funded program designed to serve persons with developmental disabilities, as required by the Lanterman Developmental Disabilities Services Act. The Center is a private, nonprofit corporation under contract for provision of services through the State Department of Developmental Services. San Andreas Regional Center serves the four-county area of Monterey, San Benito, Santa Clara and Santa Cruz. In addition, Housing for Independent People is an organization in San Jose that places and provides housing for people with special needs. Villa Ciolino in Morgan Hill offers two ADA units.

B. PERSONS WITH DEVELOPMENTAL DISABILITIES

Effective January 2011, California Housing Element law was amended to require that Housing Elements include an evaluation of special housing needs for persons with developmental disabilities. Portions of the text provided in this section are drawn from a memo issued by the California Department of Housing and Community Development in June 2012 that provides guidance this portion of the Housing Element.

A "developmental disability" is defined as disability that originates before an individual attains age 18 years, continues, or can be expected to continue, indefinitely, and constitutes a substantial disability for that individual. Developmental disabilities include mental retardation, cerebral palsy, epilepsy, and autism, as well as disabling conditions that are closely related to mental retardation or require treatment similar to that required for individuals with mental retardation, but do not include persons with disabilities that are solely physical in nature.

The State Department of Developmental Services (DDS) currently provides community-based services to approximately 269,000 persons with developmental disabilities and their families. Services are delivered

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primarily through 21 regional centers, which are nonprofit agencies that contract with local businesses to provide services to individuals with developmental disabilities.

The San Andreas Regional Center provides these services in Santa Clara, Santa Cruz, San Benito, and Monterey counties. According to information provided by the San Andreas Regional Center, there are over 350 individuals with developmental disabilities living in Morgan Hill, 190 of whom are over the age of 18. Many of these individuals rely on Supplemental Security Income (SSI) as their primary source of income, making housing affordability an important issue for adults with developmental disabilities. The San Andreas Regional Center partners with the Housing Choices Coalition to address the housing needs of individuals with developmental disabilities.

There are a number of different housing types that are appropriate for individuals with developmental disabilities, which reflect the range of housing needs among this group. Many individuals with developmental disabilities are able to live and work independently within a conventional housing environment and do not require housing that differs from the housing available to the population at large. Individuals with more severe developmental disabilities require a group living environment where supervision is provided. The most severely affected individuals may require an institutional environment where medical attention and physical therapy are provided.

Because developmental disabilities exist before adulthood, the first issue in supportive housing for the developmentally disabled is the transition from the person's living situation as a child to an appropriate level of independence as an adult. Additional considerations include housing accessibility modifications, proximity to services and transit, and the availability of group living opportunities. Incorporating 'barrier-free' design in all newly constructed multi-family housing (as required by California and Federal Fair Housing laws) is especially important to provide the widest range of choices for disabled residents. Special consideration should also be given to the affordability of housing, as people with disabilities may be living on a fixed income.

C. SENIORS

In past decades, Morgan Hill has seen a demographic bulge as baby boomers have grown from childhood, to adolescence to adulthood. Now, baby boomers have begun to approach their senior years, with the oldest baby boomers turning 65 in 2011. Projections provided by Nielsen estimate that senior households will comprise 22 percent of all households in Morgan Hill in 2018 (3,019 households in total) (see

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Table C-6 above). Applying this percentage to the draft RHNA for Morgan Hill, suggests that approximately one fifth of new the new housing need by 2022 (approximately 200 households) will consist of households with a householder over the age of 65. For the next ten years, most of the growth will be young seniors, but in the years after that, the number of older seniors will increase as well as baby boomers age. According to the 2010 Census, 82 percent of senior households in Morgan Hill own their homes (1,699 households in total) and 18 percent rent (371 households) (Table C-30).

TABLE C-30 SENIOR HOUSEHOLDS BY TENURE BY AGE

Householder Age	Owners	Renters	Total
65-74 years	1,040	192	1,232
75 plus years	659	179	838
Total	1,699	371	2,070

Source: 2010 Census SF 3 Table H17.

Many seniors are likely to want to remain in Morgan Hill as they age, preferring to stay in their current homes (age in place) as long as they can. Some healthy seniors will be interested in moving to smaller homes, but they will not need or want much additional support at that time. Other seniors, those with some mental or physical impairment, will want programs to help them age in place (e.g., loans for ADA improvements or assistance with meals and/or running errands). Seniors with more health issues will be more likely to want options such as independent living, congregate care and assisted living. Currently, there is a limited supply of these assisted living housing types in Morgan Hill, particularly at a price that is affordable to most seniors.

It is important to remember that the income of seniors tends to drop as they stop working, usually in their mid-sixties, and continues to fall as they spend down their savings. By their 80s, seniors often have little disposable income. Nearly half of Morgan Hill's senior renter households have extremely low incomes (30% or less of AMI), and an additional 25 percent have very low or low incomes (Table C-31). Even among senior owner households, nearly 20 percent have extremely low incomes, with 32 percent having very low or low incomes.

TABLE C-31 ELDERLY HOUSEHOLDS BY INCOME AND TENURE

Income Level	Elderly Owner Households	Elderly Renter Households
<=30% AMI	360	145
31% to 50% AMI	415	20
51% to 80% AMI	195	60
80% AMI or Above	935	90
Total	1,905	315

Source: Comprehensive Housing Affordability Strategy (CHAS) Data, Table 7. Based on 2005-2009 American Community Survey. See www.huduser.org

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In Morgan Hill, data from the 2009-2011 American Community Survey indicate that eight percent of seniors have incomes below the poverty level (Table C-32). The poverty rate is higher (10 percent) among seniors over the age of 75.

TABLE C-32 SENIOR RESIDENTS BY POVERTY STATUS

Poverty Status	65 to 74		75 and over		All Seniors	
	#	%	#	%	#	%
Below Poverty Level	178	7.6%	130	9.9%	308	8.4%
At or Above Poverty Level	2,160	92.4%	1,182	90.1%	3,342	91.6%
<i>Total</i>	<i>2,338</i>	<i>100.0%</i>	<i>1,312</i>	<i>100.0%</i>	<i>3,650</i>	<i>100.0%</i>

Source: American Community Survey, 2009-2011, Table B17024.

Senior owners and renters also have different needs. In particular, 52 percent of seniors who rent are overpaying for housing (Table C-33). Over half of these seniors are paying more than 50 percent of their income in rent and are at risk of being displaced, because income tends to decrease with age and rent usually increases over time (CHAS, 2005-2009).

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TABLE C-33 OVERPAYMENT BY SENIOR HOUSEHOLDS

	Total Renters	Total Owners	Total Households
Household Income <=50% MFI	165	775	940
% Cost Burden >30%	66.7%	35.5%	41.0%
% Cost Burden >50%	57.6%	23.2%	29.3%
% Cost Burden Not Computed	12.1%	1.9%	3.7%
Household Income >50% to <=80% MFI	60	195	255
% Cost Burden >30%	75.0%	15.4%	29.4%
% Cost Burden >50%	0.0%	5.1%	3.9%
% Cost Burden Not Computed	0.0%	0.0%	0.0%
Household Income >80% MFI	90	935	1,025
% Cost Burden >30%	11.1%	17.1%	16.6%
% Cost Burden >50%	0.0%	7.0%	6.3%
% Cost Burden Not Computed	0.0%	0.0%	0.0%
All Households	315	1,905	2,220
% Cost Burden >30%	52.4%	24.4%	28.4%
% Cost Burden >50%	30.2%	13.4%	15.8%
% Cost Burden Not Computed	6.3%	0.8%	1.6%

Source: Comprehensive Housing Affordability Strategy (CHAS) Data, Tables 1 and 8. Based on 2005-2009 American Community Survey. See www.huduser.org.

Housing Options for Seniors

Small Homes, Condos, Retirement Communities

It is important to continue to assist seniors as they age in place because the greatest increase in the senior population in the next 10 to 15 years will be young seniors, or those in their sixties and early seventies, and the current trend is for seniors to live independently and longer than in past years.

Housing choices among this group of younger seniors will be based heavily on their current housing situation and the alternatives available. For example, if a home is senior friendly and a neighborhood is perceived as safe, seniors will choose to remain as long as they can. On the other hand, seniors will move sooner if there are good alternatives.

While a market study is the most reliable way to identify the number of seniors who prefer to move to an age restricted community, it is possible to get an estimate based on current patterns. During the previous

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Housing Element Update cycle, City staff catalogued roughly 750 age-restricted housing units in Morgan Hill. Since that time, Urban Housing Communities opened Horizon at Morgan Hill, which offers 49 one- and two-bedroom units for seniors 55 and older earning 30 percent to 50 percent of AMI. Additionally, EAH housing is currently in the final stages of development for Bella Terra Senior Apartments in Morgan Hill, which is scheduled to open late in 2013 and will offer 40 apartments for individuals 55 and older earning 50 percent of AMI or less. The project will include five Mental Health Services Act (MHSA) units, which will serve mentally ill seniors who are homeless or at risk of homelessness, in emotional distress, or are diagnosed with other disorders identified by the Santa Clara County Mental Health Department.

These two new developments bring the total count of age-restricted units in the City to approximately 840, or one unit for every five seniors living in the City. According to projections from Nielsen, there will be 5,395 seniors living in Morgan Hill in 2018, an increase of 1,099 from 2013. In order to maintain the City's current ratio of age restricted units to senior population, this indicates that Morgan Hill will need approximately 220 new senior units by 2018, at a rate of 44 per year. Based on this annual rate, the City will have a need for approximately 350 senior units between 2014 and 2022.

Assisted and Congregate Living

Experts estimate that between two and four percent of seniors live in assisted or congregate care housing at any given time (Personal communication, Dr. Andy Scharlack). Based on the projected increase in the senior population between 2013 and 2018 (1,099 additional seniors), this corresponds to an additional four to nine seniors in assisted or congregate living per year, or a total increase of 35 to 70 seniors between 2008 and 2014.

Nursing Homes

Based on rates supplied by the State, approximately three percent of seniors live in nursing homes statewide (2003 Strategic Plan for an Aging California Population and 2009-2013 State Plan on Aging). Based on this percentage and the projected increase in the senior population in Morgan Hill between 2013 and 2018, approximately 6 to 7 new nursing home beds will be needed in the City each year, for a total of 48 to 54 beds between 2014 and 2022.

Programs to Support Seniors

The City's 2007-2014 Housing Element added a number of new policies and programs related to seniors. Specifically, it defined criteria that made areas appropriate for new senior housing, promoted universal design, allowed small multi-family senior units on single-family lots and created an RDCS allocation for senior units.

Prior to the dissolution of Redevelopment in California, the City used funds from the RDA to implement a Senior Home Repair Program and Home Rehabilitation Program. The City has terminated both programs due to a lack of funding following the dissolution of the City's RDA. However, the City has applied for CalHome funds that would be used to implement a limited rehab program for homeowners living in BMR ownership units in Morgan Hill.

Additionally, the City has continued to add units to the affordable age-restricted housing stock, as detailed in the above discussion regarding Horizon at Morgan Hill and Bella Terra Senior Apartments.

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D. LARGE HOUSEHOLDS

Large families (usually defined as family households with five or more persons) can have difficulty securing adequate housing due to the larger number of bedrooms they need (three or more) to avoid overcrowding. It becomes even more difficult when large families try to find adequate rentals within their budget, because rentals typically have fewer bedrooms than ownership housing. Low income large families typically need financial assistance in Santa Clara County to secure affordable housing that meets their space needs.

The 2010 Census estimates that 15 percent of owner households and 22 percent of renter households contain five or more people. As shown in Table C-34, almost one quarter of all large families in Morgan Hill earn 80 percent of AMI or less and are therefore considered low income households.

TABLE C-34 LARGE FAMILIES BY AMI LEVEL

Income Level	5+ Persons		Total	
	Number	Percent	Number	Percent
<=30% AMI	165	10%	1,535	11%
31% to 50% AMI	185	11%	1,445	11%
51% to 80% AMI	50	3%	880	6%
80% AMI or Above	1,280	76%	9,815	72%
<i>Total</i>	<i>1,680</i>	<i>100%</i>	<i>13,675</i>	<i>100%</i>

Source: Comprehensive Housing Affordability Strategy (CHAS) Data, Table 7. Based on 2005-2009 American Community Survey. See www.uduser.org.

As shown in Table C-13, and summarized below in Table C-35, 4,925 owner-occupied units, out of a total of 9,577 owner-occupied units, or 51 percent, have four or more bedrooms. However, only 207 renter-occupied units, out of a total of 2,979 renter-occupied units, or only 7 percent, have four or more bedrooms. The City contains enough 4+ bedroom owner-occupied housing units for the number of large households with the need for multi-bedroom dwelling units, but rental units are in smaller supply.

TABLE C-35 LARGE HOUSEHOLDS AND UNIT SIZE

	Owner-Occupied	Renter-Occupied
Households with five or more people	1,278	781
Units that have four or more bedrooms	4,925	205

Sources: US Census, 2010; American Community Survey, 2009-2011.

There are a number of housing developments in Morgan Hill that are affordable to low- and very low-income households that include units with three or more bedrooms, including Jasmine Square, Royal Court Apartments, Villa Ciolino, and the Willows.

E. SINGLE PARENT AND FEMALE-HEADED HOUSEHOLDS

Traditionally, female-headed households, particularly single mothers and single elderly women, have been considered special needs groups because their incomes tend to be lower, making it difficult for them to obtain affordable housing, or because they have specific physical needs related to housing (such as child care or assisted living support). Single mothers, in particular, tend to have difficulty in obtaining suitable,

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affordable housing. Such households also have a greater need for housing with convenient access to child-care facilities, public transportation, and other public facilities and services.

According to 2007-2011 American Community Survey data, approximately 1,300 of the City's 12,066 households are female-headed households with children, or approximately 11 percent of all households in Morgan Hill. These data also indicate that 454 of the City's female-headed families are classified as living below the poverty level. These 454 families account for 64 percent of the total 712 families below poverty in the City. It may be assumed that most of these households are overpaying for housing (i.e., more than 30 percent of their income), or are experiencing other unmet housing needs. As a result of poverty, female heads of households often spend more on immediate needs such as food, clothing, transportation, and medical care, than on home maintenance, which results in living units falling into disrepair.

TABLE C-356 FEMALE HEADED HOUSEHOLDS

Householder Type	Number	Percent
Total Households	12,066	100%
Total Female Headed Households, No Husband Present	3,011	25%
Female Heads with Children under 18	1,277	11%
Female Heads without Children under 18	1,734	14%
Total Families Under the Poverty Level	712	6%
Female Headed Families Under the Poverty Level	454	4%

Source: 2007-2011 American Community Survey, Tables B11005 and B17010.

F. FARMWORKERS

The most recently available data from the American Community Survey, for the three year period from 2009 to 2011, estimate that 92 of 17,558 employed Morgan Hill residents worked in farming, fishing, or forestry occupations. However, due to the small sample size used to produce this estimate, there may have been as many as 221 Morgan Hill residents working in these occupations during that time period. Industry employment data from ACS for the five-year period from 2007 to 2011 estimate that there were 65, or up to 116, jobs in the agriculture, forestry, fishing, and hunting industry sector out of 15,804 jobs located in the City.

Although these estimates do not indicate a large farmworker population in the City itself, Morgan Hill is located in an area of southern Santa Clara County with ongoing agricultural activities. The 2007 Agricultural Census, published by the USDA every five years, estimated that there were 178 active farm operations in the 95037 ZIP Code (which includes Morgan Hill) in that year. In addition, guidance from the California Housing and Community Development Department indicates that farmworker households are often comprised of extended family members and single male workers, meaning that the farmworker family populations that correspond to the estimated employment numbers cited above can vary widely.

To put these estimates in context, information obtained from the Santa Clara County Farm Bureau indicates that there is an estimated peak summer employment level in Santa Clara County of 5,900 farmworkers and that the average effective wage for these workers is \$12 per hour for six to ten months out of the year. Both

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seasonal and year round residents employed in agriculture are likely to have lower incomes and find it difficult to obtain affordable housing. Farmworker families, in particular, will likely have the greatest unmet housing needs, given their significantly lower incomes and need for dwelling unit sizes that are able to accommodate farmworker families. As a result, they have a higher probability of experiencing substandard housing conditions, overcrowding, and housing tenure insecurity.

In addition to the City's overall affordable housing program for very low income residents, Morgan Hill joined Gilroy and Santa Clara County in partnering with South County Housing to construct the John Boccardo Family Living Center to address this need. The Center is operated by the Emergency Housing Consortium and serves the larger South County area. It provides 25 private units for families with children under age 18 and offers supportive services. Eight of those units are reserved for migrant farmworker families, and are only available for seven months each year, from May to November. During the remainder of the year, those units are used as emergency shelter space for homeless families.

The Arturo Ochoa Migrant Family Housing Center, located in Gilroy and operated by the California Office of Migrant Services, also serves this population, offering 100 units of single-family housing and a daycare facility for eight months each year from May to October. However, this facility does not specifically serve Morgan Hill residents. Finally, there are roughly 24 privately-operated employee housing facilities in Santa Clara County, four of which are located in Morgan Hill. These facilities have a capacity to house roughly 90 individuals at a time, including both farmworkers and their families. The housing types offered at these facilities include outdoor trailers, dormitory style residences, and single-family units and house a mix of year-round and seasonal workers.

G. HOMELESS

Homelessness is caused by a number of social and economic factors, including a breakdown of traditional social relationships, unemployment, shortage of low income housing, and the deinstitutionalization of the mentally ill. A homeless person lacks consistent and adequate shelter. Homeless persons can be considered resident (those remaining in an area year-round) or transient. Emergency and transitional shelters can help to address the needs of the homeless. Emergency shelters provide a short-term solution to homelessness and involve limited supplemental services. In contrast, transitional shelters are designed to remove the basis for homelessness. Shelter is provided for an extended period of time, and is combined with other social services and counseling, to assist in the transition to self-sufficiency.

Approximately 61 homeless people live in Morgan Hill, as counted in the 2013 homeless census. This number represents a decrease from 2011, when the homeless census counted 211 homeless people in Morgan Hill. 14% of Santa Clara County's homeless individuals were in families. All homeless people living in Morgan Hill were unsheltered, meaning that they were sleeping outdoors or in vehicles. Because the count took place in the winter when the demand for services is highest, this is considered the maximum seasonal need.

Additional demographic information is presented below for homeless in Santa Clara County, according to the 2013 homeless census.

- Approximately 16 percent of the homeless population was living in vehicles (cars, campers, vans, etc.).
- Demographically, the population is diverse: the largest percentage of homeless survey respondents were Hispanic/Latino (31 percent) Caucasian (28 percent) and African American (22 percent). The four largest age groups were 41-50 years old (25 percent), 18-24 years old (22 percent) 51-60 years old (21 percent) and 31-40 years old (18 percent).

