

Advisory Committee Meeting #6

February 10, 2021

Summary Notes

Meeting Objectives

- Updates on project progress
- Learn about current setting, City housing programs, recent State laws, and best practices from other communities
- Discuss policy recommendations for affordable housing and anti-displacement

Attendees

Advisory Committee Members

- **Present (11):** Jane Barr, Gina Cole, Maria Elena De la Garza, Francisco (Paco) Estrada-Councilmember, Aurelio Gonzalez, Neva Hansen, Carmen Herrera Mansur, Ben Ow, Manuel Rodriguez, Shaz Roth, and Jenni Veitch-Olson
- **Absent (7):** Eduardo Cervantes, Felipe Hernandez, Sylvia Luna, Sal Orozco, William Ow, Brian Spector and Tony Scurich

City Staff

Suzi Merriam (CDD Director), Justin Meek (Principal Planner), Carlos Landaverry (Housing Manager Community Development), Sarah Wikle (Associate Planner), Elena Ortiz (Administrative Analyst) and, Angelica Jauregui (Interpreter)

Consultant Team

- Simran Malhotra and Jasmine Williams, Raimi + Associates
- Benjamin Sigman, EPS

Total Meeting Attendees

- 62

Introduction and Welcome

Simran Malhotra, Project Consultant, welcomed the Advisory Committee (AC) members and began by providing a brief overview of zoom tools such as mute/unmute, raise hand, and live Spanish interpretation features. She also mentioned that the meeting was being recorded and live streamed on Facebook in addition to sharing a contact email in case any attendees had technical issues during the meeting. Roll call was not taken on the call; however, the project team recorded meeting attendance. Simran introduced the consultant team and Suzi Merriam, City of Watsonville (City) Community Development Director, introduced City Staff who were in attendance. Suzi followed by discussing past AC efforts since the start of the project and mentioned that all AC meetings would be completed by June 2022. Suzi explained that the meeting's focus would be on the topic of housing and took some time to remind attendees of the plans vision themes and guiding principles before getting into any housing discussions. Suzi concluded her presentation setting ground rules for the Advisory Committee.

Simran followed with an overview of the meeting agenda, an overview of the Specific Plan process, and where the team is currently at in the project. She shared details of past planning and engagement efforts, recent and ongoing efforts (e.g., Big Ideas for Downtown, Character Areas, Public Realm Design Refinements, Caltrans Updates), and what efforts the consultant team intends to complete before the end of the project.

Housing In Watsonville

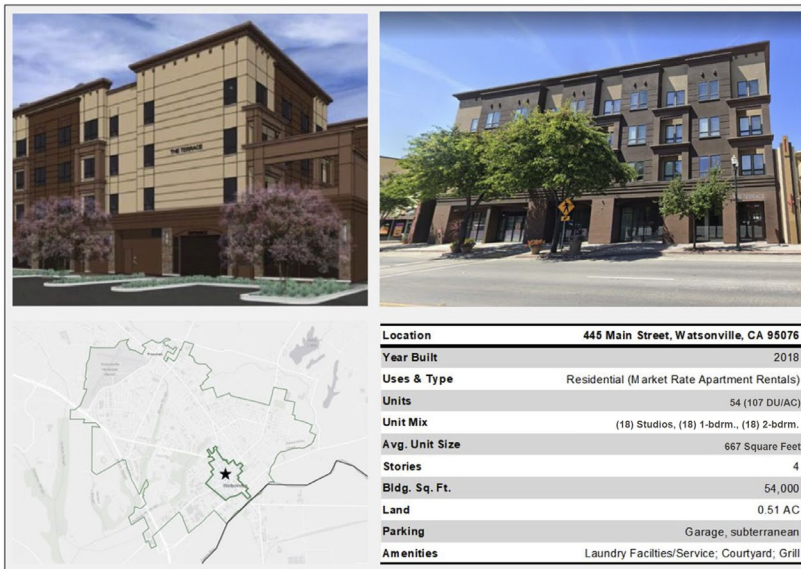
Benjamin Sigman kicked-off a three-part presentation segment intended to discuss housing in Watsonville, what has been heard from the community, and existing housing policies and programs. He also reminded attendees that the information presented was solely intended to set the stage for potential solutions that might be applicable to the Downtown Watsonville Specific Plan.