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- More than two thirds (67 percent) of the population was male.
- Approximately 62 percent of homeless survey respondents indicated they had been homeless only once within the past 12 months.
- Twenty-one percent of homeless survey respondents had been homeless six or more times in the past three years.
- Approximately 65 percent of survey respondents received government assistance.
- Approximately ten percent of female respondents and five percent of male respondents reported they were currently experiencing domestic violence.
- Overall, approximately 51 percent of survey respondents indicated they were experiencing a disabling condition other than homelessness. For the purposes of this survey, a disabling condition was defined as a physical disability, developmental disability, mental illness, depression, Post-Traumatic Stress Disorder, HIV/AIDS, Tuberculosis, Hepatitis C, substance abuse, or chronic health problems.

Morgan Hill has been pursuing, and will continue to pursue, a housing first model to fight homelessness. While it is not practical for the City to have a supply of vacant affordable housing, the City will continue to strive to provide permanent, affordable housing with support services as necessary.

Morgan Hill allows emergency and transitional housing by right in the public facilities zone. This zone contains 25 acres and is located near transportation and retail stores. There are a number of potential sites within these 25 acres for an emergency shelter.

Additionally, Morgan Hill is interested in allowing religious institutions to set up shelters as an ancillary part of their regular operations with no additional local permitting requirements. Additionally, transitional and supportive housing are currently treated the same as other types of housing. See the Policies section for more information. Potential lots include:

- The school district has vacant land adjacent to a middle school that it plans to sell or develop. A nonprofit or government agency could purchase this land and use it for a shelter.
- There is a closed elementary school on an eleven acre parcel within walking distance to transit. The school district has stated this land is surplus and according to a recent newspaper article, is looking to redevelop the property. It is suitable for a shelter.
- There is a lot owned jointly by the City and the Valley Transportation Authority. It is currently a surface parking lot for school district buses, but the plan is to redevelop the parcel and the district is on a year-to-year lease. This lot could be redeveloped as emergency housing.

The City currently offers one homeless shelter program at La Isla Pacifica Shelter for Battered Women and Their Children, operated by Community Solutions for Children, Families, and Individuals. La Isla Pacifica provides battered women and their children with 24-hour crisis intervention, counseling and support, legal advocacy, and emergency assistance, including a 15-bed shelter. Those seeking help are able to use the shelter for a 45-day period. On average this program provides shelter service to ten Morgan Hill women and their children; counseling service to 20 residents; and emergency assistance to 35 individuals. Community Solutions for Children, Families, and Individuals provides behavioral healthcare services, prevention and education services for homelessness and pregnancy cases, and community counseling services such as foster care, literacy, and employee assistance.

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The City also gives the homeless preferential access to housing services and allows homeless applicants priority for its BMR Rental referral program. Five MHSA units in the Bella Terra Senior Apartments, scheduled to open in late 2013, will potentially serve seniors with mental illness who are homeless or at risk of homelessness.

See Appendix D for a list of all known emergency, transitional and supportive housing in the county. Additionally, there are a number of relevant programs, including:

- An Ombudsman Program run by Catholic Charities.
- St. Catherine's Church and the Assembly of God Church offer food bag assistance, and Catholic Social Services and Community Solutions provide emergency/crisis assistance.
- Soup kitchens and other food programs (San Jose Salvation Army, The Lord's Table of Gilroy, Second Harvest Food Bank of San Jose).
- Rental assistance (Sacred Heart Community Service of San Jose, Bridge Housing Corporation of San Francisco, Community Housing Developers of San Jose, Emergency Housing Consortium of San Jose, and First Community Housing).

H. DOMESTIC VIOLENCE AND YOUTH AGING OUT OF FOSTER CARE

In America, over 5.3 million women are abused every year, and domestic violence is the leading cause of injury to women. Because leaving a violent relationship often involves leaving home, victims often have additional needs beyond medical attention or counseling.

There are approximately 500,000 children in the foster care system in the United States at any time and approximately 24,000 youth age out of care each year (or turn 18 so they are no longer eligible for benefits and must live independently). Most youth raised in family households are not ready for full independence at the age of 18. This is especially true for youth in foster care, who often lack adult role models. Youth aging out of foster care face many additional challenges including a higher risk for homelessness, unemployment, illness, incarceration, welfare dependency, and sexual and physical victimization than their peers. (See Rashid et al., *A BASSC Policy Monograph: Emancipating From Foster Care In the Bay Area*, San Francisco, CA. Zellerbach Family Foundation, 2006.) A bill passed by the California legislature in 2010 extended foster care benefits until youth turn 21.

9. REGIONAL HOUSING NEEDS ALLOCATION (RHNA)

In June 2013, the Association of Bay Area Governments (ABAG) released final regional housing allocation (RHNA) numbers for the 2014-2022 planning period based on a regional need of 187,990 units.

The final RHNA calculated by ABAG determined Morgan Hill's share of the nine-county Bay Area new housing construction need at 928 dwelling units between 2014 and 2022. The City's assigned share was based on additional households expected to reside in the City, employment trends, access to transportation and other infrastructure, unmet needs among current residents who did not have affordable housing, and the replacement of older homes expected to be demolished during the eight-year period, among other factors.

Table C-37 summarizes the current allocation used to establish housing need in the City's Housing Element by income category.

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TABLE C-37 2014-2022 ABAG REGIONAL HOUSING NEEDS ALLOCATION

Income Group	Number	Percent
Very Low Income	273	29%
Low Income	154	17%
Moderate Income	185	20%
Above Moderate Income	316	34%
<i>Total</i>	<i>928</i>	<i>100%</i>

Morgan Hill has completed all the required steps identified in the previous Housing Element, and is therefore not affected by AB 1233, a State law that required jurisdictions that did not complete programs related to making sites available for housing to complete those programs in the first year of the new Housing Element cycle.

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APPENDIX D. LIST OF EMERGENCY, TRANSITIONAL AND SUPPORTIVE HOUSING

The following is a list of emergency, transitional and supportive housing. See Appendix C for more information about homeless needs and emergency shelter zoning.

1. EMERGENCY SHELTERS

Provider	Facility Name	Total Year Round Beds
Asian Americans for Community Involvement	Asian Women's Place	13
Bill Wilson Center	Runaway and Homeless Youth Shelter	20
City Team Ministries	City Team Rescue Mission	50
Community Homeless Alliance Ministry	First Christian Church Shelter	21
Community Solutions	La Isla Pacifica	14
EHC Housing Consortium, dba EHC Lifebuilders	Armory - Sunnyvale	0
EHC Lifebuilders	Armory - Gilroy	0
EHC Lifebuilders	Sobrato House Youth Center	10
EHC Lifebuilders	Boccardo Regional Reception Center	125
EHC Lifebuilders	Boccardo Regional Reception Center	25
EHC Lifebuilders	Veterans Dorm at the Boccardo Reception Center	10
EHC Lifebuilders	Boccardo Family Living Center in San Martin	0
Family Supportive Housing	San Jose Family Shelter	143
InnVision	Commercial Street Inn	55
InnVision	Clara Mateo Shelter	62
InnVision	Hotel de Zinc	15
InnVision	Montgomery Street Inn/Community Inns	46
InnVision	Julian Street	60
Next Door Solutions to Domestic Violence	Next Door Solutions	19
Salvation Army	Hospitality House (Overnighter)	22
St. Joseph's Family Center	Emergency Shelter - Motel Vouchers	0
Support Network for Battered Women	Emergency Shelter	16
Unity Care	Unity Place II	14
West Valley Community Services	Rotating Shelter	15
EHC Lifebuilders	Destination: Home Respite Center	17

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2. TRANSITIONAL HOUSING

Provider	Transitional Housing Facility Name	Total Year Round
Bill Wilson Center	TH/North County - Rockefeller Drive	8
Bill Wilson Center	TH/North County - Villa Street	10
Bill Wilson Center	TH/Homeless Youth and Young Families- Humbolt Str	5
Bill Wilson Center	TH/Homeless Youth and Young Families - Norman Dri	10
Bill Wilson Center	TH/Homeless Youth and Young Families - Leigh Ave.	5
Bill Wilson Center	TH/Homeless Youth and Young Families - Maria Way	8
Bill Wilson Center	Young Parents with Children - Jackson St., Santa Clar	16
City Team Ministries	House of Grace	22
City Team Ministries	City Team Rehabilitation	60
City Team Ministries	Heritage House	20
Community Solutions	Transitional Housing Program/Mental Health	10
EHC LifeBuilders	Sobrato House Youth Center	9
EHC LifeBuilders	Boccardo Family Living Center in San Martin	81
EHC LifeBuilders	Boccardo Family Living Center in San Martin - Migrant	48
EHC LifeBuilders	Sobrato Family Living Center (Santa Clara)	112
EHC LifeBuilders	Veterans THP at the Boccardo Reception Center	10
EHC LifeBuilders	Boccardo Regional Reception Center (Single Adults Ti	15
EHC LifeBuilders	Boccardo Regional Reception Center	75
Family Supportive Housing	Glen Art - Transitional Housing Program #1	33
Family Supportive Housing	Transitional Housing Program #2	24
InnVision	North Santa Clara County Supportive Housing Coalitio	28
InnVision	HomeSafe San Jose	67
InnVision (with Community Services Agency)	Graduate House	6
InnVision	North Santa Clara County Transitional Housing	24
InnVision	Montgomery Street Inn	39
InnVision	InnVision Villa	55
InnVision	Stevens House	7
Next Door Solutions to Domestic Violence	HomeSafe Santa Clara	65
Salvation Army	Hospitality House (Motive Man)	40
Salvation Army	Volunteer Recovery	6
San Jose Cathedral	Worker House for Women and Children	25
San Jose Cathedral	Worker House for Men	20
South County Housing (previously EHC LifeBuilders)	Sobrato Transitional Apts. - TH for Single Mothers and	196
Unity Care	Martinvale (House #13)	6
Unity Care	Unity Place	16
West Valley Community Services	Transitional Housing Program	22

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3. SUPPORTIVE HOUSING

2008 Housing Inventory Chart: Permanent Supportive Housing (Countywide)		
Provider	Facility Name	Total Year-Round Beds
Catholic Charities of San Jose	Navigator Project	29
Catholic Charities of San Jose	New Directions	4
Catholic Charities of San Jose	New Directions	21
Catholic Charities of San Jose	Family Housing	50
Charities Housing Development Corp.	San Antonio Place and Scattered Sites	12
Charities Housing Development Corp.	Paseo Senter II (1900 Senter Rd.)	5
Charities Housing Development Corp.	Paseo Senter I (1896 Senter)	13
Charities Housing Development Corp.	Belovida Santa Clara	2
Charities Housing Development Corp.	Scattered Sites (Part of San Antonio Place Grant)	15
Community Working Group	Opportunity Center	131
EAH/Core	Markham Plaza	50
Emergency Housing Consortium of Santa Clara County, dba EHC LifeBuilders	Markham Terrace	95
EHC LifeBuilders	Sobrato Family Living Center	88
EHC LifeBuilders	Off the Streets Project for Homeless Addicted to Alcohol (Housing Homeless People with Alcohol Addiction)	27
EHC LifeBuilders	Off the Streets Project for Homeless Addicted to Alcohol	15
Santa Clara Valley Health and Hospital System First Community Housing (SCC Dept. of Mental Health)	Curtner Gardens	1
First Community Housing (SCC Dept. of Mental Health)	Curtner Gardens	26
Housing Authority of the County of Santa Clara	Section 8 Voucher - MTW	350
Housing Authority of the County of Santa Clara	Shelter Plus Care/Off the Streets	9
Housing Authority of the County of Santa Clara	Shelter Plus Care	387
Housing Authority of the County of Santa Clara/Veterans Administration	HUD-VASH Veteran Housing Choice Vouchers	76
Housing Authority of the County of Santa Clara	Section 8 Vouchers - Housing First	257
Housing Authority of the County of Santa Clara	Section 8 Vouchers - Dedicated for Unhoused - 100	41
Housing Authority of the County of Santa Clara	Section 8 Vouchers - Dedicated for Unhoused - 100	161
Housing Authority of the County of Santa Clara	Section 8 Vouchers - Dedicated for Unhoused - 100	5
Housing for Independent People	Sunset Leasing	14
Housing for Independent People	Sesame Court	6
InnVision	Alexander House	6
InnVision	North County Inns	19
InnVision	Safe Haven Permanent Housing for Women (Hester Project)	10
InnVision	Sunset Square	55
Santa Clara County Mental Health Department	Mental Health Permanent Supportive Housing Project	18
St. Joseph's Family Center	Gilroy Place	8
South County Housing (formerly EHC LifeBuilders)	Sobrato Transitional Apartments in Gilroy	68
South County Housing	Royal Court Apartments	20
Unity Care	Unity Place	6

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APPENDIX E. CONSTRAINTS TO NEW HOUSING

1. NONGOVERNMENTAL CONSTRAINTS

A. LAND COSTS

Land costs are a major inhibitor to building in Morgan Hill. According to DataQuick, a real estate data provider, housing prices rose quickly through 2005, stabilized for several years, fell in 2008 and 2009, and have stabilized again since 2009. This reflects the national recession, real estate down turn, and slow ongoing economic recovery. In April 2013, there were approximately 5 pieces of residential land for sale in Morgan Hill (loopnet.com). Prices for vacant land ranged from \$50,000 per acre to \$660,000 per acre, with a median price of \$537,000 per acre. Land values for residential properties are significantly impacted by whether the property has an allocation under the City's RDCS. Appraisers indicate that residential land without an allocation will be valued on a square footage basis and that land with an allocation will be valued on a per unit basis, which results in a per-acre cost for land without allocations equal to approximately half of the per-acre cost of land with allocations. However, the higher price of properties with RDCS allocations is not entirely unique to Morgan Hill, since properties with planning entitlements typically sell for a higher amount than properties without entitlements, regardless of the jurisdiction where the property is located (Hulberg and Associates).

According to real estate professionals familiar with residential development in Morgan Hill, residential land in the City is rarely sold before receiving RDCS allocations. Typically, potential developers either purchase land that has already received RDCS allocations or purchase an option with the land sale contingent on receipt of RDCS allocations. Land in the R-2 zone typically sells for \$90,000 to \$100,000 per unit when purchased through an option agreement and approximately \$125,000 per unit when purchased after allocations are in place. R-2 land with allocations for townhouse units sells for less, estimated at approximately \$60,000 to \$65,000 per unit. Land in the R-1 4,500 zone sells for \$115,000 to \$120,000 per unit when purchased through an option agreement and \$130,000 to \$150,000 when purchased after allocations are in place. Land in the R-1 7,000 zone sells for \$150,000 to \$170,000 per unit when purchased through an option agreement and \$200,000 to \$205,000 per unit when purchased after allocations are in place.

B. CONSTRUCTION AND LABOR COSTS

The most significant constraint on the development of new housing in Morgan Hill is the overall cost of housing, including land costs and construction costs. Many factors can affect the cost to build a house, including the type of construction, materials, site conditions, finishing details, amenities, and structural configuration.

Permitting, public works, and RDCS costs in Morgan Hill are about \$40,000 or more for an average sized single family home. Multi-family units are a few thousand dollars cheaper. The total includes school district fees, building permits, and public works fees.

Once a vacant parcel is purchased, the contractor has to make certain site improvements to prepare for building on the property. Such improvements include connections to existing utility systems, rough grading,

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and installation of water and sewer lines. This type of work generally costs between \$35,000 to \$40,000 depending on the amount of work required at each location.

Materials and labor have a wide range of costs depending on the type of materials used for construction. The total costs for typical single family homes are approximately \$75 per square foot. Typical costs for attached homes in the R-2 zone are approximately \$90 per square foot.

In addition to site improvement costs and the cost for building materials, there are engineering and architecture soft-costs, which can range from \$7,000 to \$8,000 per lot. Additional costs such as loan fees average about \$15,000 per lot, but this number varies widely depending on the interest rates, pace of sales, etc.

At the costs listed above, none of the very low or low income households, and few moderate income households in Morgan Hill can afford to build a home in the area. The scarcity of easily developable affordable land, combined with the great demand, indicates that housing construction costs are likely to remain high in the future. Morgan Hill will continue to follow the trend that is occurring throughout the Bay Area and the Silicon Valley.

C. AVAILABILITY OF FINANCING

Interest rates can dramatically affect housing affordability. In recent years, credit was widely available to many buyers, but since 2008, credit has been much more restrictive though interest rates have been low.

In past years, households could buy a house with as little as three percent down. Now, most home buyers must pay ten percent or more as a down payment, which can be a significant constraint for low and moderate income buyers. The City has applied for CalHome funds to operate a down payment assistance program beginning in late 2013. If funding is granted to implement the program, it would reduce this constraint for a limited number of households.

Historically, substantial changes in interest rates have correlated with swings in home sales. When interest rates decline, sales increase. The reverse has been true as well. In the 1990s and early 2000s, there was a dramatic growth in alternative mortgage products, such as graduated mortgages and variable rate mortgages. These types of loans allowed homeowners to take advantage of lower initial interest rates and qualify for larger home loans, but caused significant problems as homeowners were unable to meet the payments when the interest rates increased.

The fixed interest rate mortgage remains the preferred type of loan, especially during periods of low, stable interest rates. Some governmental programs seek to increase homeownership among low and moderate income households by relying on loan products that provide fixed interest rates below prevailing market rates, either for the principal loan or for a second loan that provides part of the down payment for home purchase. Many programs offer deferred second loans to facilitate homeownership.

D. ENVIRONMENTAL CONSTRAINTS

There are few environmental constraints in Morgan Hill as most residential lots are located on the valley floor, and very few vacant hillside lots are designated or zoned for residential development. Environmental constraints in Morgan Hill primarily involve geological issues related to hillside development, development within the flood zone and earthquake risk. Like most other areas of the state, Morgan Hill is located on a

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number of active fault lines, particularly in the northeastern portion of the City. Most notably, the Coyote Creek thrust faults, Silver Creek fault, Range Front thrust fault, and Calaveras fault zone. In addition, a few areas of the valley floor are subject to flooding during a 100-year storm event. Although these environmental factors exist in the City, they do not pose a significant constraint to the future development of housing in Morgan Hill as relatively few residential parcels are located in hillside or flood-prone areas. Units proposed within sensitive environmental areas, such as dam inundation zones or sensitive wildlife habitat, or within the vicinity of other environmental constraints are subject to CEQA.

Morgan Hill will include flood hazard and management information when it updates the Safety and Conservation elements of the General Plan in the coming years.