Where We Are:

Benjamin presented on background information and housing in Watsonville and set the stage with existing data about the city. The topics covered in this segment included:

- Downtown Watsonville's existing land use mix (retail, commercial, civic, religious, industrial, and residential uses)
- Population trends indicating that the growth rate has been slower than the County over the last decade and that in recent years there has been a further slowdown

- Housing needs (RHNA) vs. Housing production (issued building permits) in Watsonville
- Summary of multi-family rental trends
 - City-wide multi-family inventory 14% increase
 - Multi-family rents experienced a 42% increase in the last 22 years, but annualized are modest
- Multi-family vs. single-family housing stock
- An example project profile of recent development success (The Terrace at 445 Main Street)
- Affordable housing counts and units in the works



Following the contextual stage setting, Benjamin transitioned into a discussion about what the City has heard since the beginning of the DWSP planning process. He mentioned that these were the thoughts and opinions of the Watsonville community and that they required understanding to help frame the discussion clearly and honestly.

What We Heard:

Benjamin shared that the project team has been listening to the community throughout the planning process and that he would be reflecting what member of the community had shared about Watsonville. Benjamin broke down the community comments into two categories:

- Housing, Development & Redevelopment
 - Lack of housing
 - Affordability and diverse income groups

- Mixed-uses
- Reduced parking requirements
- Keep families in Watsonville
- Gentrification & Displacement
 - Keeping Watsonville unique and local
 - Focus on businesses and unused buildings
 - Avoid displacement
 - Preserve historic and cultural identities

City Policies & Programs:

The next part of the presentation was covered by the City's Housing Manager, Carlos Landaverry. Carlos began his presentation by explaining existing policies and programs that currently exist in the city to help expand affordable housing options in the city:

- Inclusionary Housing Ordinance, which requires a percentage of new housing units be affordable for very low to above moderate-income households
- In-lieu fees
- Incentives for 100% affordable projects
- First Time Home Buyers Program
- Down Payment Assistance Program
- Owner-Occupied and Rental Housing Rehabilitation
- Emergency Rental Assistance Program

Questions from AC Members & Public

Following Carlos' presentation, the following questions/comments were raised by AC members and the public.

- How does the City currently fund our affordable housing programs?
 - *Programs are funded through grants from the state and federal governments. The city also has a local housing fund that is funded through developer impact fees.*
- How much is it costing the City to administer some of the programs? And what are the numbers associated with these subsidies?
 - *The City combines funding sources to make purchases affordable to a local resident*

- *For every loan produced it needs to be serviced and units need to be monitored. The City manages marketing, outreach, looks for funding, applies for funding, reapplies, and reports annually and sometimes quarterly.*
- *The first-time homebuyer program has assisted with over 300 loans.*
- *The City of Watsonville housing division is a full-service division (all in house). The City manages resident eligibility, certifying, reporting, and grant applications. The City also gets residents prepared, by partnering with non-profits, and financial and legal counseling. On the development side, the City also collaborates with local developers to help build more housing in the city.*
- For housing developers that develop units for sale, when was the last time that a developer developed more than 50 units?
 - *Sunshine Gardens has (87) units, Hillcrest Estates has (144), and 221 Airport Blvd. has (48) for sale units.*
- What is the maximum income for family of 5? How do we help people afford to live here without losing population?
 - *The maximum income that a family of five can make is \$141,000, while; the median income is \$55,000; most families of 4 are considered low income.*
- Why is the City paying developers? Are these funds coming from taxpayers?
 - *What was referred to is the City funding that can go to 100% affordable developments - that is done by non-profits who develop most of the affordable housing in the state. Those projects are paid for by public HCD (State Housing and Community Development Dept) funds and tax credits primarily.*
 - *An example of a 100% affordable housing project that the City contributed funding to help with financing the development of project is the Miles Lane Project at 139 Miles Lane.*

New State Housing Legislation

The next part of the presentation was an overview of recent state housing legislation. Simran stated that the State of California has acknowledged the need for significant more housing, both market rate and affordable, and to make it happen, has passed numerous laws. In her presentation, Simran provided a high-level summary of the following laws encouraging housing production:

- State Density Bonus Law (SDBL)
- Recent SDBL Amendments (AB 2345)

- Housing Crisis Act (HCA-SB 330)
- Objective Design Standards (HCA-SB 330)
- Housing Accountability Act (HAA)

Simran explained that the production of housing alone is not enough to address state-wide housing concerns, she also outlined several laws focused on accelerating housing production such as:

- Affordable Housing Streamlining (SB 35)
 - In the chat, City staff Justin Meek provided an example of a project approved under SB 35 is a 100% affordable housing project by Eden Housing at 1482 Freedom Blvd.
- Duplexes/Lot Splits in Single Family Zones (SB 9)
- SB 478
- SB 791
- Extension of HCA (SB 8)
- Increased Density in Transit-Rich Areas (SB 10)

Similarly, Simran expressed the need for laws to intentionally focus on affordable housing. She briefly explained the following affordability related laws:

- AB 447
- AB 571
- AB 787
- AB 1043
- AB 1095
- SB 728

Simran's presentation continued to include details about state laws related to anti-displacement such as:

- Housing Crisis Act (HCA-SB 330)
- Tenant Protections (AB 1482)
- Tenant Protections (SB 329)

The last part of Simran's segment offered details about state laws related to the housing element, which is a required element of the City's General Plan and is expected to be updated in the next year or so, going into effect in 2023. The laws she covered included:

- AB 725
- No Net Loss (SB116/SB1333)
- AFFH (AB 1304)
- Rezoning (AB 1398)

Best Practices and Potential Policy Recommendations

The last part of the presentation was focused on policy examples from other communities and policy recommendations for consideration in Downtown Watsonville.

What Other Communities Are Doing?

Benjamin began this segment by sharing a foundational framework by which to understand affordable housing and anti-displacement policy. Benjamin explained that often, public policy strategies to address affordable housing needs and anti-displacement goals commonly are grouped into four categories:

- Housing Production – development of new housing
- Housing Preservation – reinvestment in existing housing
- Neighborhood Stabilization – tenant protections
- Household Assistance – financial support for renters and owners

To help clarify the components of each category, Benjamin also shared specific examples for production, preservation, stabilization, and assistance. He also linked back to Carlos' earlier presentation and mentioned that the City is already doing a lot under each of the four categories. Benjamin reiterated the fact that there isn't any other place like Watsonville and that nothing shared in this presentation is intended to turn Watsonville into a completely different place. He emphasized that these were simply successful examples and ideas to help inform possible solutions. Benjamin discussed locational examples that have been used at smaller scales (similar to the level of a Downtown Specific Plan). Benjamin shared ongoing/adopted examples of the following places:

- Livermore- Isabel Neighborhood (Adopted)
- Sacramento- Stockton Blvd. Plan (Ongoing)
- Berkeley- Adeline Corridor (Adopted)
- Oakland- Downtown Oakland Specific Plan (Ongoing)
- Fresno- Downtown Neighborhoods Plan (Adopted)

Potential Policies for the Downtown Watsonville Specific Plan:

Benjamin explained that some policy strategies are commonly implemented at city-wide and regional levels, while others can work well when tailored for implementation through a subarea plan:

- Housing Production – plan-level goals for new housing
- Housing Preservation – strategic protection of existing housing

Neighborhood stabilization and household assistance are more typically implemented at city and/or regional levels.

Benjamin explored each of the four types of strategies and provided potential strategies specific to the City of Watsonville and the downtown. He explained that housing production policies pursue an elevated goal for development of new below-market-rate housing in the downtown by encouraging 100% affordable housing project development. Options could include:

- Pursuing plan-wide affordable through existing inclusionary policy and development of all-affordable projects
- Encouraging 100% below-market-rate housing with City funding and collaborative, streamlined project processing
- Considering 100% below-market-rate housing on public sites
- Providing deferred low interest loans for selected development impact fees for 100% below-market-rate housing projects

Housing preservation policies could pursue reinvestment in existing affordable housing in the downtown by:

- Encouraging protection of existing affordable housing downtown (generally older housing stock)
- Partnering with non-profits to support acquisition and reinvestment in existing affordable housing downtown

Neighborhood stabilization and assistance efforts are best applied at a city-wide level, where the city can:

- Continue existing citywide housing programs
- Promote existing programs among downtown residents through outreach efforts and educational opportunities

Questions from AC Members & Public

Following Benjamin's presentation, Simran asked the group if they had any questions on the presentation materials. Four questions/comments were raised by AC members and the public.