E. COMMUNITY OPPOSITION

Largely because of the RDCS system, Morgan Hill remains tolerant of orderly new housing growth. At recent hearings, more community members spoke in favor of new affordable housing than against it. Morgan Hill also actively engages with the community and has developed brochures, slide shows and other information resources to help educate the community.

F. SMALL, IRREGULAR OR SUBSTANDARD LOTS

In some instances, particularly for land zoned multifamily or mixed use, small/substandard or irregular lots can be a hindrance to redevelopment. (This is not to be confused with the small lot single family zoning, which is desirable.) To address this constraint, the City has created a market incentive to consolidate lots by increasing the Floor Area Ratio as lots get larger.

2. GOVERNMENTAL CONSTRAINTS

A. RESIDENTIAL DEVELOPMENT CONTROL SYSTEM

The voters of Morgan Hill first passed the Residential Development Control System (RDCS) in 1977 and that system has been updated by the voters multiple times.

The RDCS is not an obstacle to the production of housing or affordable housing, nor does it impair the City's ability to accommodate its RHNA. On the contrary, the system has resulted in the orderly production of thousands of housing units, many at prices affordable to all income levels.

The RDCS is the City's primary tool for encouraging the development of affordable housing. Among other objectives, Morgan Hill has used and modified the RDCS to provide sufficient housing for local workers, foster the development of a balanced community, and ensure compliance with State housing laws.

History

From 1970 to 1980, the city's population tripled. This sudden and unplanned growth led to double sessions in schools as well as an excessive burden on City services and infrastructure. Voters approved Measure E in 1977, which set a target population of 30,000 for the year 2000 and established a comprehensive control system for residential development (the RDCS) to limit and prioritize annual residential development and encourage a balance of housing types.

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The RDCS accomplished its goal of slowing the overall growth rate, which dropped from an annual average of 11.7 percent during the 1970s to an annual average of 3.5 percent during the 1980s. However, in 1988 the city population grew by 6.3 percent while the overall County grew by 1.3 percent. Over the next two years, the city's fast pace of development showed no signs of diminishing, further straining resources and overburdening classrooms, streets, public safety, domestic water supplies, and sewage systems. Thus in 1990, when it became clear that the Measure E target population of 30,000 for the year 2000 would be met prematurely, the RDCS was amended through Measure P.

Measure P set a target population of 38,000 for 2010. It also refined the formula used to quantify new annual RDCS allotments, greatly reduced exemptions from RDCS, and eliminated opportunities for housing developers to evade RDCS requirements. In addition, Measure P adjusted the criteria and point system previously established in Measure E to encourage housing development projects that pay their own way, complement existing infrastructure and schools, and promote "a balance of housing types at prices to meet the needs of all segments of the population, including those of lower and fixed incomes."

In 2004, after two decades of measured population growth, Measure C was enacted to extend and update Measure P. Measure C established a target population of 48,000 for the year 2020, reflecting the projection of the General Plan updated in 2001. The extension resulted in an increase in the number of units that could be constructed annually and thereby enabled the City to meet its State-mandated Regional Housing Needs Allocation (RHNA), an assignment to accommodate its fair share of the region's housing needs. Meeting RHNA made it possible for the Housing Element to be certified by the State Department of Housing and Community Development (HCD) as complying with State housing law. Measure C modified the formula for the allotment of units to provide for a more even, consistent number to be distributed annually. It also adjusted the geographical distribution encouraged by the RDCS, placing a new emphasis on residential and mixed-use development within the downtown to facilitate successful implementation of the Downtown Plan adopted in the prior year. Most recently, Measures A and F exempted a total of 600 downtown units from the RDCS.

RDCS Annual Allotments and Provisions

RDCS competitions are held annually or biannually. Based on the RDCS competition results, the City allots the number of housing units to be produced in the next 16 months to 3 years. The amount allotted in each competition is based on the number of housing units required to achieve the population targets established by the Measures described above. These allotments are adjusted prior to each competition to account for official population data from the State Department of Finance (DOF), changes in average persons per household and the accumulation of allotted but unbuilt units from prior rounds.

The City has typically allotted about 250 units a year through the RDCS with a decreasing trend in unit allotments per year as the average number of persons per household in Morgan Hill has increased.

The existing RDCS system awards points to projects that best satisfy and accomplish goals of the General Plan, and specifically the Housing Element, as well as related City goals as they evolve to meet changing community needs. The main criteria prioritized under the RDCS are summarized below in order of relative priority (total amount of points receivable):

- Provision of school facilities, amenities or fees.
- Provision of public and/or private usable open space.
- Orderly and contiguous development.

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- Provision of lower and moderate income housing and elderly housing or payment of in-lieu fees (“Housing Needs”).
- Provision of housing types, with diversity of housing unit type, size, and affordability levels, facilitating ethnically and economically diverse neighborhoods to meet Housing Element goals (“Housing Types”).
- Architectural, construction and site/street/circulation design quality and safety.
- Provision of needed public facilities and improvements, or payment of in-lieu fees.
- Provision of recreational amenities such as parks and paths.

Projects are evaluated according to the above criteria after receiving baseline approval that they conform to the General Plan, Zoning Ordinance and other City development standards and would be adequately served by existing public infrastructure and services.

Projects that receive at least 7.5 points for factors relating to impacts on existing facilities and at least 160 points (150 points for 100 percent affordable and very small projects) for factors relating to design and amenities (including affordable or senior housing) are eligible for permits. If there are more housing units in projects that exceed the minimum required points than there are permits available, projects receiving the most points are awarded permits. Approvals are granted by the Planning Commission. Appeals of the Commission's actions are heard by the City Council.

After reviewing actual experience and to meet changing needs and circumstances, the City Council establishes competition categories by location, price, development size, mixed-use, and others that may be needed. For example, to encourage revitalization of the downtown and discourage sprawl, the Council has established a special competition category for downtown and for housing constructed with ground-floor retail uses. Proposed projects competing in any given category only compete against other projects in the same category.

Affordable housing also has its own competition category, in which 20 percent of total allotments have generally been set aside for affordable housing units. Any kind of development producing more than 75 percent affordable housing in a single development can compete in this category. Remaining developments compete for the remaining 80 percent of allotments in “Open Market” competitions. The Open Market pool has been further sub-divided into competition categories such as “Small” or “Vertical Mixed-Use.” At least 33 percent of allotments must go toward single-family unit development. Affordable housing developers are encouraged to submit their proposals for any competitions that they choose (open market, small, etc.) and there is no percentage limits on the number of allocations that can be affordable.

Of the 1,258 units approved so far in the 2006 to 2013 competitions, approximately five percent were affordable to extremely low or very low income residents, 27 percent to low income residents and six percent to moderate income residents³.

Developments with RDCS allocations that are not yet built can be sold to other developers without affecting the allocations. Occasionally, this occurs as smaller developers sell their projects to larger companies with more access to capital.

³ This includes units that affordable by design, or market rate, but affordable.

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Carryover procedures

There has never been a need to consider carryover requirements in the RDCS system because the RDCS has distributed its entire allocations every year for its entire existence. The only reason that there would need to be a carryover is if development applications were not received. If this were the case, the unused allocations would carryover to future competitions so Morgan Hill meets its target of 48,000 residents in 2020.

Expired units

Morgan Hill works with developers to avoid having allocations expire. The City delivers a suggested timeline when units receive their initial allocation and communicates regularly about progress. However, because of the nature of housing development, it may not be possible for all developers to meet their timelines. In this case, developers may apply to Council to have allocations extended. The Council grants extensions in over 90 percent of cases.

Phasing

The RDCS has several provisions to ensure that developments can be built in phases if necessary. The RDCS exempted downtown units in recognition of the fact that vertical mixed use projects may need to be built at one time and cannot be phased like other projects. Projects outside of downtown have several options. The Council has the option of doing a multiyear allotment, and has done so in the past. While there is no maximum number of units per development per year per se, a typical large development will get 30 or 40 allocations. Developments can apply for an automatic 15 unit annual addition to their original allocation. Longer and larger multiyear projects could also apply in competitions in subsequent years.

Typical Schedule

The RDCS competition is held every one to two years at the discretion of the City Council. The following is based on recent competitions (the schedule is subject to change, contact the Planning Division for the most recent schedule):

- Application Due Date – Applications are accepted during the month of October
- Review By City Staff – Through January
- Planning Commission Review – January
- Allocation of RDCS Building Allotments – February

Subsequent Planning Approval

Subsequent to receiving RDCS building allotments, a project may need to file for typical land entitlements to complete the project including but not limited to:

- Zoning Amendment
- Development Agreements
- Development Schedule
- Subdivision
- Architectural and Site Review

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Length of time for allocation approval and how it relates to other entitlements

The following information is provided to developers that receive allocations. It is designed to facilitate compliance with other steps in the entitlement process and was created to help developers start their construction as soon as is permitted. This recommended schedule (using an October 2013 start date as an example) gives developers the maximum time to process their applications and still meet the deadline to commence construction by the end of the fiscal year of their allotment (June 30). Developers are encouraged to start the process approximately a year earlier so that the dwelling units are completed for occupancy at the start of the fiscal year (July 1) as opposed to commencing construction at the end of the fiscal year (June 28). Overall, the RDCS competition process may take approximately 5 months and can be reasonably accommodated into Morgan Hill's standard development review and entitlement process which typically may span from 3 - 18 months depending on the complexity of the residential development proposed and the level of environmental reviews required for approval. Extensions can be granted under certain circumstances. Contact the Development Services Center for more information.

Year 1

October 1, 2013 Recommended submittal date for Site Review, Subdivision, Zoning Amendment and Development Agreement applications (Soft deadline)

December 1, 2013 Submittal deadline for the above applications (Hard deadline)

City will mail a 30-day notice regarding action to revoke building allotment if Site Review, Subdivision, Zoning Amendment and Development Agreement applications are not received by this date.

February 9, 2014 Planning Commission action to recommend City Council revocation of the building allotment if the above applications have not been filed. The Commission would also recommend that the allotment be awarded to the next project on the list or transfer of the allotment to a different allotment category.

March 14, 2014 Planning Commission action to recommend City Council revocation and reallocation of the building allotment where any of the above applications are still incomplete for processing by this date.

April 14, 2014 Recommended submittal date for Final Map approval (Soft deadline)

May 1, 2014 Final Map submittal deadline (Hard deadline)

City will mail a 30-day notice regarding action to revoke building allotment if Final Map application is not received by this date.

July 1, 2014 Recommended submittal date for Building Permits (Soft deadline) Note: Building Permits may be issued and construction may commence on this date if final map is approved or no map is required and building plan check is complete.

August 10, 2014 Planning Commission action to recommend City Council revocation and reallocation of the building allotment where Final Map application has not been filed.

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Year 2

October 1, 2014 Submittal deadline for Building Permits (Hard deadline)

City will mail a 30-day notice regarding action to revoke building allotment if Building Permit application is not received by this date.

November 9, 2014 Deadline for approval of Building Permits on applications received on or before the July deadline.

November 23, 2014 Planning Commission action to recommend City Council revocation and reallocation of the building allotment where final map approval cannot be granted due to incomplete submittal.

On this meeting date would be possible Commission action to recommend City Council revocation and reallocation of the building allotment if the building permit application is not yet received.

December 1, 2014 Recommended date for issuance of building permits and commencement of construction (Soft deadline)

July 2, 2015 Deadline for issuance of Building Permits (Hard deadline)

September 29, 2015 Deadline for commencement of construction of all units

Analysis of RDCS System as a Constraint

The RDCS system is not a constraint to the production of new housing. The RDCS allocations, which average approximately 200 to 250 per year, are more than are necessary to meet the current RHNA (200 units x 8 years = 1,600 units; significantly more than the RHNA of 928 units). Moreover, the current population cap under the RDCS (which is expected to be increased as part of the Morgan Hill 2035 project currently underway) is 48,000 people in the year 2020. This would represent approximately 8,000 new residents above current 2013 levels. The 2014-2022 RHNA of 928 units would imply the need to accommodate 2,858 new residents at Morgan Hill's current household size of 3.08 persons per household, well below the capacity of 8,000 additional residents allowed under the RDCS.

In addition, the RDCS has allowed the City to provide housing that meets the needs of all income levels. The best indication that the RDCS is not a constraint is the numerous accomplishments highlighted throughout this Housing Element.

It is also important to review the RDCS on a regular basis based on changing needs or market conditions. The RDCS system gives the City some flexibility to ensure that new housing meets the needs of existing and future/prospective residents. The General Plan requires an annual review and adjustments of RDCS system. Copies of these reviews are available upon request. For example, because in recent years there was concern that market rate rental units were not able to compete effectively in the RDCS, the City created a multi-family rental category. This resulted in the first applications for rental housing in over a decade. Additionally, when it became clear that downtown development was difficult under the RDCS, the City pursued and achieved amendments to exempt 600 downtown units.

There are several other features of the RDCS system that help ensure that it is not a constraint. Allocations are approved several years in advance so developers have enough time to line up funding for their projects. They are also encouraged to start construction before the date of their allocation.

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Because of the flexibility built in to the process, developers have been able to work with the RDCS system and have not opposed it.

Another important way that the RDCS promotes housing is that it counteracts potential NIMBY concerns. Pre-RDCS, when growth rates were over ten percent per year, there was considerable opposition to new projects. With the RDCS, there is more widespread support for orderly growth. For example, at the recent hearings to adopt this Housing Element, the majority of speakers were in favor of affordable housing.

Timing

The RDCS increases the review time by adding a step to the process, but decreases the time by adding more certainty and less community opposition. In many Bay Area communities, the theoretical *best case scenario* approval process for new developments is very fast, but rarely achieved because of neighborhood opposition. The RDCS takes the opposite approach: having a more rigorous process that is slightly slower on paper, but in reality is faster because of fewer appeals, less lawsuits, less community opposition, and a more certain, transparent process. Before the RDCS was passed there were widespread battles about individual development proposals which could slow the development process by months or years, or even scuttle projects. This is currently the case in many communities in the Bay Area.

Currently in Morgan Hill, projects apply in October and the allocations are issued in February. Developers typically use this time to secure funding for their projects.

The RDCS likely affects small versus large projects differently. Large projects take more time to set up financing, get permits, and often have more community opposition. In this way, the four-month RDCS process is not likely much of a barrier and the lack of community opposition is likely a significant advantage. Small projects, for instance a two unit subdivision, are potentially more affected by the RDCS process because they might otherwise go through the approval process quickly. To help alleviate this concern, the RDCS has separate rules for micro projects (six or fewer units). Specifically, only nine of the 14 categories are used to evaluate a micro project. Projects are awarded automatic points in the other categories.

In summary, developments do not take longer to get built in Morgan Hill than in surrounding communities. The process moves quickly and predictably, and does not constitute a constraint.

Supply

Morgan Hill builds more housing than its RHNA requirement and more than many other communities. While the RDCS slowed growth from the extremes of the 1970s, Morgan Hill is growing faster than the county as a whole. From 2000 to 2013, the number of households in Morgan Hill grew 16.9 percent, while households in the county grew seven percent. While the RDCS moderates growth, it prevents a community backlash that might constrain supply. Furthermore, there are over 1,000 units from previous competitions that are eligible to be built at any time (see Appendix F for a full list). There are also 600 potential downtown units that are exempt from the RDCS. With RDCS allocations averaging around 225 per year, the RHNA minimums will easily be achieved. Specifically, the RDCS is expected to issue approximately 1,800 to 2,000 allocations in this housing element cycle, significantly more than the 928 units assigned in the current RHNA. This amount is pending an update of the population cap.

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TABLE E-1 RANGE OF ANTICIPATED ALLOCATIONS UNDER RDCS, 2014-2022

Estimate	Allocations per year	Total Allocations Over 8 Years
Below Current Average	175	1,400
Current Average	225	1,800
Above Current Average	250	2,000

While the RDCS does not unduly constrain the overall supply of housing, it can limit certain types of housing. For instance, market rate rental housing has had a hard time competing in the RDCS in recent years (combined with other issues like difficulty getting insurance). This problem was addressed by adding a multi-family rental category to recent competitions. In recent years, rental projects have been proposed only when there were separate rental competition categories. While there will always be some single-family homes for rent, the vast majority of rental units are multi-family developments, because management costs are much lower.

There is a potential that the RDCS could act as a constraint if market conditions change and the RDCS does not respond. For instance, as real estate prices decreased, it became difficult for builders to supply below market rate units, and the RDCS was amended. The mandated annual review (Action 1c-1) is the main program response to ensure that the RDCS does not become a constraint to new housing. Additionally, all the actions under Policy 1a – *Ensure that an adequate amount of land is available for new residential development* and 1c – *Encourage the allocation of the maximum possible number of housing units under RDCS allocations* – also ensure that supply is not constrained.

In summary, the new housing supply in Morgan Hill is healthy and the RDCS does not constitute a constraint. The programs in place ensure construction of enough housing and all types of housing.

Cost and Affordability

Since 2007, 198 affordable housing units have been produced, 5 of which have been affordable to extremely low income households, 89 of which have been affordable to very low income households, 74 affordable to low income, 26 to median income and 4 of which have been affordable to moderate income households.

The RDCS does not set a ceiling on affordable housing; rather it seeks to raise the floor. Twenty percent of allocations are reserved for the affordable housing competition, which proves a reliable source of new units. Additionally, affordable housing developments can enter all RDCS category competitions. Based on statistics summarized in the data section above, housing produced in the rental competition or potential downtown competitions will often be affordable.

Exemptions to the RDCS for downtown housing (and for second units) also contribute to affordability. Downtown has the highest densities and is the most likely place for developers to build housing that is affordable. In total, 600 units have been exempted from downtown, more than the equal to the extremely low, very low and low income targets for RHNA.

Morgan Hill surveyed developers to learn more about the costs associated with the RDCS. Developers reported cost figures between \$10,000 and \$45,000 depending on the housing type and size. (There can be

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an additional \$35,000 associated with impact fees, detailed elsewhere in the constraints section.) Housing downtown tends to be at the lower end of this figure because of exemptions and fee waivers. Two of the highest costs associated with the RDCS are with environmental building requirements (\$10,000-\$20,000) and affordable housing/below market rate housing requirements (\$30,000).

Certainty and Predictability

Morgan Hill works hard to ensure certainty and predictability in the RDCS/development process. The results are clear – well over 90 percent of projects that receive RDCS allocations are built. Morgan Hill also provides information and holds meetings to help developers throughout the process. Once developments receive their RDCS allocations, they receive a packet of information that helps them meet other deadlines for approval (see schedule above). Additionally, if one development is not meeting certain benchmarks, the RDCS allows allocations to be redistributed to other developments, ensuring that the adequate units are likely to get built regardless of the status of any particular development.

Summary

The RDCS is carefully constructed to promote the orderly development of new housing, meeting State law and local needs.