- What is the City doing to preserve the senior citizen neighborhoods? How is senior neighborhood zoning enforced? Is it enforced by City, State, or both?

- *Existing senior neighborhoods have a special zoning designation, R-1P, and the age restriction of their homeowner's associations also keep the sales prices on the homes lower.*
- The City has not done a good job of revitalizing the downtown. Some of the initiatives that have been proposed have been ineffective. Some of the problems that need to be explored in the downtown is more mixed-use. Has the City looked at lifting height restrictions in the downtown corridor?
 - *Yes, that is a discussion that was had during past AC meetings.*
- Why are we putting so much emphasis on affordable housing when most of the housing in downtown is low income? Market rate is not here- we only have two buildings in the downtown, and a thriving downtown needs all kinds of income levels of housing. We should be discussing housing more broadly. We aren't displacing residents when we are giving space that was greatly needed. Also, why aren't we seeing examples from communities that look more like Watsonville (e.g., Gilroy, Hollister, or Salinas)
 - *The specific plan is looking to increase housing overall, many different types, not just affordable. The City's housing ordinance already has an affordability component which applies here.*
 - *The plan is looking to cast a broad net, specifically on affordable housing and anti-displacement*
- We haven't addressed or acknowledged that low-income housing is well represented in downtown.
- I have asked the City for numbers for market rate vs. low income. These number would be helpful in a conversation like tonight's.
 - *An assessment of the housing market prepared by EPS is available at: [https://www.cityofwatsonville.org/DocumentCenter/View/14027/DWSP-Market--Assessment-and-Demand-Analysis-July-2020](https://www.cityofwatsonville.org/DocumentCenter/View/14027/DWSP-Market-Assessment-and-Demand-Analysis-July-2020). (See the sections on household income and real estate conditions.)*
- It will be good to get a definition of the term "affordable housing"
 - *Affordable housing is generally defined as housing on which the occupant is paying no more than 30 percent of gross income for housing costs.*

Discussion

Following any questions, Simran opened the floor for discussion about the potential anti-displacement and housing solutions applicable to the downtown. The AC members and public used this time to

express their sentiments verbally or in the chat. The following summarizes the comments received during the meeting:

- What public land do we have downtown that could potentially be used?
 - *City Hall, and several parking lots.*
- What percentage of downtown use is currently housing?
 - *Multi- and single-family housing are about 20% of downtown currently.*
- A mix of affordable and market rate housing is needed to support business and have a sustainable, successful, and vibrant downtown. Let's also look at some cities that have comparable economic structures to Watsonville (e.g., downtown Salinas, Gilroy, and Hollister).
- If we want low-income housing, it's already set in place. For developers to invest and we want a mix, we need to have surety that the developer can get the project through and a plan that is favorable for developers (e.g., a clear path to travel to get a product). From there, you will get a true mix assuming the economic proforma makes sense.
- I appreciate the focus on displacement, as we plan for a mix, what will happen to families who are currently downtown, if it is true that most housing is low-income?
- Salinas has been thriving in large part because Taylor Farms is investing in Salinas. We are dependent on downtown being developed with a mix, but in the meantime, we shouldn't say no low-income housing just because it already exists downtown.
- I wonder if there has been a study of affordability for the community of Watsonville. We need to be building housing that is affordable for the current community. "Affordable" can be misleading or confusing and can put a stigma in the conversation.
- Now that remote work is becoming a common thing, are there new ideas on how to approach area median income with remote work in mind? This could distort the notion of affordable.
 - *Area median income is based on HUD and the state. It's depended on their location not where their jobs are.*
- You can have a person bringing in an income from elsewhere (e.g., Silicon Valley) and that disrupts the median income of the area. Affordable becomes less affordable.
 - *The city currently has its own income categories because it is so different from the county, however, cities can't restrict who comes in. The city needs to encourage more housing at all levels which is what others have said and what the Specific Plan seeks to do.*