The City has instituted a number of programs to ensure that the RDCS does not constitute a constraint. These include:

- Having a specific housing element policy that calls for meeting the RHNA.
- Requiring an adequate amount of land to be zoned R-3 and R-4.
- Completing and now implementing the Downtown Specific Plan.
- Annually evaluating the RDCS and making changes as appropriate.
- Having numeric targets for multi-family and rental housing.
- Having annual objectives and allocations reserved for affordable housing under the RDCS.
- Offering RDCS points for BMR units.
- Approving as many housing units as permitted under the RDCS.

With these policies in place, we conclude that the RDCS is not a constraint to new housing. On the contrary, it helps Morgan Hill meet the letter and intent of State law, to provide new safe, housing for California residents of all income levels.

B. LAND USE CONTROLS, STANDARDS, FEES, AND INFRASTRUCTURE

Morgan Hill's residential development standards have not constrained housing development in the City nor have they been an obstacle to the development of affordable units. The ultimate proof of this is that Morgan Hill is one of the few communities to regularly meet its RHNA requirements. The densities of recent developments generally match the General Plan land use categories. The setback and height requirements relate well to the densities permitted and are typical of other jurisdictions. Lot size requirements also are reasonable. Morgan Hill has a variance procedure to ensure that nonconforming lots still have the opportunity to develop. Municipal Code Section 18.60 reads "The purpose of the variance is to allow variation from the strict application of the [the zoning code] where, by reason of the exceptional narrowness, shallowness, or unusual shape of a specific piece of property, or by reason of exceptional topographic conditions or other extraordinary situation or condition of such piece of property, or of the use or

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development of property immediately adjoining the piece of property in question, the literal enforcement of the requirements of this chapter would involve practical difficulties or would cause undue hardship.”

Historically, Morgan Hill has been a single-family home community. The basis of the community's identity has been low-density residential neighborhoods that maintain a semi-rural feel to the city. The preservation of hillside and other open spaces, and active agricultural lands has been integral to maintaining this community vision.

Residential uses are permitted in residential zones as shown in the table below. The largest change in recent years is the Downtown Specific Plan, which was adopted in 2009, and calls for 800-1200 units. The City has adopted single-family high designations for small lot single-family homes, a product that is expected to be affordable to moderate income households.

Architectural and Site Plan Review

The City has a Design Review Ordinance to regulate new construction within Morgan Hill. This Ordinance includes guidelines and standards for site planning, landscape and building design. A Design Review Handbook has been developed to provide clear, objective standards and graphically illustrate the concepts and standards of the Ordinance. The Ordinance requires an architectural and site plan review procedure for all residential developments (except custom homes or duplexes approved outside of the RDCS process).

Applications for RDCS approval are required to include conceptual site plans and architectural plans for the proposed projects. Those projects approved under the RDCS program must subsequently submit detailed plans for design review. This process evaluates proposed structures and site plans for their conformance with City codes and standards and consistency with the plans approved under the RDCS. Plans submitted for architectural and site plan review cannot vary substantially from the conceptual plans submitted for the RDCS process and approval of architectural and site plans also cannot vary substantially from the RDCS-approved plans.

Projects requiring architectural and site plan review submit an application and building plans to the Development Review Committee. Applicants meet with the City staff to review the plans, and if necessary, submit additional documentation or revisions. The City's Community Development Director is responsible for approval of these plans. Approvals must include findings that the projects conform to the provisions of the Design Review Ordinance and are consistent with other City ordinances. The architectural and site plan review process requires approximately ten weeks of review, possibly more if CEQA documentation is required. The Planning Division fee schedule sets architectural and site plan review fees at \$4,876. Minor changes are often required, but major changes are rarely required. According to the City of Morgan Hill, there have been few, if any, instances where a reduction in density was required unless the project exceeded the maximum density requirements of the Zoning Code.

Hillside Development and Open Space

Although few vacant parcels in the city are located in the hillside areas, development of these areas carries environmental and financial risks and constraints. Due to environmental constraints, particularly unstable soils and topography, development densities are limited to single-family homes on large lots. However, since there is little developable hillside land, hillside development regulations are not a significant constraint.

The City is dedicated to the preservation of its open space. Open space is a valuable resource as it discourages noncontiguous development patterns that result in sprawl and inefficient use of community

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service funds. Open space also maintains the natural character of the area so that urbanization does not uncontrollably expand and cities do not lose their natural resources. Open spaces are beneficial to the responsible growth of cities and offer many environmental, recreational, and psychological benefits to the community. Maintenance of open space is complementary to the goal of including higher density housing within the housing stock, since surrounding open space provides an aesthetic and recreational resource for multi-family housing residents who may have limited private outdoor space. The city's existing open space lands are diverse in scale, use, and level of improvement. The RDCS prohibits re-designation of open space lands through 2020, however a transfer of development rights program allows for development credits to be shifted to other properties.

Because most of the open space is in the hills or areas otherwise inappropriate for development, it does not constitute a constraint to new housing.

Hillside Combining District

The Hillside Combining District was established to provide orderly development of hillside areas that preserve significant environmental features. Although very few hillside parcels are appropriate for residential development, this district applies to all areas within the city limits containing an average slope of 10 percent or more. The Hillside Combining District acts as an overlay district, where lots are subject to the requirements established by their original zoning and also the requirements of the Hillside zoning. Construction is prohibited on areas with slopes in excess of 20 percent. Building densities in these areas decrease as the slope increases at a rate of "average slope times 2,000 equals minimum lot size." If the average slope of a parcel is over 50 percent, the minimum lot size is five acres. If a lot has a slope of 10 percent or less, one housing unit may be constructed per lot; however, no homes may be located on a ridgeline. Significant trees located within this district are to be protected. It should be noted that transferable residential development credits may be given for hillside areas in excess of 20 percent slope. The transfer rate equates to the number of acres divided by the minimum lot size, multiplied by two. These transfer credits can be used toward the development of a dwelling unit with a designated "recipient site" in a more appropriate location within the city.

Hillside Combining District regulations reflect the physical limitations of sites with steep slopes to accommodate development; thus, they do not constitute an undue constraint on housing production.

Geologic Combining District

Areas within the city that are subject to geologic hazards are designated within a Geologic Combining District, which places additional restrictions on development in order to protect residents and structures. Residential uses are not permitted on some hazardous soil types, and restrictions are more stringent for multi-family dwellings compared to single-family dwellings. Construction requires the issuance of a permit and a geotechnical report to ensure the safety of the structures to be built. The Geologic Combining District is only located within the hillside areas where very few additional housing units are zoned for development.

Geologic Combining District regulations ensure that homes are not built on sites where geologic instability would create unsafe living conditions; thus, they do not constitute an undue constraint on housing production.

Flood Damage Prevention

The Flood Damage Prevention zone places additional limits on development and construction standards to reduce flood damage to structures. Portions of the city subject to flooding, flood-related erosion hazards, and mudslides fall within these zoning limitations. All structures must be reviewed and obtain certification.

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Construction standards require anchoring, flood resistant materials and equipment, adequate drainage, proper elevation, and flood resistant utilities and other public facilities.

The Flood Damage Prevention zone ensures that homes are not built where property and residents would be subject to excessive flood hazards; thus, they do not constitute an undue constraint on housing development.

Seismic Combining District

This district establishes additional restrictions in order to protect structures from geologic hazards. Construction of any project across the trace of a known active fault is prohibited as well as a 50-foot area around the fault trace. If a project is located within this district, geologic studies are required prior to project approval.

The Seismic Combining District ensures that homes are not built in locations where seismic hazards would create excessive risk for homes or their occupants; thus, they do not create an undue constraint upon housing development.

Planned Development Overlay District (PD Zone)

The PD Zone is an overlay district that permits and encourages flexibility in site planning. It promotes the coordination of design and function of multiple adjacent properties, large single properties, or mixed use developments. It allows the construction and reservation of housing units for lower income or senior households, and regulates the conversion of mobile home parks to resident ownership parks or other uses. To achieve its purpose, it allows variations in permitted use, lot sizes, lot coverage, setback requirements, parking, building height, and density.

The additional flexibility in site planning and development that is possible within the PD Zone helps to facilitate, rather than constrain housing development.

Second Units

Some of the city's affordable housing needs can be met through the construction of second units, which are permitted in the Open Space and all residential zoning districts. Requirements for second units are as follows:

- Second units must be located on lots that meet or exceed the minimum parcel size for those zones.
- The design of second dwellings must conform to local codes as well as the design and scale of the existing dwelling and neighboring dwelling units.
- One second unit is permitted per each appropriately zoned parcel containing a single-family dwelling.
- Second dwelling units attached to the primary dwelling may not occupy more than 30 percent of the existing living area of the primary dwelling unit
- Maximum square footage varies by zone, ranging from 650 to 1,000 square feet.
- Second units may be either detached from, or attached to the primary dwelling unit on the property. A detached unit must conform to the building setback and lot coverage limitations contained in the applicable zoning district and shall be setback a minimum of six feet from the primary dwelling unit.
- No more than two bedrooms may be constructed in a second dwelling unit.
- There must be a minimum of one parking space per studio or one-bedroom second unit and two parking spaces per two-bedroom second unit. Parking spaces do not need to be covered.

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Since Morgan Hill's second unit permit requirements allow such units to be constructed in most of the city, property owners are more apt to use this housing option. In addition, Morgan Hill is proposing a number of policies to encourage new second units. The City believes this will produce 56 new units. With existing regulations, plus anticipated modifications, the City's second unit regulations strike an appropriate balance between encouraging construction of second units and limiting potential for adverse impacts on neighboring properties. This approach will help to limit potential for backlash against increased residential density and thus help to ensure that second unit regulations will be a tool available on an ongoing basis to facilitate development of more affordable housing units.

Homeless Facilities and Transitional Housing

The Morgan Hill Zoning Code was amended to allow emergency and transitional housing in the Public Facilities Zone, consistent with the 2007-2014 Housing Element and for religious institutions to be allowed to operate shelters as an ancillary part of their regular operations with no additional local permitting requirements (see details in Table E-2). See Appendix C for more information about available land in this zone. This amendment ensures that the City does not impose special requirements on transitional and supportive housing beyond the requirements imposed on non-transitional housing of the same size and type in the same zone. Institutional, religious, charitable, and public facilities are permitted by conditional use in RE (non-housing facilities), R-1 (non-housing facilities), R-2, R-3, and CO (non-residential social services). Depending on the operator and nature of the services provided, it is possible that a homeless or transitional housing facility could fall under the Zoning Code definition of institutional, religious, charitable, or public facility. Because in recent years the city did not have a significant internal homeless problem, there were few to no inquiries about operating a homeless shelter, supportive service facility, or transitional housing facility. The 2013 count found 61 homeless individuals, an increase from the 24 counted in 2007, but a decrease from the 211 counted at the height of the recession in 2009.

Residential Zoning Districts

There are seven residential use designations in the General Plan and a number of non-residential land uses that permit housing. They are described below and compared in Table E-1.

The first four designations allow single-family dwellings. The fifth through seventh designations allow single-family and multi-family dwellings. The City does not impose any special regulations on manufactured or group homes.

Residential Estate

The density allowed in the Residential Estate designation corresponds to the densities permitted in the OS and RE zones. The maximum density in this designation is one dwelling unit (DU) per acre, or minimum lot size of 40,000 square feet. The maximum intensity of building and impervious surface coverage is 30 percent of the site area.

Single-Family Low

Single-family Low corresponds to R-1-12,000 and R-1-20,000 zoning. The maximum density allowed in these areas is one to three DU per acre, or minimum lot size of 12,000 square feet. The maximum intensity of building and impervious surface coverage is 40 percent of the site area.

Single-Family Medium

Single-family Medium corresponds to the R-1-9,000 and R-1-7,000 zones. Development densities of three to six DU per acre are permitted in these areas, or minimum lot size of 7,000 square feet. The maximum intensity of building and impervious surface coverage is 50 percent of the site area.

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Single-Family High

Single-family High corresponds to the R-1 4,500 zone. Development densities of five to ten DU per acre are permitted in this zone, or a minimum lot size of 4,500 square feet. The maximum floor area ratio is 52 percent.

Stakeholder meetings with housing developers held in February 2013 as part of the Morgan Hill 2035 process identified a perceived need for additional small-lot single-family zoning. The R-1 4,500 district is intended for detached single-family homes on small lots and would allow up to 10 units per acre, but only about 15 acres are currently designated with this zone, and all parcels with this zoning designation have already received allocations, meaning that there is no vacant land available for future projects within the R-1 4,500.

Multi-Family Low

Multi-Family Low designation falls into the R-2-3,500 and R-2-3,000 zones. The density of this designation is five to 14 DU per acre, or minimum lot size of 6,000 square feet. The intensity of building coverage is 50 percent of the site area.

Multi-Family Medium

This designation corresponds to R-2-3,500 and R-2-3,000 zones. Densities within these sites are 14 to 21 DU per acre, or minimum lot size of 6,000 square feet. The maximum intensity of building coverage is 60 percent of the site area.

Multi-Family High

This designation corresponds to the R-4 High Density residential zoning district. The density of this designation is 21 to 40 DU per acre with a minimum lot size of 6,000 square feet. The maximum building coverage is 60 percent of the site area.

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TABLE E-1 RESIDENTIAL DEVELOPMENT STANDARDS

Zone District	Bldg. Height (ft.)	Minimum Yard Setback			Minimum Lot Area (sq. ft.)	Units per Acre
		Front	Side	Rear		
RE 40,000	30	25	20	25	40,000	1
RE 100,000	30	50	25	25	100,000	0.5
RE 10 (acres)	30	50	50	50	10 acres	.1
R-1 4,500	35	15	10 percent of lot width	15 1st story, 20 2nd story	4500	5-10
R-1 7,000	30	20 1st story, 25 2nd story	5 or 12.5 (based on build size)	20 1st story, 25 2nd story	7,000 (or 3,500 per unit for a corner duet)	6.2 (or 12.5 for duet)
R-1 9,000	30	20 1st story, 25 2nd story	5 or 12.5 (based on build size)	20 1st story, 25 2nd story	9,000 (or 4,200 per unit for a corner duet)	4.8 (or 10.9 for duet)
R-1 12,000	30	25	5 or 12.5 (based on build size)	25	12,000 (or 6,000 per unit for corner duets)	3.6 (7.3 for a duet)
R-1 20,000	30	25	15	25	20,000 (or 10,000 per unit for a corner duet)	2.2 (4.4 for duet)
R-2 3,000	30	20	5	15-20	6,000 (duplex lot) or 3,000 townhouse lot	14.52
R-2 3,500	30	20	5	15-20	7,000 (duplex lot) or 3,500 for a townhouse lot	12.5
R-3	30	15	5	20 1st story, 25 second story	2,000 per unit	21.78
R-4	48	15	5	15-20	1,100 per unit	39.6
CC-R	35 (45 roof element)	0 (25 without PUD)	0 (5 without PUD)	0 (25 without PUD)	6,000 (1 unit per 2178 sf)	20
CL-R	3 stories (35-45 feet with room element)	15	0	20 1st story, 25 second story	6,000 (1 unit per 2,400)	18.1

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TABLE E-2 HOUSING TYPES PERMITTED BY ZONING DISTRICTS

Residential Use	Open Space	RE 40,000/100,000	R-1 12,000/20,000	R-1 7,000/9,000	R-1 4,500	R-2 3,500/3,000	R3	R4	CC-R	CL-R
Single-family Detached	P	P	P	P	P	P up to 25%			P	
Single-family Attached			P up to 25%	P up to 25%	P up to 25%	P	P	P	P	P as mixed-use
Multi-Family			P up to 25%	P up to 25%	P up to 25%	P	P	P	P	P as mixed-use
Residential Care <6 persons	<i>Facilities with six or fewer residents are treated as a single-family use per State Law</i>									
Residential Care >6 persons					C	C	C	C	C	C
Emergency Shelter ¹										P
Single-Room Occupancy							P	P	P	P
Manufactured Homes		P	P	P	P	P	P	P		
Mobile Homes					C	C				
Farmworker Housing	C									
Transitional and Supportive Housing	<i>Supportive housing is allowed subject to the same restrictions that apply to other residential uses of the same type in the same zone.</i>									
Second units	P	P	P	P	P	P			P	

Notes: P=Permitted, CUP=Conditional Use

¹Emergency shelters are also permitted by right in the Public Facilities zone.

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Central Commercial Residential

The CC-R zone is for residential and mixed use in the downtown area. It allows up to 20 DU per acre, an increase that went into effect with the Downtown Specific Plan.

CL-R Light Commercial Residential

The light commercial-residential zoning classification is intended to focus service and office uses away from major intersections where the commercial designation encourages higher traffic generating retail use. It also accommodates mixed use development with residences above allowed uses to help create a neighborhood atmosphere. Retail sales are prohibited except as provided in the zoning ordinance. Mixed use residential development is allowed at a density of one dwelling per 2,400 gross square feet or greater. Maximum building coverage is 50 percent.

Public Facilities

The Public Facilities (PF) district is intended to accommodate governmental, public utility, educational and community service or recreational facilities. The PF district is intended to be applied to existing public facilities, as identified by the General Plan and other areas where deemed appropriate. This district will be modified and renamed to accommodate emergency shelters by right. The maximum building coverage is 50 percent and buildings may be three stories (35 feet).

Downtown

The Downtown Specific Plan resulted in changes to certain land use, parking and zoning regulations. The regulations and standards summarized below supersede those in the Morgan Hill Zoning Ordinance (Zoning Ordinance) for properties within the Specific Plan area boundary. Zoning districts in this area include:

- CBD Central Business District (no minimum, no maximum density)
- RE Residential Estate (0-1 du/c)
- R2 Downtown Medium-Density Residential (5-14 du/ac)
- D-R3 Downtown Medium-Density Residential (14-21 du/ac)
- D-R4 Downtown High-Density Residential (21-40 du/ac)
- D-PF Downtown Public Facilities PD Planned Development

Sites designated as CC-R, CO, or GC zoning districts shall use the standards provided in the Zoning Ordinance and Municipal Code. Table E-3 lists the uses permitted, conditionally permitted, allowed by a Downtown Administrative Use Permit, and not permitted uses for the above zoning districts (excluding Planned Development). Other Morgan Hill Zoning Ordinance and Municipal Code provisions, where not in conflict with the standards within this Specific Plan, continue to apply. Examples include, but are not limited to, Flood Damage Prevention Overlay District (Chapter 18.42), Design Permit (Chapter 18.74), Historic and Archaeological Resources (Chapter 18.75), Water-Conserving Landscape (Chapter 18.73), Significant Tree (Chapter 12.32), and Parking Ordinance (Chapter 18.50) provisions not in conflict with this Plan.

Downtown and the Residential Development Control System (RDSCS)

In 2009, Morgan Hill voters passed a ballot measure to exempt residential units from the RDSCS process and provide allocations for mixed use developments within the downtown area (Blocks 1-20). The ballot measure provided 500 allotments (100 more were approved in a later measure) which would be an average

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of 45 per year, for Downtown development, within the city’s existing 2020 population cap of 48,000. Development in downtown is permitted, if consistent with this Specific Plan, without needing to compete for RDCS allotments. Only a Site Review Permit and Building Permit are required for projects consistent with the development standards and design guidelines presented in Table E-5, with some uses also needing Conditional Use Permits. If a project proposes a change to these development standards, a Planned Development zoning designation is required, but the residential uses are exempt from the RDCS.

TABLE E-3 HOUSING TYPES PERMITTED BY ZONING DISTRICTS – DOWNTOWN

Use	CBD	GFO	D-PF	R2, D-R3,	
				D-R4	RE
Duplex, triplex	C	N	N	P	N
Congregate care for the elderly/assisted living facility (>6)	N	N	C	C	N
Live/work unit	P	C	N	N	N
Mixed use residential (residential use above some other use)	P	P	N	N	N
Multi-family dwelling	C	C	N	P	C
Nursing/convalescent care facility (>6)	N	N	C	C	N
Nursing/convalescent care facility (<6)	N	N	N	P	P
Single-family attached	C	N	N	P	P
Single-family detached	C	N	N	P	P

TABLE E-4 RESIDENTIAL DEVELOPMENT STANDARDS – DOWNTOWN

Zone District	Bldg Height (feet)	Residential Minimum Yard Setback			Minimum Lot Area (sq. ft.)	Units per Acre
		Front	Side	Rear		
CBD	2 story – 35, 3 story – 45 4 story - 55	6 (0 for mixed use)	5 (0 for mixed use)	10 (0 for mixed use)	3,500	No maximum
GFO	<i>Overlay district requires ground floor retail, restaurant, etc.</i>					
D-PF	45	Not specified	Not specified	Not specified	10 acres	.1
R2	30	20	5	15	3400 (1500 per dwelling unit)	5-14
R3	35	15	5	15	3200 (1200 per dwelling unit)	14-21
R4	45	Not specified	Not specified	Not specified	3000 (700 per dwelling unit)	21-40
RE	30	50	25	25	100,000	0-1

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Available Public Facilities, Services, and Infrastructure

As most of the city's residential developments are less than 30 years old, infrastructure, including sewers, storm drains, and water lines, are in good working condition. However, in 2013, the City completed a Safe and Sustainable Streets Study that identified a growing street maintenance deficit and the need for additional future investments in street maintenance in order to sustain current conditions.

Most of the city's vacant residential land is located on the valley floor. Due to the historic development pattern of the city, infrastructure and public services are generally available throughout this area. New development is required to provide roadway improvements and other infrastructure to serve its needs. In addition, new development is required to pay impact fees to offset the costs of new and expanded services. Many vacant and infill parcels are served by public transportation due to their proximity to existing bus routes.

There are no physical infrastructure limitations on the city's ability to accommodate affordable housing, nor are there infrastructure or public service constraints on remaining sites potentially suitable for affordable housing.

The city's water supply is provided entirely from local underground aquifers. The Santa Clara Valley Water District is responsible for recharging the aquifers from which the city receives its water. The District has advised the City that sufficient ground water is available to serve city growth through the year 2022.

Neighborhood Character

Morgan Hill encourages new development to be compatible with existing neighborhoods. When infill parcels allow density significantly higher than the surrounding neighborhood, the City encourages appropriate transitions, landscaping and other techniques to promote compatibility. The application of this policy has not been a constraint to new housing. On the contrary, it has assisted in the development of new housing because well designed developments are less likely to generate community opposition. For example, these principles were especially important in gaining community approval of the Downtown Specific Plan.

Building and Fire Codes

The City uses the following building codes:

- California Building Code, 2010
- California Plumbing Code, 2010
- California Mechanical Code, 2010
- California Electrical Code, 2010
- California Fire Code, 2010
- State of California Title 24 Building Energy Efficiency Standards, Current Edition
- State of California Title 24 Accessibility Standards, Current Edition

Fire sprinklers are required by the City in all residential structures within a fire hazard zone, in hillside areas and on the valley floor if the structure is larger than 4,500 square feet which increases the cost of housing construction. The City also requires Class A roofing for all new roofs in hillside areas. Class A is the highest standard for fire retardant roofing and is the most effective against severe fire exposure. Roofing materials that meet Class A requirements are also among the most expensive and can add significantly to the cost of an

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affordable housing development. However, this standard only applies to hillside areas, where limited new growth is anticipated. Other building code requirements limit the materials that may be used or the engineering and design of structures. Code violations may result in fines up to \$1,000, up to six months in jail, or a combination of the two. These standards strike a reasonable balance between safety in areas with high fire hazards and goals of housing production; thus, they are not an undue constraint.

In 2010 Morgan Hill adopted a Green Building code, requiring new construction to be Leadership in Energy and Environmental Design (LEED) Certified or obtain 70 Build It Green (BIG) points. Larger homes and renovations have separate standards. The new ordinance uses established standards (BIG and LEED) to minimize the burden on developers. There are also procedures for partial or total exemptions from the standards. Because of the flexibility involved in the rules and because most residential construction through the RDCS has long met these targets, Morgan Hill believes the sustainability rules do not constitute a constraint to new housing.

Code Enforcement

The city has an active code enforcement program, with one code enforcement officer. The city averages around 1,000 violations a year. The city's main code enforcement problems are illegal signage, failure to obtain building permits, and improper storage of vehicles, boats, and trailers. Other offenses include public nuisances, litter, illegal dumping, and other similar offenses. The City enforces only if complaints are received and/or if issues are spotted by City staff. Housing staff works closely with the Code Enforcement Officer to assist residential cases to help residents, especially low-income residents, resolve their issues.

Parking Requirements

Parking requirements have not been an impediment to housing development and are consistent with SB 1818. Single-family dwelling units currently require two covered spaces per dwelling unit with an additional guest space per four dwelling units. Single-family Senior Residential areas require two covered spaces per dwelling unit for 50 percent of the dwelling units, and one covered space per dwelling unit for the remaining 50 percent of the dwelling units, with one guest space per four dwelling units. Multi-family units require 1.5 spaces per studio, two spaces per two-bedroom unit, and 2.5 spaces per three-bedroom unit of which one covered space per dwelling unit is required and one guest parking space per three units is required. Multi-family senior units require one covered parking space per dwelling unit and one guest space per every five units. Parking in the CC-R zone must follow the number of parking spaces per dwelling unit type as described above.

Parking requirements are not considered excessive in comparison to those of similar communities. Because public transportation is limited in many neighborhoods in Morgan Hill, the City has found that most multi-family units use all the available parking, and in some cases additional street parking in the surrounding neighborhood. Additionally, parking requirements can be reduced through the minor exception process.

The City continues to look for opportunities where reduced parking requirements are appropriate.

Processing and Permit Procedures

The City's permitting procedures are not a barrier to housing development as requests for single-family homes and multi-family projects are processed within the time limits set forth by AB-884, California Environmental Quality Act (CEQA), and the Subdivision Map Act. Table E-5 shows typical approval times for common approvals or permits, and Table E-6 presents approval requirements. According to the Community Development Department, Planning Division, project approval takes between seven and 23

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months depending on the type of application. The basic process for most projects consists of submitting an application and any necessary environmental documentation, staff review, revisions, hearings, and appeals if needed. The review process is necessary for zoning amendments, General Plan amendments, annexations, variances, property subdivision, site plan review, and RDCS (Measure P) allotments. Site Plan reviews require the least amount of time for processing, which is about seven to ten weeks.

RDCS allotments may take between 12 and 23 months. The amount of time needed to process the applications increases with the amount of CEQA-required documentation prepared for the project, and may increase the review period six months or more depending on the level of documentation required. The RDCS allotment process is lengthy and rigorous; however, since the RDCS limits the number of homes that may be built, the length of the review process is not the primary constraint. In addition, the RDCS review process ensures that a percentage of the units constructed accommodate lower-income households, which helps provide a balanced housing market in the city. Under the RDCS, housing production under within the City exceeds the City’s RHNA while balancing other planning concerns; thus, the RDCS procedures are not creating an undue constraint on housing production.

TABLE E-5 APPROVAL TIMES

Type of Approval or Permit	Typical Processing Time
Ministerial Review	2 – 4 weeks
Conditional Use Permit	10 – 12 weeks
Zone Change	12 – 14 months
General Plan Amendment	6 months
Site Plan Review	10 weeks
Architectural/Design Review	10 weeks
Tract Maps	10 weeks (not including Final Map processing)
Parcel Maps	6 – 8 weeks
Initial Environmental Study	30 days
Environmental Impact Report	One year

Source: City of Morgan Hill.

TABLE E-6 APPROVAL REQUIREMENTS

	Single-family Unit	Subdivision	Multi-Family < 20 units	Multi-Family > 20 units
Typical Approval Requirements	Building Permit	RDCS building allotment	Same	Same
		Subdivision Map	Map required for condominium project	Same
		Design Permit	Same	Same
		Planned Development (PD)/Zone Change	PD zoning required for condominium project. Not required for apartments	Same

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		Development Agreement	Same	Same
		Building Permit	Same	Same
Est. Total Processing Time	4 – 6 weeks	10 – 12 months	Same	Same

Source: City of Morgan Hill.

Fees and Exactions

Direct development costs due to governmental processes include permit and application fees, park and recreation fees, improvement bonds, public works improvement fees, and environmental review fees as shown on Tables E-7 and E-8. The fees charged in Morgan Hill are comparable to the fees charged by other local governments; rates were established via a nexus study to cover the costs incurred by the City to process an application and impact fees reflect the cost of providing necessary public improvements to support new housing development. There are fees required by the Public Works Department based on the valuation of the home, number of units, square feet, etc. Fees are due at time of occupancy. For residential projects downtown, the City waives sewer impact fees. Fees per dwelling unit for services include:

TABLE E-7 CURRENT DEVELOPMENT FEES

Fee	Amount
Park Fee	\$4,987 (SF subdivision)
	\$3,626 (SF no subdivision)
	\$4,805 (MF subdivision)
	\$3,497 (MF no subdivision)
Traffic Impact Fee	\$1,704 (SF)
	\$1,193 (MF)
Library Impact Fee	\$1,831 (SF)
	\$1,764 (MF)
Police Impact Fee	\$711 (SF)
	\$687 (MF)
Fire Impact Fee	\$109 (SF)
	\$104 (MF)
Schools	\$3.36 per square foot
Water Impact Fee	\$3,361 (SF)
	\$3,032 (MF)
Sewer Impact Fee	\$13,153 (SF)
	\$11,132 (MF)
Storm Drain Impact Fee	\$3,568 (SF)
	\$1,856 (MF)
Community/Recreation Center Impact Fee	\$0
Public Facilities Impact Fee	\$475 (SF)
	\$457 (MF)

Source: City of Morgan Hill, July 2014

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TABLE E-8 PROJECT FEES THROUGH JUNE 30, 2015

Application Type	Fee
Annexation	
City Processing	\$ 6,530 plus additional fees collected by other agencies
LAFCO Processing	\$ 6,530 plus additional fees collected by other agencies
Appeals	
Planning Commission/Board Decision	\$ 4,017
Staff Decisions	\$ 3,544
Covenants, Conditions, & Restriction Review	\$ 2,142
Cultural Resources	
Designation	\$ 5,050
Demolition or Relocation	\$ 3,318
Alteration (Minor)	\$ 129
Alteration (Major)	\$ 649
Development Agreement Approval	\$ 4,720
(if filed concurrently with Tentative Subdivision or Parcel Map)	\$ 6,281
Development Approval Amendment Review	
Non-administrative	\$ 5,021
Administrative (deposit -time & material)	\$ 2,429
Environmental Review	
Environmental Impact Report	\$ 11,930 or 19% of the study cost (whichever is greater) plus actual cost and any State or County Fees
Expanded Initial Environmental Study	\$ 8,282 or 22% of the study costs (whichever is greater) plus actual cost and any State or County Fees
Initial Environmental Assessment (+ any State or County Fees)	\$ 1,110 plus any County and Department of Fish and Wildlife fees
Exception to Loss of Building Allocation	\$ 2,569
Extension of Time for Approvals	
Administrative	\$ 1,348
Non-Administrative	\$ 2,090
General Plan Amendment	\$ 10,723
Open Space in Lieu Fee (per 20 dwellings)	\$ 61,675
Out of Agency Contract for Services	\$ 6,846 plus LAFCO fees
Planned Unit Development (Conforming)	\$ 7,572
Planning Consultation	Hourly Rate (\$75 to \$125)
Residential Private Livestock Permit	\$ 491
Reversion to Acreage Processing	\$ 2,023
Residential Development Control System	

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TABLE E-8 PROJECT FEES THROUGH JUNE 30, 2015

Application Type	Fee
Preliminary Measure C Review	\$ 6,070
Final Measure C Review (Non-Micro)	\$ 22,448
Micro Measure C (Admin)	\$ 5,057
Micro Measure C (Non-Admin)	\$ 7,945
RDCS Appeal	\$ 4,250
RDCS Compliance Monitoring (Pre-Development Agreement 0 to 3 Years)	\$ 6,824
RDCS Compliance Monitoring (Each Year after 3 Years)	\$ 1,590
Sign Review	
Uniform Sign Program	\$ 2,295
Sign Permit	\$ 306
Sign Copy Change	\$ 122
Site and Architectural Review	
Architectural and Site Plan Review	\$ 4,876
Plan Detail Review	\$ 1,282
Preliminary Plan Review	\$ 4,610
Site Plan Review	\$ 3,567
Landscape Plan Review Only	\$ 3,516
Subdivision	
Tentative Parcel Map Review	\$ 2,924
Tentative Subdivision Map Review	\$ 4,848
Temporary Occupancy Permit	\$ 1,270
Tree Removal Permit	\$ 72
Transfer Development Credit Application Fee	\$ 5,680
Urban Service Area Amendment Review	
City Processing	\$ 8,288
LAFCO Processing	\$ 15,951 plus additional fees collected by other agencies
Use Permit	
Conditional Use Permit Review	\$ 5,458
Temporary Use Permit Review (Non-Profit) Tier 1	\$ 58
Temporary Use Permit Tier 2	\$ 1,830
Temporary Use Permit Amendment	\$ 574
Downtown Administrative Use Permit	\$ 613
Variance	\$ 4,701
Minor Exception	\$ 1,918
Williamson Act Cancellation	\$ 3,317
Zone Requests	

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TABLE E-8 PROJECT FEES THROUGH JUNE 30, 2015

Application Type	Fee
Planned Unit Development Review	\$ 11,431
Planned Unit Development hourly rate	\$ 3,299
Residential Planned Development Review	\$ 6,918
Residential Planned Development Review (if processed concurrently with SD)	\$ 1,709
Residential Planned Development Amendment	\$ 3,299
Zoning Amendment Review	\$ 5,260
Zoning Amendment Review (if processed concurrently with GPA or ANX)	\$ 1,597
Zoning Conformation Review	\$ 1,242
Zoning Text Amendment Review	\$ 6,700

In 2011, Morgan Hill calculated the fees for two hypothetical developments, one a single-family and one a multi-family development. Typically fees average ten to fifteen percent of the cost of new construction, but may be significantly less for larger custom built homes. The primary purpose of the development impact fee program is to ensure that new development pays the capital costs associated with growth. In essence, new development must pay its fair share of public facilities and capital improvements. In January 2012, the City reevaluated fees to recover more, especially from the Planning and Housing side. In July 2013 and 2014, the Council increased fees as part of its annual review.

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TABLE E-9 FEES PER UNIT

	Single Family Homes	Multi-family Homes
Entitlement Costs	\$930	\$465
Construction Fees	\$8,255	\$3,732
Impact Fees	\$29,899	\$23,851
Total	\$39,084	\$28,048

Notes: Single-family per unit cost based on hypothetical 50 unit development with houses ranging from 1,600 to 2,400sf; Multi-family per unit cost based on hypothetical 96 unit development in 16 buildings, units ranging from 1,250 to 1,750sf

To help offset the costs of impact fees, the City has taken the following actions to facilitate multi-family developments: 1) projects being developed on previously developed parcels are eligible to receive a credit of impact fees, based on the previous uses, which are applied toward any impact fees owed, 2) residential projects in the downtown core area do not have to pay any sewer impact fees; this development will be of a higher density and should result in the creation of more units affordable by design (i.e., townhomes, condos, apartments); and 3) for affordable housing projects, any gap financing the City may provide is based on total project costs which includes all impact fees.

On- and Off-Site Improvement Requirements

When new developments are constructed there is a need to improve the land upon which the development is located, or provide improvements in the general area to properly serve the development. These improvements vary depending on whether the development is located on raw land or an infill site. Typical raw land improvements include the installation of sewers, curbs, gutters, and streets. Standards for local residential streets vary depending on anticipated traffic volumes. Required rights of way may be either 48 or 52 feet with associated pavement widths of 36 and 40 feet respectively. Sidewalks are required on both sides of residential streets. The City has allowed relaxed improvement standards for private roadways. Many infill sites are already equipped with some if not most improvements, particularly streets. Therefore, there are usually no dedication or easement requirements on such sites. If dedication and/or improvement is required, it is limited to a maximum of 36 feet of dedication and 26 feet of improvement. Land improvements require fees, some of which are listed above. The cost of improvements depends upon the extent of improvements, the size of the project, and accessibility.

3. CONSTRAINTS FOR PERSONS WITH DISABILITIES

Morgan Hill has a number of regulations that help to ensure the needs of people with mobility impairments can be met. Section 18.56.060 of the Municipal Code allows projections into setback areas for access ramps and similar accommodations. These encroachments are approved by the Community Development Director as part of the building permit process with a finding that the projection will serve as a required means of access for the structure. No separate permitting process is required.

Section 18.56.150 of the Code allows for Minor Exceptions to setback, coverage and off-street parking standards in all zoning districts. The Exceptions are approved by the Community Development Director using a streamlined administrative process. The process requires notification of adjacent property owners and usually takes three weeks to complete. Approvals for Exceptions to setback and coverage standards require findings that the Exceptions would be in character with and would not unreasonably affect adjacent properties. Approvals for Exceptions to parking standards may reduce the required number of spaces by a

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maximum of 25 percent and require findings that the Exceptions would not result in traffic hazards or impact the parking needs of the use.

State and federal laws require ten percent of multi-family units to be handicapped-accessible or adaptable. These requirements are enforced through the City's Building Division as part of normal building code enforcement.