- How do you fund the increased need? Transfer tax (e.g., Berkeley or San Francisco) are taking the highest values and putting a higher percentage tax on those and then putting that money into a fund. Essentially, taxing rich and subsidizing housing.
- Someone moving in who is higher income doesn't change the median income if the stats we heard earlier are true - that 73% of Watsonville are low-income on the county-wide scale. Since median is what half of people earn less than, what potentially makes a much bigger difference to median income is when lower income households are displaced/priced out. If that can be prevented, then median doesn't necessarily increase.
- Displacement isn't a future problem, it's happening now. We are avoiding things that are happening now. The new developments (e.g., Main St.) have affordable pricing but those prices are still through the roof. I know of many people being displaced (e.g., field workers). For example, many kids moved out because farm workers had to move to Los Banos. The community is young and wants to stay in Watsonville. What can we do to have them stay? Can we increase ordinance from 20%-25% affordability requirement?
 - *Other cities had inclusionary requirement set at 20%, but what they are doing is creating a higher percentage in the Specific Plan area. They are trying to make up the difference by bring more funding, partnering with developers, and utilizing public land.*
- Is Sunshine Gardens for sale and can the City do anything with it?
 - *Yes, it's on the market, but it's under active construction and the City doesn't build housing. We provide funds for others to do it, so we can't buy it.*
- The adaptive reuse ordinance had a lot to do with the work done in Salinas. Affordability levels matters as much as the percentages do. Sometimes, we set inclusionary ordinances outside of other rules, we must look at impact fees as well. This will help to understand what it truly takes to get to a higher percentage.
- We need to understand that any net new gain is taking the demand and softening it. What's most important to understand is that the cost of development is out of control. For affordable housing, developers often need to make at least a \$4.5-million-dollar investment. We need to be careful that we include housing for all kinds, all types of persons. When we have a mix of people in a building it's a blending and mixed community.
- Additional comments from AC members include: There is housing already there, we're talking about improving housing and changing the face of our downtown Main Street. The plan should help developers to build housing, focus on underutilized properties, and ensure that housing is distributed equally throughout the zone.
 - *The code will also help to increase affordable by design.*

- Great turn out and participation. All voices are important and thanks for giving the advisory community full opportunity to share what they have learned through the process.
- Thanks for the presentation and rich discussion. I appreciate the discussion about ways to mitigate displacement and echo the comment that this is what we heard from the community and that this is the reason we're having this specific meeting. Yes, we're talking about downtown tonight, but a lot of these ideas could be applicable elsewhere, there is opportunity to explore new and different ideas in other areas. I also appreciate the opportunity to hear ideas from other cities. Perhaps we should also think about what to do with the K-Mart area.
 - *The City will be updating housing element and we will have the opportunity to share ideas then.*

Public Comments

Members of the public were given the opportunity to share any additional thoughts or comments on the material presented thus far. Three community members provided public comment. These comments are summarized below:

- Please upgrade Rodriguez St. and Walker St. to be more pedestrian friendly for PVUSD students. Too many children and accidents have occurred at Walker St. and Second St. intersection.
- Please consider how this can help veterans.
- Loan fees for loans on second homes (Vacation home/Airbnb's are an additional cost that renters would need to make up).
- Displacement is happening, my mom has lived in city for 30 years and her new landlord raised the rent and we needed to move. Can we work with more non-profits or other types of developers? It is important to have a more mixed community. I think 25% is a good increase of percentage and increasing the height limits would encourage developers to build more. We should pull additional levers to bring more development downtown. I would also like to note that privilege allows people to forget that people are being displaced.
- Thank you for the format and addressing questions. With the mention of Salinas success, in future meetings we must acknowledge their thriving night life and how we don't have one in Watsonville.
- We may be focusing on the tip of an iceberg. We must look at business and economic opportunity. Other areas have shops, here we have empty shops and theaters. We should be

looking at opportunity, downtown should be an economic hub. Maybe we should call this a comprehensive plan not a specific plan.