Morgan Hill provides for housing for persons with self-care limitations in a number of ways. Special Residential Care Facilities are allowed in all of the City's residential zoning districts. These facilities may accommodate as many as six unrelated persons with self-care limitations. Establishment of these facilities requires approval of a Zoning Permit by the Community Development Director. This administrative process normally requires approximately three weeks to complete. Approval of a Permit may be withheld if a proposed facility is within 300 feet of an existing similar facility. Facilities accommodating more than six persons are allowed in the R-3 residential district upon the granting of a Conditional Use Permit by the Planning Commission. The findings required for approval of these larger Facilities are the same as required for other conditional uses and address the suitability and adequacy of the site for the proposed use; impacts on traffic circulation, compatibility of design with adjacent uses, and conformity with hazardous materials requirements.

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APPENDIX F. AVAILABLE SITES INVENTORY

1. SUMMARY OF VACANT AVAILABLE RESIDENTIAL LAND

The following residentially-zoned sites have been identified by the City of Morgan Hill as vacant and unconstrained. The City began by identifying vacant sites within the City limits, and then removed sites that already have entitlements or have political or environmental issues that would constrain development. The sites used below to calculate Morgan Hill’s potential residential units are flat, have access to necessary infrastructure, and have no known environmental or other constraints that would reduce development potential. (However, all sites are subject to standard development processing requirement as described in the Constraints section.) More information, including a map more detailed than Figure F-1, is available by contacting the Morgan Hill Development Services Center.

Potential units were calculated by multiplying the acres by 0.8 to account for roads and other necessary improvements. Eighty percent is a standard calculation to go from gross density to net density. In fact, in this case it is conservative because many of these parcels will not need to set aside land for roads and other amenities, because these improvements are already present.

Once the acreage is multiplied by 0.8 to reach the useable area, it is then multiplied by the units permitted per acre per the General Plan, Zoning Ordinance, or General Plan Alternatives. In a few cases, the Zoning Ordinance is inconsistent with the existing General Plan. In such cases, the Zoning Ordinance was used. For the downtown parcels that are opportunity sites undergoing consideration as of February 2014 as alternatives in the Morgan Hill 2035 General Plan, the allowed density that was the lowest of the three alternatives was used. Sites with a Planned Unit Development overlay were assumed to allow density according to the base land use.

Sites under one acre were removed from the list, except in the case of parcels zoned for 20 or more dwelling units per acre that are adjacent to other vacant parcels. Sites that were calculated to provide less than one unit were removed from the list.

The remaining sites were separated into two categories, as shown in Table F-1 and Figure F-1:

- Sites zoned at 20 dwelling units per acre or more, which can produce units affordable to residents with low and very low incomes: Mixed Use (MU), Downtown Medium Density (D-R3), Mixed Use with Planned Development Overlay (PUD), and Central Business District (CBD).
- Sites zoned at under 20 dwelling units per acre, which can produce units affordable to residents with moderate and above incomes (all other residential zones).

TABLE F-1 TOTAL AVAILABLE, UNCONSTRAINED LAND ZONED FOR HOUSING

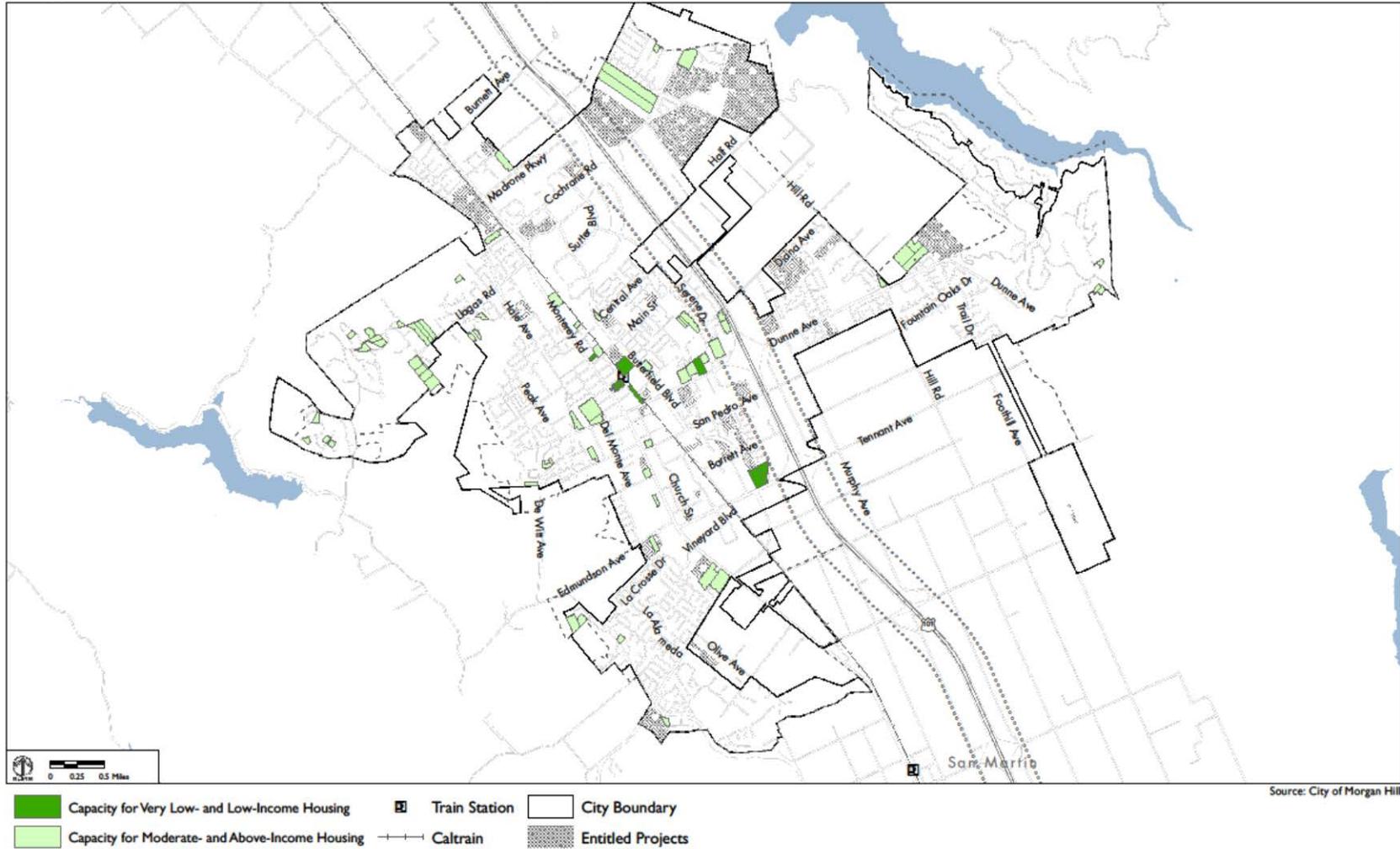
	Acres	Useable Acres	Potential Units
Low and Very-Low Income	29	23	468
Moderate Income and Above	229	183	910
<i>Total</i>	<i>258</i>	<i>206</i>	<i>1,378</i>

Source: City of Morgan Hill, 2013.

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FIGURE F-1 VACANT AVAILABLE RESIDENTIAL SITE INVENTORY

Morgan Hill Vacant Available Residential Site Inventory



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2. LIST OF VACANT AVAILABLE RESIDENTIAL PARCELS

TABLE F-2 INVENTORY OF VACANT, UNCONSTRAINED SITES ZONED FOR LOWER-INCOME HOUSING

APN	Acres	Useable Acres	General Plan	General Plan Density	Zoning	Zoning Density	Calculated Density	Total Units	Notes
72602012	4.7	3.8	MU	20	PUD	20	20	75	
72613032	0.4	0.3	MU	20	CBD	20	20	7	Adjacent to other vacant parcels
72613033	0.2	0.1	MU	20	CBD	20	20	3	Adjacent to other vacant parcels
72613034	0.1	0.1	MU	20	CBD	20	20	2	Adjacent to other vacant parcels
72613035	0.0	0.0	MU	20	CBD	20	20	1	Adjacent to other vacant parcels
72613038	0.1	0.1	MU	20	CBD	20	20	2	Adjacent to other vacant parcels
72613039	0.1	0.1	MU	20	CBD	20	20	2	Adjacent to other vacant parcels
72613042	0.2	0.2	MU	20	CBD	20	20	3	Adjacent to other vacant parcels
72613043	1.4	1.1	MU	20	CBD	20	20	23	
72613044	0.4	0.3	MU	20	CBD	20	20	6	Adjacent to other vacant parcels
72613049	2.2	1.7	MU	20	CBD	20	20	35	
72615071	6.2	4.9	MU	20	CBD	20	20	99	
72623008*	1.0	0.8	MU	20	CC-R	20	20	16	
81709036	5.3	4.2	MFM	21	R3	21	21	89	
81709053	6.3	5.0	MFM	21	R3	21	21	106	
Total	28.7	22.9						468	

* Site considered under the lowest density proposed General Plan alternative
Source: City of Morgan Hill, 2013.

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TABLE F-3 INVENTORY OF VACANT, UNCONSTRAINED SITES ZONED FOR MODERATE-INCOME AND ABOVE HOUSING

APN	Acres	Useable Acres	General Plan	General Plan Density	Zoning	Zoning Density	Calculated Density	Total Units	Notes
72601008	6.7	5.3	MFL	14	R2 3,500	12	12	64	
72602007	3.5	2.8	MFL	14	R2 3,500	12	12	34	
72602014	4.8	3.9	MFL	14	R2 3,500	12	12	46	
72602016	2.3	1.8	MFL	14	R2 3,000	15	15	28	
72607021*	2.8	2.2	SFL	3	R1 9,000	5	3	7	
72607089*	2.0	1.6	SFL	3	R1 9,000	5	3	5	
72609002	4.3	3.4	SFM	5	R1 7,000	6	6	21	
72609004	1.2	1.0	SFM	5	R1 7,000	6	6	6	
72609024	1.2	1.0	SFM	5	R1 7,000	6	6	6	
72612004	4.3	3.4	MFL	14	R2 3,500	12	12	41	
72623018*	2.5	2.0	SFH	10	CC-R	20	10	20	
72624019	1.1	0.9	NRC	0	CL-R	10	10	9	
72625004	4.3	3.5	NRC	0	CL-R	10	10	35	
72626005	1.3	1.0	MFL	14	R2 3,500	12	12	12	
72637008*	4.7	3.7	SFM	6	R1 20,000	2	6	22	
72802003	8.3	6.7	RE	1	RE 40,000	1	1	7	
72802004	3.8	3.0	RE	1	RE 40,000	1	1	3	
72802006	8.3	6.6	RE	1	RE 40,000	1	1	7	
72811026	1.6	1.3	SFM	5	R1 7,000	6	6	8	
72834004	8.8	7.0	SFL	3	R1 12,000	4	4	28	
72836012	19.9	15.9	SFM	5	R1 9,000	5	5	80	
72836013	20.1	16.1	SFM	5	R1 9,000	5	5	80	
72845043	1.0	0.8	SFL	3	R1 12,000	4	4	3	
72917008	1.1	0.9	SFL	3	RPD	3	3	3	
72917011	1.3	1.0	SFL	3	RPD	3	3	3	

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TABLE F-3 INVENTORY OF VACANT, UNCONSTRAINED SITES ZONED FOR MODERATE-INCOME AND ABOVE HOUSING

APN	Acres	Useable Acres	General Plan	General Plan Density	Zoning	Zoning Density	Calculated Density	Total Units	Notes
72918016	1.0	0.8	SFL	3	RPD	3	3	2	
76403003	1.1	0.9	RE	1	RE 40,000	1	1	1	
76403017	1.1	0.9	RE	1	RE 40,000	1	1	1	
76403023	1.3	1.0	RE	1	RE 40,000	1	1	1	
76403030	1.7	1.4	RE	1	RE 40,000	1	1	1	
76424013	3.1	2.5	SFM	5	R1 7,000	6	6	15	
76427019	1.1	0.9	SFM	5	RE 100,000	1	1	1	
76429037	4.8	3.8	RE	1	RE 40,000	1	1	4	
76429038	3.0	2.4	RE	1	RE 40,000	1	1	2	
76429039	3.8	3.0	RE	1	RE 40,000	1	1	3	
76430006	1.0	0.8	RE	1	RE 40,000	1	1	1	
76431035	1.0	0.8	SFL	3	RE 40,000	1	1	1	
76431037	1.2	0.9	RE	1	RE 40,000	1	1	1	
76432025	1.6	1.3	SFM	5	R1 9,000	5	5	6	
76445002	2.2	1.8	RE	1	RE 40,000	1	1	2	
76445007	2.3	1.8	RE	1	RE 40,000	1	1	2	
76445021	1.3	1.0	RE	1	RE 40,000	1	1	1	
76445030	2.3	1.9	RE	1	RE 40,000	1	1	2	
76445031	2.0	1.6	RE	1	RE 40,000	1	1	2	
76702013	2.0	1.6	SFM	5	R1 7,000	6	6	9	
76703001	10.0	8.0	RE	1	RE 100,000	1	1	8	
76703005	3.1	2.5	MFL	14	R2 3,500	12	12	30	
76703036	3.1	2.5	RE	1	RE 40,000	1	1	2	
76711030	2.7	2.2	MFL	14	R2 3,500	12	12	26	
76717047*	2.0	1.6	SFH	10	CL-R	10	10	16	

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TABLE F-3 INVENTORY OF VACANT, UNCONSTRAINED SITES ZONED FOR MODERATE-INCOME AND ABOVE HOUSING

APN	Acres	Useable Acres	General Plan	General Plan Density	Zoning	Zoning Density	Calculated Density	Total Units	Notes
76718046*	1.1	0.9	SFH	10	CL-R	10	10	9	
76721015	2.4	1.9	SFM	5	R1 9,000	5	5	9	
76723016*	8.0	6.4	SFH	10	R2 3,500	12	10	64	
76723030*	8.5	6.8	SFH	10	R2 3,500	12	10	68	
76731033	1.3	1.0	SFM	5	R1 7,000	6	6	6	
77308016	1.9	1.5	SFL	3	R1 12,000	4	4	6	
77322039	2.2	1.8	RE	1	RE 100,000	1	1	2	
77322043	4.7	3.8	RE	1	RE 100,000	1	1	4	
77332010	3.8	3.0	RE	1	RE 40,000	1	1	3	
77332011	2.9	2.3	RE	1	RE 40,000	1	1	2	
77332012	3.6	2.8	RE	1	RE 40,000	1	1	3	
77332013	4.6	3.7	RE	1	RE 40,000	1	1	4	
77902026	1.5	1.2	RE	1	RE 40,000	1	1	1	
81701001*	1.7	1.3	SFH	10	R2 3,500	12	10	13	
Total	228.9	183.1						910	

* Site considered under the lowest density proposed General Plan alternative
Source: City of Morgan Hill, 2013.

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APPENDIX G. OPPORTUNITIES FOR ENERGY CONSERVATION

Please see the Policies and Programs section for a complete list of energy conservation related actions that Morgan Hill will undertake during this Housing Element cycle.

1. STATE BUILDING CODE STANDARDS

The California Energy Commission was created in 1974 by the State Energy Resources Conservation and Development Act (Public Resources Code 25000 et seq.). Among the requirements of the new law was a directive for the Commission to adopt energy conservation standards for new construction. The first residential energy conservation standards were developed in the late 1970s (Title 24, Part 6 of the California Code of Regulations) and have been periodically revised and refined since that time.

2. RDCS ENERGY CONSERVATION

The RDCS point system provides developers with incentives to exceed Title 24 requirements for energy conservation. The RDCS point system allocates additional points to projects that use energy efficient building techniques, materials, and appliances so that buildings consume less energy than allowed by Title 24 standards. Points are given to projects that utilize EPA “Energy Star” windows, low-e coatings, vinyl or metal frames, high efficiency gas furnaces, dual zone high efficiency heating systems, high efficiency air conditioning units, roof mounted solar panels, or wind generators, if developers are able to show how energy savings will be achieved. In addition, projects receive additional points if they include innovative water conservation through building techniques, exceed current City and State standards, and use water-saving plumbing fixtures. Because the RDCS allocation is highly competitive, developers are given an incentive to include energy saving features to attain the highest number of RDCS points. Projects can achieve maximum points under the Quality of Construction category of the RDCS for a commitment to score 131 points or higher on the Build It Green (BIG) checklist.

3. GENERAL DESIGN STANDARDS

There are many opportunities for conserving energy in new and existing homes. New buildings, by design, can easily incorporate energy efficient techniques into the construction. It is important to consider the opportunity for energy savings in existing housing also. According to the U.S. Department of Energy, the concept of energy efficiency in buildings is the building envelope, which is everything that separates the interior of the building from the outdoor environment: the doors, windows, walls, foundation, roof, and insulation. All the components of the building envelope need to work together to keep a building warm in the winter and cool in the summer.

Constructing new homes with energy-conserving features, in addition to retrofitting existing structures, will result in a reduction in monthly utility costs. There are many ways to determine how energy efficient an existing building is and, if needed, what improvements can be made. PG&E offers free home energy audits and can specify areas for energy conservation. Examples of energy conservation opportunities include installation of insulation and/or storm windows and doors, use of natural gas instead of electricity,

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installation or retrofitting of more efficient appliances and mechanical or solar energy systems, and building design and orientation which incorporates energy conservation considerations.

Many modern building design methods are used to reduce residential energy consumption and are based on proven techniques. These methods can be categorized in three ways:

1. Building design that keeps natural heat in during the winter and keeps natural heat out during the summer. Such design reduces air conditioning and heating demands. Proven building techniques in this category include:
 - location of windows and openings in relation to the path of the sun to minimize solar gain in the summer and maximize solar gain in the winter;
 - use of "thermal mass," earthen materials such as stone, brick, concrete, and tiles that absorb heat during the day and release heat at night;
 - "burying" part of the home in a hillside or berm to reduce solar exposure or to insulate the home against extremes of temperature;
 - use of window coverings, insulation, and other materials to reduce heat exchange between the interior of a home and the exterior;
 - location of openings and the use of ventilating devices that take advantage of natural air flow (particularly cool evening breezes);
 - use of eaves and overhangs that block direct solar gain through window openings during the summer but allow solar gain during the winter; and
 - zone heating and cooling systems, which reduce heating and cooling in the unused areas of a home.
2. Building orientation that uses natural forces to maintain a comfortable interior temperature. Examples include:
 - north-south orientation of the long axis of a dwelling;
 - minimizing the southern and western exposure of exterior surfaces; and location of dwellings to take advantage of natural air circulation and evening breezes.
3. Use of landscaping features to moderate interior temperatures. Such techniques include:
 - use of deciduous shade trees and other plants to protect the home; use of natural or artificial flowing water; and
 - use of trees and hedges as windbreaks.
4. In addition to natural techniques, a number of modern methods of energy conservation have been developed or advanced during the present century. These include:
 - use of solar energy to heat water;
 - use of solar panels and other devices to generate electricity;
 - window glazing to repel summer heat and trap winter warmth;
 - weather-stripping and other insulation to reduce heat gain and loss;
 - use of natural gas for dryers, stovetops, and ranges;

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- use of energy efficient home appliances; and
- use of low-flow showerheads and faucet aerators to reduce hot water use.

The city's Mediterranean-like climate is typical of coastal northern California with year round mild temperatures, providing an opportunity to use solar energy techniques to generate electricity, heat water, and provide space heating during colder months. Natural space heating can be substantially increased through the proper location of windows and thermal mass. Use of solar panels can generate electricity on a sunny day. This can constitute more than enough power for daily residential operations and a special converter attached to the solar panels can take excess electricity and funnel it back into the PG&E grid.

There are local programs that assist low and moderate income households in retrofitting their homes. PG&E offers free weatherization to qualified residents, including free attic insulation, weather-stripping and caulking, water heater blankets and low flow showerheads. They also offer rebates on the purchase of certain energy efficient appliances and vouchers for replacing windows, furnaces and other household items. The Design Review Section 18.74.330 and 18.74.450 of the Morgan Hill Planning and Zoning Codes encourages energy conservation through building design, solar energy fixtures, and landscaping.

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APPENDIX H. RDCS DETAILS

1. NUMBER OF ALLOCATED AND UN-ALLOCATED UNITS AND BMRS 2006-2014

Project/Competition Type	Total Units (inc. affordable units)									Deed-Restricted BMR's			Other Affordable Units**		
	FY 2006- 07	FY 2007- 08	FY 2008- 09	FY 2009- 10	FY 2010- 11	FY 2011- 12	FY 2012- 13	FY 2013- 14	Total Units	Ext. Low	Very Low	Low	Median	Low	Moderate
Micro: (Exempt)															
Del Monte-Giovani (MMC-04-05)	6								6						
Ginger-Custom One (MMC-04-07)	5								5						
E. Dunne-Kruse (MMC-04-10)	3								3						
Taylor-Murray (MMC-04-09)			3						3						
Myrtle-Latala (MMC-07-03)				3					3						
McLaughlin-Malech (MMC-08-14)					4				4						
Small:															
Cochrane- Borello (MP-03-04)	7														
San Pedro-Alcini (MC-04-17)		4	8						12				1		
Wright-Dividend (MC-04-27)*	6	9							15			1			
W. Dunne-South Valley Dev (MC-08-24)					8	6			14			1			
Clayton-O'Brien (MC-08-13)					5	2			7						
Open Market:															
Tilton-Glenrock/Shea (MP-02-03)	20	15	15						50			2	2		
Peet-Lupine Investors (MC-02-12)	12								12						
Mission View-Miss. Ranch (MC-02-15)	12								12						
Diana-Chan (MC-04-04)		5	13	14					32			2	1		

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Project/Competition Type	Total Units (inc. affordable units)									Deed-Restricted BMR's			Other Affordable Units**		
	FY 2006- 07	FY 2007- 08	FY 2008- 09	FY 2009- 10	FY 2010- 11	FY 2011- 12	FY 2012- 13	FY 2013- 14	Total Units	Ext. Low	Very Low	Low	Median	Low	Moderate
E. Dunne - Dempsey/Delco (MC-04-12)*	13	5	8	14	15				55			2	0		
Barrett - Odishoo (MC-04-13)*	13	5	13						31			2	2		
Central - Hu (MC-04-14)*	19	5	15						39			1	2		
Church - Alcini (MC-04-15)	14								14				1		
Cochrane-Coyote Ranch (MP-02-14)	20								20			1	2		
E. Main Thrust (MC-04-19)*	13	5	8	8					34			2	1		
Barrett - Syncon Homes (MC-04-21)		13	5	14	15				47			3	2		
Jarvis - South Valley Dev (MC-04-22)*	36	13	15	14	9				87			4			
Peet - Lupine Investors (MC-04-25)*	18	6	12						36			2			
Mission View - Miss. Ranch (MC-04-26)*	18	15	15	15	15				78			4			
Diana-EAH (MC-05-08)				40					40						
E. Central-Sheng (MC-08-17)					17	15			32			3	1		
Peet-Borello (MC-08-16)					23				23			2			
Murphy-Pan Cal (MC-08-22)					24				24			2	1		
E. Dunne-South Valley Dev (MC-08-23)					18				18			2	1		
Unallocated						154	160	160				24	24		
Vertical Mixed Use: (Exempt)															
Monterey-Sherman House (MC-05-04)		7							7						
Depot-The Granary (MC-05-12)			12						12						
Monterey-Gunter (MC-05-03)		4	1	10					15						

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Project/Competition Type	Total Units (inc. affordable units)								Deed-Restricted BMR's				Other Affordable Units**		
	FY 2006- 07	FY 2007- 08	FY 2008- 09	FY 2009- 10	FY 2010- 11	FY 2011- 12	FY 2012- 13	FY 2013- 14	Total Units	Ext. Low	Very Low	Low	Median	Low	Moderate
Affordable:															
Jarvis-So County Housing (MC-05-02)		54	41						95			36	30		
Diana-EAH (MC-05-08)				40					40		40				
E. Central-Urban Housing (MC-05-09)			12	37					49	5	18	25		1	
Unallocated						44	40	40				47	46		
Downtown Open Market: (Exempt)															
Monterey-Alcini(MC-05-05)		30							30						3
E. Main-Ahlin (MC-05-06)		50	43	6					99					99	
E. Third-Glenrock (MC-05-11)			14	43					57					57	
Monterey-Sherman House (MF-07-01)				23					23					23	
Unallocated***						50	75	75						100	10
Multi-Family Rental:															
Monterey-Dynasty (MC-08-18)			68						68	1	5			62	
Total Allocated	235	245	321	281	153	23			1258	6	58	102	68	242	3
Total Un-allocated						248	275	275	798			71	46	100	10
Grand Total	235	245	321	281	153	271	275	275	2,056	6	58	173	114	342	13

* Projects eligible for BMR reduction program (calculated at 5% Low only, assuming projects will be underway by 9-30-10, thus eliminating 8% Median requirement)

** Includes non-deed restricted units in projects developing at 20+units/acre and non-restricted obligated median income units

*** Assumes 200 of 500 exempt units Downtown will be built by 2014 and 50% will be built at 20+units/acre

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2. ADDITIONAL RDCS INFORMATION

The City makes large amounts of material available to help the community and developers understand the RDCS system. Below is sample material, produced in July 2009.

A. RESIDENTIAL DEVELOPMENT CONTROL SYSTEM

Overview of the Residential Development Control System

The current version of the Residential Development Control System (RDCS) was enacted by the citizens of Morgan Hill in March 2004 to regulate the rate of growth of major residential development in the community. The Measure applies to all residential development in the City including mobile homes. The only exception is the construction of a single-family dwelling or one dwelling unit addition on parcels of record and construction of residential dwellings within a 20-block area in and near the downtown. The Downtown Area exemption was approved by the voters in May 2009.

A limited number of building allotments are available in any single year. To determine which projects receive allotments, projects are evaluated according to a series of standards and criteria contained within 14 separate categories. Points are assigned depending on how well a project does in a particular category. Generally, those projects that receive the highest points are awarded a building allotment.

Building Allocation Time Line

Building allocations are awarded for a given fiscal year. A property owner or developer must physically commence construction under the building allotment by end of that fiscal year. The filing date under the RDCS process has been established to provide sufficient lead-time to receive all necessary approvals, financing, etc., prior to the required issuance of building permits. Projects' receiving an allocation will be able to construct dwelling units during the City's 2011-12 fiscal year (July 1, 2011 through June 30, 2012). Building permits under the FY 2011-12 allotment can be issued any time prior to the start of the fiscal year of the building allotment provided that the dwelling units cannot be completed and occupied no early than July 1, 2011. See attached Early Start of Construction Policy.

To ensure that projects have the maximum time available for actual construction, a project tracking time line has been established to monitor the progress of a development through the approval process (see attached). This time line requires the property owner or developer to submit applications for various approvals by specific dates. The City is also required to take action on the various applications within the periods specified in the time line. Should a Project fail to comply with the time line, the City Council may choose to rescind all or part of the project's development allotment and award that allotment to the next development on the list that has qualified for such allotment. Projects that comply fully with the time line will have the full 12 months of the fiscal year of the award in which to commence construction on the homes within the development

A. Definition of Physical Commencement:

According to Section 18.78.125(G) of the Measure C Ordinance, "dwelling units allocated for one fiscal year and not physically commenced according to an approved development schedule by the end of that fiscal year, shall lose their allocation." A project shall be deemed to have physically commenced development upon issuance of a building permit and completion of the following improvements:

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Installation of on-site and off-site improvements including grading and certification of the building pad by the Building Division and completion of one or more of the following:

- a) Excavation of the footings and foundations for the dwelling unit
- b) Installation of water or sewer laterals to the relevant units

The above threshold must be achieved by June 29, 2012 to preserve the building allotment.

Number and Term of Building Allotments

On June 17, 2009, the City Council approved the Planning Commission's recommendation and authorized a one-year RDCS competition to be conducted in October 2009 to award 198 building allotments for Fiscal Year 2010/11. The following is the approved distribution by competition category:

<u>Competition Category</u>	<u>Allotment</u>
On-going Projects	48
Affordable Set-aside	30
Micro Projects	6
Small Projects	9
Multi-Family Rental	30
Open/Market	30
Senior Housing	30
Custom Lot Projects	5
<u>CC-R and CL-R Zoning Area Projects</u>	<u>10</u>
Total	198

Amendments to Residential Development Control System

The orientation meeting will include an overview of the major changes to the Residential Development Control System evaluation criteria.

Under the Schools category, greater emphasis is placed on establishing safe walking routes to schools. Two additional points will be awarded for off-site pedestrian safety improvements. To off-set this two point adjustment, the two point criterion for providing a community room for after school programs has been eliminated. The cost of providing a community room was a concern. Also, due to fiscal constraints and liability issues, the School District will not use such facilities for off-campus after school programs.

Under the Orderly and Contiguous category, the criterion for evaluating the quality of a project master plan was amended to specify what the plan must provide to achieve the maximum two points. Under the Parks and Paths category, greater emphasis is placed on providing public neighborhood parks.

Under the Quality of Construction category, the latest version of the Build it Green (BIG) checklist will be used as part of the subsequent entitlement process. Points under this criterion would be based solely on the scoring commitment on the BIG checklist. Applicant will still need to complete the version of the checklist using the link in the project narrative under the Quality of Construction category.

Amendments to Micro Project Scoring Procedures

Micro Project is a separate RDCS competition that applies to projects at build-out that consists of six or fewer dwelling units. To address ways to streamline the processing of micro projects to lower costs, the City

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Council approved changes to the initial scoring categories. Only nine of the 14 categories are used to evaluate a micro project. Projects are awarded automatic points in the other categories. The changes eliminated the need for staff to evaluate each project according to the remaining evaluation categories in the event of a tie score. When a tie occurs, the Planning Commission will rank each project to determine which project(s) are eligible to receive the building allotment.

For this year's competition, the schools category was added back as one of the nine evaluation categories and the Natural and Environmental category was removed as one of micro project competition scoring categories.

Project Submittal Requirements

A limited number of application packets have been prepared for the Orientation Meeting that lists the submittal requirements for all RDCS projects. The application submittal typically includes a site utilization plan, site development plan, preliminary architectural plans including building elevations showing all sides of one typical model and front elevations of other buildings, preliminary grading plan and a landscape plan. The project submittal also includes a project narrative, which contains the applicant's responses to the evaluation criteria. A copy of the RDCS application and project narrative questionnaire is available on CD or can be e-mailed to you upon request. A separate application packet is available for evaluation and scoring of Micro Projects.

Project Narrative

To assist City Staff and the Planning Commission in their review and evaluation of RDCS applications, a standard format for the RDCS Project Narrative has been prepared (see application packet). Each project shall provide three (3) full size (24" x 36") sets of plans and fourteen (14) reduced size (11" x 17") sets of plans to be included with the individual scoring categories as described in Section C of the Filing Requirements. All plans shall be stapled together along the left margin. Full size plan sets shall be folded into 1/8 sections or folded in such a manner that the size does not exceed 9" x 12" and the 11" x 17" sets shall be folded in half.

The format again this year's project is a series of Microsoft Excel Worksheets. Each of 14 evaluation categories is a separate worksheet and you navigate through the document using the tabs at the bottom of the view screen. You enter your written response in the left side column as in prior year competition; however unlike a Word document the space provided for your written response is a fixed size so it is important your responses be brief and concise. The Excel worksheet include build-in "write protected" formulas that will automatically total the point scores you enter at the bottom of each evaluation category and the grand total score sheet at the end of the narrative. If you need more space to provide a written response, you will need to attach the added text as an addendum to your narrative. We strongly recommend that you limit your written responses to the space provided in the project narrative questionnaire.

Project Narrative Requirements

Complete all sections of the Project Narrative Questionnaire – All information shall be completed including Housing Marketability and Price Distribution; and Schools and other Public Facilities. All areas must be completed. Missing sections could result in loss of points for that category. Provide the following Narrative information:

1. One CD containing:
 - An electronic file of the Project Narrative Questionnaire in Microsoft Excel format

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- An electronic file of all associated plans in a “.dwg” or “.dxf” format and in a “.pdf” format
 - Addendum (if provided) in Microsoft Word format
2. One bound copy of the completed Project Narrative Questionnaire.
 3. One un-bound copy of the completed Project Narrative Questionnaire
 4. One copy (8 ½ x 11 inch size) of each of the narrative’s 14 completed scoring categories. Each scoring category copy shall also include a copy of the following sections of the narrative questionnaire and should be assembled in the following order:
 - Narrative cover page
 - Project description
 - Price and marketing
 - BMR information
 - Part I scoring criteria
 - Individual scoring category
 - Any supporting documentation relevant to the individual scoring category (see filing requirements)

Application Filing Deadlines

All Residential Development Control System project applications must be filed with the Community Development Department on or before Thursday, October 1, 2009. In order to allow sufficient time to receive each application, the City will require applicants to make an appointment for the day and time an application is to be filed. The Community Development Department will accept appointments for RDCS submittal beginning September 14, 2009.

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3. SAMPLE QUARTERLY REPORT

The City closely monitors RDCS developments. There are both quarterly and annual reports that summarize the progress of developments and provide an opportunity to identify needed changes.

Below is a sample of a quarterly report.

DATE OF MOST RECENT ACTION/ENTITLEMENT

Project & File #	Allocation Date	# of Units	Permits Issued	Units Finaled	Date of Most Recent Action/Entitlement	Next Step/Deadline
Hill-Gera (MP-02-17)	3/22/04	6	6	4	1Q/09 Finaled 1 unit	Complete construction
TOTALS		6	6	4		

RDCS PROJECTS - FISCAL YEAR 2005-06 ALLOTMENT

Project & File #	Allocation Date	# of Units	Permits Issued	Units Finaled	Date of Most Recent Action/Entitlement	Next Step/Deadline
Barrett-Ditri (MP-02-20)	5/27/03	9	9	7	3Q/08 Finaled 1 units	Complete construction
Hill-Gera (MP-02-17)	4/13/04	3	3	0	3Q/06 pulled 3 permits	Complete construction
Native Dancer-Quail Meadows (MMP-03-01)	4/22/03	4	2	2	1Q/09 Finaled 1 unit	6/30/10 BPC submittal due
TOTALS		16	14	9		

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RDCS PROJECTS - FISCAL YEAR 2006-07 ALLOTMENT

Project & File #	Allocation Date	# of Units	Permits Issued	Units Finaled	Date of Most Recent Action/Entitlement	Next Step/Deadline
Tilton-Glenrock (MP-02-03)	5/27/03	20	0	0	1Q/09 DAA & DSA approved	BEHIND SCHEDULE 6/30/09 BPC submittal due; 10/30/09 obtain BP; 12/1/09 Commence Const.
Peet-Lupine Investors (MC-04-25)	3/1/05	18	4	0	3Q/09 4 permits issued; DAA submitted	11/30/09 Obtain remaining 14 BP; 12/30/09 commence const.
Wright-Dividend (MC-04-27)	3/1/05	6	0	0	4Q/08 FM approved	9/31/10 Obtain BP
E. Main-Thrust (MC-04-19)	3/1/05	13	0	0	1Q/09 DAA & DSA approved	3/30/10 Obtain BP
Jarvis-South Valley Developers (MC-04-22)	3/1/05	36	18	12	3Q/09 finaled 6 units; DAA submitted	12/31/09 commence const.
Church-Alcini (MC-04-15)	3/1/05	14	0	0	3Q/09 DAA & DSA approved	10/30/10 Obtain BP
Del Monte-Giovanni (MMC-04-05)	3/1/05	6	0	0	2Q/09 DAA & DSA approved	3/30/10 obtain BP; 6/30/10 commence construction
San Pedro-Ahmadi (MMC-04-06)	3/1/05	1	1	0	3Q/07-FM approved, pulled 1 permit	Complete construction
Ginger-Custom One (MMC-04-07)	3/1/05	5	0	0	3Q/09 DAA & DSA approved	6/30/10 obtain BP
E. Dunne-Kruse (MMC-04-10)	3/1/05	3	0	0	2Q/07-ELBA approved; 3-yr extension granted	BEHIND SCHEDULE 7/1/09 BPC submittal due; 6/30/10 commence const.
Depot-The Granary (MC-05-12)	2/14/06	6	0	0	2Q/09 ELBA approved	6/30/11 commence construction
Monterey-Gunter (MC-05-03)	2/14/06	4	0	0	2Q/09 DAA & DSA approved	4/30/10 FM submittal due; 6/30/10 BPC submittal due
TOTALS		132	23	12		

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RDCS PROJECTS - FISCAL YEAR 2007-08 ALLOTMENT