- *The specific plan is intended to do what you just suggested. This is just a focused conversation about housing.*
- More housing can lead to robust economic opportunities. Residential is the highest and best use downtown. Also, if you understand the economics of a 5% affordable housing requirement increase, the financial cost is huge. It could be the difference between a project being build and not being built. Any type of new housing is a good thing.
- Greenway's Executive Director on the RTC made the move to take the mountain line from FF's. It was supposed to be decided in closed door session, you were never meant to know that FF's abilities would be reduced.
- Just one more example: In the downtown there is so much unused parking space in garages that new housing projects shouldn't have a minimum parking requirement, and that alone can subsidize more inclusionary housing.
- Yes, I do agree that businesses are important, I forgot to add this to my 2-minute comment, but how do we help local small businesses to come in like those shops and help people who are from here start a business? Us young people and everyone else really want places to have fun. We leave the area to go dancing or arcades or bowling.
- Thank you for the work. What have our neighbors done because they seem like they are thriving. What did they specifically do?
- Historically, when the city has faced displacement, churches got together to find housing and build housing. Mixed use is important. Right now, downtown is primarily commercial. Hansen took advantage of mixed-use (leverages commercial and introduced housing).
- Thank you all for your contributions.
- What about residents in Resetar and other low-income housing locations? Low income with limited physical abilities, senior, etc. How will new housing impact their lives as these changes of living wages move forward? What are we doing with Kmart? We need retail and living structures (Like the Terrace). I'm a limited age and disabled person and I can't afford anything at the Terrace. \$500 per month would take most of my income.
- Mixed-use is key to address the needs of our community. QSR, Entertainment, 2nd Floor Office and other mixed-use tenants. TOGO's is an excellent example of investment in the downtown. Greg Wimp should talk about the experience of opening a QSR in the downtown.
 - Good points! First, we need downtown to be an entertainment zone with mixed housing. If we have an existing underutilized property like a furniture building on Main

St. with zero housing, if we add a new mixed-use project 50 unit on that site and a development occurs on it an additional 15% low-income units get generated (about 7 - 8 units would be created for 55 years or more) at the developer's expense. To get a ratio of 25% low-income unit becomes ecumenically infeasible. All low-income projects would need government funding. Developers need surety in investing \$25-35 million per project into a single building in the downtown corridor.

- Sorry I'm not an economics major, but that's why I said let's explore working with more nonprofits and add other incentives so that 5% isn't such a huge problem. If other cities are doing it, I don't see why we can't get creative and explore other ways. But yes, for sure businesses with apartments built on top is what I want to see since from what I know about environmental issues, mixed-use is super important for encouraging walking and public transportation use.
- Is there already a plan for the ground level of the old Ford's department store building?
 - *A portion of it is dedicated to the Navigator School and part for retail.*

Wrap-up and Next Steps

Simran closed the meeting, offering next steps. She shared that the consultant team will be seeing the Advisory Committee more frequently as the project moves towards completion. Additionally, she mentioned that the consultant team would be providing more details about parking and mobility recommendations, and economic development recommendations. Last, Simran shared that a public release draft of the Specific Plan is expected by June 2022. The draft will come to the AC for their review first and then will be taken to City Council by the end of 2022. Following Simran, Suzi closed the meeting by thanking everyone for the civil discourse and sharing ideas, thoughts, and experiences, because it leads to a better planning process.

Meeting Adjourned at 8:00 pm

Relevant Meeting Links

Project Website:

- www.cityofwatsonville.org/1626/Downtown-Specific-Plan

Advisory Committee Meeting #6 Agenda:

- <https://www.cityofwatsonville.org/DocumentCenter/View/18009/DWSP-Advisory-Committee-Mtg-6-Agenda-2-10-22>

Advisory Committee Meeting #6 Full Presentation:

- <https://www.cityofwatsonville.org/DocumentCenter/View/18028/DWSP-AC-Mtg-6-Presentation-Slides-2-10-2022>

Advisory Committee Meeting #6 Recording:

- English <https://www.youtube.com/watch?v=6zH9Hgug97Y>
- Spanish/Español <https://www.youtube.com/watch?v=NIClgSVFVKU>

Market Assessment and Demand Analysis (July 2020):

- <https://www.cityofwatsonville.org/DocumentCenter/View/14027/DWSP-Market-Assessment-and-Demand-Analysis-July-2020>