Project & File #	Allocation Date	# of Units	Permits Issued	Units Finaled	Date of Most Recent Action/Entitlement	Next Step/Deadline
Cory-Habitat for Humanity (MP-91-06)	3/24/92	6	0	0	3Q/09 Final Map approved	3/30/10 obtain BP
San Pedro-Alcini (MC-04-17)	3/1/05	4	0	0	1Q/09 DAA & DSA approved	10/31/09 FM submittal due; 12/31/09 BPC submittal due
Wright-Dividend (MC-04-27)	3/1/05	9	0	0	4Q/09 FM approved	9/30/10 obtain BP
Tilton-Glenrock (MP-02-03)	3/1/05	15	0	0	1Q/09 DSA & DAA approved	1/30/10 BPC submittal due
Barrett-Odishoo-MC-04-13)	3/1/05	5	0	0	4Q/09 DAA submitted	1/30/10 commence const.
E. Main-Thrust (MC-04-19)	3/1/05	5	0	0	1Q/09 DAA & DSA approved	9/30/10 obtain BP
Jarvis-South Valley Developers (MC-04-22)	3/1/05	13	0	0	3Q/09 DAA application submitted	4/30/10 obtain BP
Peet-Lupine Investors (MC-04-25)	3/1/05	6	0	0	3Q/09 DAA submitted	1/30/10 - FM submittal due
Mission View-Mission Ranch (MC-04-26)	3/1/05	17	0	0	3Q/09 DAA submitted	10/30/09 obtain BP
Barrett-Syncon (MC-04-21)	3/1/05	13	7	1	2Q/09 DSA approved	10/30/10 obtain 6 remaining permits
Diana-Chan (MC-04-04)	3/1/05	5	0	0	4Q/08 ZA, SD & DA approved	BEHIND SCHEDULE 4/30/09 SR application due; 10/31/09 FM due
Depot-Granary (MC-05-12)	2/14/06	6	0	0	2Q/09 ELBA approved	6/30/11 commence construction
Jarvis-South County Housing (MC-05-02)	2/14/06	54	54	34	3Q/09 finaled 5 units; DAA submitted	Complete Construction
Monterey-Alcini (MC-05-05)	2/14/06	27	0	0		10/31/09 FM submittal due
E. Main-Ahlin (MC-05-06)	2/14/06	50	14	0	3Q/09 14 permits issued	2/28/10 BPC submittal due (34 units), 2/28/11 BPC submittal due 2 units
TOTALS		235	75	35		

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RDCS PROJECTS - FISCAL YEAR 2008-09 ALLOTMENT

Project & File #	Allocation Date	# of Units	Permits Issued	Units Finaled	Date of Most Recent Action/Entitlement	Next Step/Deadline
San Pedro-Alcini (MP-04-17)	4/6/05	8	0	0	1Q/09 DAA & DSA approved	10/31/09 FM submittal due; 12/31/09 BPC due
Tilton-Glenrock (MP-02-03)	4/6/05	12	0	0	1Q/09 DAA & DSA approved	1/30/10 BPC submittal due
E. Dunne-Dempsey/Delco (MC-04-12)	4/6/05	7	0	0	4Q/07 Final Map Approved	2/28/10 BPC submittal due
Barrett-Odishoo-MC-04-13)	4/6/05	13	0	0	4Q/07 Final Map approved	4/30/10 obtain BP
E. Main-Thrust (MC-04-19)	4/6/05	8	0	0	2Q/07 DAA approved	4/30/10 FM submittal due
Jarvis-South Valley Developers (MC-04-22)	4/6/05	15	0	0	3Q/09 DAA application submitted	6/30/10 Obtain BP
Peet-Lupine Investors (MC-04-25)	4/6/05	12	0	0	3Q/09 DAA submitted	1/30/10 - FM submittal due
Mission View-Mission Ranch (MC-04-26)	4/6/05	18	0	0	4Q/09 DAA submitted	3/15/10 - FM submittal due
Barrett-Syncon (MC-04-21)	4/6/05	5	0	0	2Q/09 DSA & DAA approved	4/30/11 obtain BP
Diana-Chan (MC-04-04)	4/6/05	13	0	0	1Q/09 DA approved	10/31/09 FM submittal due
Ginger (Taylor)-Murray (MMC-04-09)	4/6/05	3	0	0	2Q/09 DAA & DSA approved	BEHIND SCHEDULE: 9/25/09 SR Approval due
Jarvis-South County Housing (MC-05-02)	2/14/06	41	24	0	3Q/09 DAA submitted	BEHIND SCHEDULE: 9/30/09 obtain 17 remaining BP; 4/30/10 commence const.
E. Central-Urban Housing (MC-05-09)	2/14/06	12	0	0	2Q/09 DSA and DAA approved	4/30/10 obtain BP
Diana-EAH (MC-05-08)	2/14/06	10	0	0	1Q/09 SR approved	BEHIND SCHEDULE 6/30/09 FM submittal due; 10/15/09 BPC submittal due
E. Main-Ahlin (MC-05-06)	2/14/06	43	0	0	2Q/09 DSA & DAA approved	2/28/11 BPC submittal due
E. Third-Glenrock (MC-05-11)	2/14/06	12	0	0	2Q/09 ELBA approved	6/30/11 commence construction
TOTALS		232	24	0		

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RDCS PROJECTS - FISCAL YEAR 2009-10 ALLOTMENT

Project & File #	Allocation Date	# of Units	Permits Issued	Units Finaled	Date of Most Recent Action/Entitlement	Next Step/Deadline
Monterey-Gunter (MC-05-03)	3/1/06	11	0	0	2Q/09 DSA & DAA approved	BEHIND SCHEDULE: 7/31/09 SD & ZA app's due
E. Central-Urban Housing (MC-05-09)	3/1/06	37	0	0	1Q/08 - DA approved	9/30/09 - FM submittal due
Diana-EAH (MC-05-08)	3/1/06	70	0	0	1Q/09 SR approved	BEHIND SCHEDULE 6/30/09 FM submittal due; 10/15/09 BPC submittal due
E. Main-Ahlin (MC-05-06)	3/1/06	6	0	0	2Q/09 DSA & DAA approved	1/30/11 FM submittal due; 2/28/11 BPC submittal due
E. Third-Glenrock (MC-05-11)	3/1/06	43	0	0	2Q/09 ELBA approved	6/30/11 commence construction
Diana-Chan (MC-04-04)	7/26/06	14	0	0	1Q/09 DA approved	10/31/10 FM submittal due
E. Dunne-Dempsey/Delco (MC-04-12)	7/26/06	7	0	0	3Q/08 Final Map approved	4/30/10 BPC submittal due
E. Main-Thrust (MC-04-19)	7/26/06	8	0	0	4Q/08 DSA and DAA submitted	4/30/10 FM submittal due
Barrett-Syncon Homes (MC-04-21)	7/26/06	14	0	0	2Q/09 DSA & DAA approved	1/30/11 FM submittal due
Jarvis-South Valley Developers (MC-04-22)	7/26/06	14	0	0	3Q/09 DAA submitted	1/31/11 obtain BP
Mission View-Mission Ranch (MC-04-26)	7/26/06	15	0	0	1Q/09 DAA & DSA approved	2/15/10 FM submittal due
Monterey-Sherman House (MC-05-04)	2/14/06	7	0	0	2Q/09 ELBA approved	9/2/10 SD, ZA & DA submittals due
Myrtle-Latala (MMC-07-03)	2/26/08	3	0	0	3Q/08 DSA & DAA approved	3/30/10 obtain BP
Monterey-Sherman House (MF-07-01)	2/26/08	23	0	0	1Q/08 - 23 allotments awarded	9/2/10 SD, ZA & DA submittals due
TOTALS		272	0	0		

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RDCS PROJECTS - FISCAL YEAR 2010-11 ALLOTMENT

Project & File #	Allocation Date	# of Units	Permits Issued	Units Finaled	Date of Most Recent Action/Entitlement	Next Step/Deadline
Monterey-Dynasty (MC-08-18)	2/24/09	68			3Q/09 SD, ZA and DA in process	SR and FM submittal due
W. Dunne-So. Valley Developers (MC-08-24)	2/24/09	8			1Q/09 allotments awarded	BEHIND SCHEDULE 9/1/09 SD, ZA and DA due (hard deadline)
Clayton-O'Brien (MC-08-13)	2/24/09	5			SD, DA and DS in process	SR and FM submittal due
E. Central-Sheng (MC-08-17)	2/24/09	17			3Q/09 SD, ZA and DA in process	SR and FM submittal due
Peet-Borello (MC-08-16)	2/24/09	23			3Q/09 SD, ZA and DA in process	SR and FM submittal due
Murphy-Pan Cal (MC-08-22)	2/24/09	24			3Q/09 SD, ZA, DA and SR in process	FM submittal due
E. Dunne-So. Valley Developers (MC-08-23)	2/24/09	18			1Q/09 allotments awarded	BEHIND SCHEDULE 9/1/09 SD, ZA and DA due (hard deadline)
E. Dunne-Dempsey (MC-04-12)	2/24/09	15			3Q/09 SD, ZA and DA in process	FM submittal due
Barrett-Syncon Homes (MC-04-21)	2/24/09	15			2Q/09 DA approved	1/30/11 FM submittal due
Jarvis-So. Valley Developers (MC-04-22)	2/24/09	9			3Q/09 DAA and DSA in process	BEHIND SCHEDULE 9/1/09 FM submittal due
MissionView-Mission Ranch (MC-04-26)	2/24/09	15			3Q/09 DAA in process	FM submittal due
McLaughlin-Malech (MMC-08-14)	2/24/09	4			2Q/09 DS approved; ZA, DA, SD, SR in process	4/30/10 SR approval due
TOTALS		221	0	0		

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RDCS PROJECTS - FISCAL YEAR 2011-12 ALLOTMENT

Project & File #	Allocation Date	# of Units	Permits Issued	Units Finaled	Date of Most Recent Action/Entitlement	Next Step/Deadline
W. Dunne-So Valley Dev (MC-08-24)		6	0	0	2Q/09 allotments awarded	9/1/10 SD, ZA and DA due (hard deadline)
Clayton-O'Brien		2	0	0	2Q/09 allotments awarded	9/1/10 SD, ZA and DA due (hard deadline)
E. Central-Sheng		15	0	0	3Q/09 SD, ZA and DA in process	9/1/10 SD, ZA and DA due (hard deadline)
TOTALS		23	0	0		

GRAND TOTALS FOR ALL RDCS PROJECTS (Through 2008-09)	1,137	142	60
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Note: For calendar year 2009 YTD (including non-RDCS projects), permits for 22 dwelling units (2 were fire rebuilds) and 1 secondary dwelling unit have been issued; 45 units have been finaled; and 1 unit has been demolished.

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4. RDCS ANNUAL REVIEW

Planning Commission role in the annual review and update of the RDCS standards and criteria. Section 18.78.188(C) of the Residential Development Control System (RDCS) Ordinance requires the Planning Commission to review the standards and criteria following each year's competition, and to decide whether any changes or amendments are necessary for the next competition. A Subcommittee of the Planning Commission is appointed to evaluate the proposed changes to be recommended to the City Council for adoption. The Subcommittee is comprised of three Planning Commissioners and a Working Group consisting of local home builder representatives, nonprofit housing agency representative and on occasion, a local school district representative. City Staff involved in the evaluation process are also consulted and provided input to the Subcommittee.

This subcommittee review allows the community to pro-actively respond to changing annual conditions in the local housing market and make refinements to the RDCS criteria to ensure that the existing and future housing needs of Morgan Hill can be met. Some examples of the subcommittee's past refinements to the RDCS criteria include:

- The creation of a "sliding scale" for sales prices for BMR units that reflects both the housing type (i.e. Condominium, Townhouse, Small Lot Single-Family, Large Lot Single-family) and affordability level (i.e. low, median, moderate) commitments voluntarily provided by developers in each competition.
- Refinement of the RDCS Parks and Paths criteria to reflect developers' experiences providing site amenities (e.g. allowing pools as wells as other alternatives)
- Refinement of the RDCS housing categories to encourage more Secondary Dwelling Unit production in new developments
- Inclusion of Build-It-Green (BIG) and sustainable development standards in the RDCS criteria as a Smart Growth Strategy to use less resources, minimize Global Warming impacts, and respond new State requirements (AB32 and SB375)
- Refinements to lot frontage dimensions to address developer concerns about inefficient subdivision layouts
- Refinements to the RDCS standards to encourage production of rental and senior housing

The following are changes to the RDCS adopted by the City Council based on Planning Commission's review completed in June 2010.

Amend RDCS Standards and Criteria to implement the following General Plan Housing Element policies:

Policy 1d-3: **Annual RDCS Objectives.** Establish annual objectives under the RDCS allocation process for affordable housing based on past production and future needs.

Annual report was prepared for the June 8, 2010 Planning Commission meeting that include annual sales price data (collected in March of each year), number of affordable housing units produced for the reporting period, and identifying shortfalls in the 20 percent affordable competition set-aside numbers that will need to be made up in future RDCS competitions. The report also measures the City's progress toward meeting our Housing Element Regional Housing Needs (RHNA) Allotment.

Policy 1d-7: **RDCS Refinement.** Consider developing varied RDCS standards for different types of developments.

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The subcommittee recommends allowing swimming pools as a recreational amenity item under Section 18.78.250B.2 of the scoring criteria as a 4 point item for projects of 50 or more units zoned R-1 4,500, R-2, R-3, or higher density development. For projects between 20 and 40 units, 3 points will be awarded for providing a Jacuzzi and separate child wading pool.

Policy 1g-2: **Housing Fees.** Allow small projects (fewer than 16 units) to voluntarily pay a housing fee when it is not feasible to provide affordable housing on site. Related item: Change “Standard Housing Mitigation Fee” under the Housing Needs section of the RDCS Standards and Criteria to “Housing Fee.” The fee is voluntary, the word “mitigation” suggest otherwise.

RDCS criteria already allows small projects, fewer than 16 units, to receive additional points for payment of double housing fees computed at ten percent of the total projects (6 points). See Section 18.78.260B. No change to the criterion is recommended.

Policy 1n-5: **RDCS Incentives for Secondary units.** Evaluate scoring criteria for the RDCS to identify greater incentives for secondary units.

Projects can receive 2 points under Section 18.78.260B.2 of the scoring criteria for a commitment to provide 15 percent of the total dwelling units as secondary (granny) units. It was the consensus of the subcommittee not to increase the point value for this commitment. Note: The criterion needs to be amended to make it clear that the secondary dwelling unit is not a buyer option and that the units must be completed with full kitchens, etc. See note added in attached ordinance.

Policy 1w-2: **Creative Approaches to Mixing Housing Types.** Revise the RDCS process to allow developers the flexibility to develop creative approaches for mixing various housing types and affordability levels within the boundaries of an entire development in order to achieve their voluntary below market rate (BMR) set-aside commitments.

The subcommittee agreed this policy can best be implemented by incorporating the new R-1 (4,500), Single-family High zoning into the Housing Needs and Lot Layout & Orientation categories. The R-1 (4,500) will not be adopted into the Zoning Code until processing of four General Plan Amendment applications and the required environmental Initial Studies have been completed. Therefore, the following changes are not recommended for approval at this time but will be incorporated into the RDCS evaluation criteria at the same time the R-1 (4,500) Chapter is adopted into the Zoning Code. The proposed amendments are in the underline text.

18.78.270 Housing Types

Section 18.78.270B1a is amended to include the following as a defined housing type:

- Single-family attached (includes one and two unit condominium buildings) or units on R-1 (4,500) lots.

Section 18.78.270B1b is amended to read as follows:

b. Over and above the BMR units committed in this section, the project provides an additional ten percent detached units in an R-2 project or an additional ten percent attached units or and additional ten percent R-1(4,500) lots in an R-1 project or an additional ten percent ownership (e.g., townhouse units) in an R-3 project (two points maximum)

Section 18.78.270B3d is added as follows:

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d. For R-1 (4,500) zone projects, the variation will be based on the number of bedrooms. A project which does not provide a variation in the number of bedrooms will receive one point. A project which provides a mix of units with two bedrooms and a den and three bedroom units will receive two points. A project which also provides four bedroom units or an additional five percent single-story units will receive four points.

18.78.290 Lot Layout and Orientation

Section 18.78.290B1a is amended to read as follows:

a. In context of overall project avoids excessively deep or narrow lots. The project also must provide side yards at least twenty percent in excess of the minimum required to avoid crowding and to enhance spatial relationships. For projects that are zoned R-1 (4,500) the project must provide one of the side yard setbacks at least 40 percent excess of the minimum setback for at least 40 percent of the depth of the unit.

Sections 18.78.290B3a and B3b are amended to read as follows:

a. A minimum five-foot front setback variation is provided between adjoining units for single-family dwellings and four-foot setback variation is provided between adjoining buildings for multi-family developments or a minimum four-foot setback variation is provided on one side between adjoining units in R-1 (4,500) zone projects.

b. A minimum five-foot rear yard setback variation for single-family dwellings and four-foot rear setback variation for multi-family dwellings is provided between adjoining units or a minimum four-foot rear yard variation is provided on one side between adjoining units in R-1 (4,500) zone projects.

Section 18.78.290B3d is amended to read follows:

d. Uses garage placement to provide lot variation. At least 25 percent of Units have side-loading, detached, rear garages, or two car garages with tandem parking space to accommodate a third vehicle inside the garage. (one point, when 25 percent of the units have garage orientation as stated above; two points when 50 percent of the units have garage orientation as stated above). Multi-family developments may satisfy this criterion by locating garages, carports, and parking spaces at the side or rear of buildings at locations not visible from the public right-of-way. Projects zoned R-1(4,500) may satisfy this criterion by when a minimum of 50 percent of the units provide a garage door that is recessed a minimum of two feet beyond the front building footprint. (up to two points)

Policy 1x-1: **Modification to Approved Projects.** Allow developers to propose changes to their approved but not built projects assuming that the modifications do not cause a net loss of RDCS points, promote affordability, and are in the best interest of the city.

It was the consensus of the subcommittee to allow modification to approved projects that generally maintain point scores within the existing evaluation categories but to allow exceptions on a case by case basis to make of the point loss in other evaluation categories. Point reductions within individual scoring categories will only be allowed upon findings by the Planning Commission that the integrity of scoring within the individual evaluation categories and that of the overall project scoring has been maintained.

This Housing Element policy will be implemented by adding the above text to the attached Planning Commission policy on the subject: “Changes to Approved Residential Development Control System Projects.”

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Changes Based on Market Condition

Based on authority delegated from the City Council pursuant to Section 18.78.030 9 (c), the Planning Commission annually may make changes in the RDCS allocation as it deems necessary to respond to changes in the housing market (i.e. change in the build-out rate for existing projects, lack of applications for a particular set-aside category, or increased demand for particular housing types, etc.). The distribution of allotment by housing type and number of dwelling units may be modified by the Planning Commission at the time of the award of the allotment based on demand for a particular unit type. For example, if multiple applications for affordable housing developments exceed the standard 20 percent allocation for any given completion, the Planning Commission has the ability to modify the distribution of all allotments based on the documented housing need in order to provide enough allocations to accommodate the affordable housing request received. This built-in flexibility in the RDCS implementation ensures that building allocations have a strong correlation to the housing needs of Morgan Hill and the ability to adapt over time based on market trends and changing community conditions.