

3.11 POPULATION AND HOUSING

This section provides information on the existing population, employment characteristics, and housing availability in the City and evaluates the potential effect of the proposed Project on these resources.

3.11.1 Environmental Setting

3.11.1.1 Population

A range of population forecasts for existing population levels and the rate and total amount of projected future growth within the City is available from different sources. As discussed below, there is some variation for both existing population levels and projected rates of growth between available sources.

Existing Population Characteristics

Total Population

San Luis Obispo is one of seven cities located within the County, and is the largest in terms of population. In 2018, the City had a population of 46,548 residents, comprising approximately 16 percent of the County's population of 280,101 (see Table 3.11-1; Department of Finance 2019).¹ Overall, the City has experienced an average annual increase in population of 0.3 percent since 1990. Comparatively, the County has experienced a 0.9 percent average annual increase since 1990.

Table 3.11-1. Population Growth between 1990 and 2019

Population	1990	2000	2010	2019
City of San Luis Obispo	41,958	44,148	45,119	46,548
Average Annual Growth (%)	--	0.5	0.2	0.3
County of San Luis Obispo	217,162	246,681	269,637	280,101
Average Annual Growth (%)	--	1.4	0.9	0.3

Source: Department of Finance 2019; City of San Luis Obispo 2015a.

Age Distribution

According to the City's General Plan HE, the City has substantially lower percentages of children/teens aged 1-17 and adults in the primary childbearing years of 25-44 (33 percent)

¹ The California Department of Finance provides population estimates for the City and County. The Department of Finance provides population counts every year, exclusive of residents on federal military installations and group quarters residents in state mental institutes, state and federal correctional institutions, and veteran homes. The most recent annual population data was published in May 2019.

compared to the County (42 percent) and the state (42 percent). Due to the concentration of students attending Cuesta College and California Polytechnic State University – San Luis Obispo (Cal Poly), young adults aged 18-24 are by far the largest age group in the City (35 percent) and greatly exceed the County (15 percent) and the state (11 percent). The City has a slightly higher proportion of senior citizens older than 65 years (12 percent) compared to the state (11 percent). (City of San Luis Obispo 2015).

Population Projections

San Luis Obispo Council of Governments

Based on the 2050 Regional Growth Forecast, SLOCOG projects a continuation of the low to moderate growth rates experienced by the City since 2010, with a medium growth rate of 0.46 percent annual growth projected to 2050.² According to SLOCOG’s medium growth population projections, the City would experience a population increase of 1,264 residents between 2015 and 2020, and the addition of 1,387 new residents between 2020 and 2025. Between 2015 and 2050, the total populations for the City and the County are projected to increase by 5,722 residents and 44,107 residents, respectively (Table 3.11-2).

Table 3.11-2. SLOCOG Medium Growth Population Projections

Population	2015	2020	2025	2040	2050
City	45,950	47,214	48,601	51,105	51,672
County	276,375	286,657	297,095	315,922	320,482
Increase in City Population (% Annual Growth)		1,264 (0.5%)	1,387 (0.6%)	2,504 (0.3%)	567 (0.1%)
Increase in County Population (% Annual Growth)		10,282 (0.7%)	10,438 (0.7%)	18,857 (0.4%)	4,560 (0.1%)

Source: SLOCOG 2017. Figure 116.

City of San Luis Obispo

According to the General Plan HE, between 1990 and 2000, the City’s population grew 0.5 percent annually, and between 2005 and 2019, the City’s population grew by 2,140

² As part of its long-range planning efforts, SLOCOG develops socioeconomic estimates and growth projections including population, households, and employment for cities in the County of San Luis Obispo through enhanced forecasting methods and interactive public outreach. These estimates and projections provide the foundation for SLOCOG’s transportation planning and other programs at the regional and small geographic area level, including the Regional Housing Needs Assessment (RHNA). The most recent projections were released in the agency’s 2050 Regional Growth Forecast. These growth forecasts are based on 2010 U.S. Census Bureau data.

persons, a total increase of 4.8 percent, or annual increase of 0.3 percent (Table 3.11-3; City of San Luis Obispo 2015; California Department of Finance 2019).

Table 3.11-3. Population Growth, 2005-2019, San Luis Obispo City, County, and State of California

	<u>City</u>		<u>County</u>		<u>California</u>	
	Population	Rate of Change (%)	Population	Rate of Change (%)	Population	Rate of Change (%)
2005	44,662	-	261,558	-	35,278,768	-
2006	44,522	-0.31	263,727	0.83	36,457,549	3.34
2007	44,389	-0.3	265,786	0.78	36,553,215	0.26
2008	44,521	0.3	268,290	0.94	36,756,666	0.56
2009	44,750	0.51	270,429	0.8	36,961,664	0.56
2010	45,119	0.82	269,637	-0.29	37,253,956	0.79
2011	45,269	0.33	271,969	0.86	37,691,912	1.18
2012	45,312	0.1	271,502	-0.17	37,668,804	-0.06
2013	45,541	0.51	272,177	0.25	37,966,471	0.79
2014	45,950	0.90	276,248	1.50	38,662,601	1.83
2015	46,331	0.83	277,219	0.35	38,952,462	0.75
2016	46,363	0.07	278,405	0.43	39,214,803	0.67
2017	46,705	0.74	279,538	0.41	39,504,609	0.74
2018	46,741	0.08	280,048	0.18	39,740,508	0.60
2019	46,802	0.13	280,393	0.12	39,927,315	0.47

Source: City of San Luis Obispo 2015; California Department of Finance 2019.
 Note: The adopted General Plan HE applies to the 2014 to 2019 RHNA cycle and, accordingly, only includes population data through 2013.

The General Plan LUE includes land use designations, policies, and projected levels of development that would accommodate an anticipated maximum City population of 57,200 (with an estimated population of 56,686 in 2035).

3.11.1.2 Employment

As of 2017, there were an estimated 24,213 jobs in the City (U.S. Census Bureau 2017).³ Of these jobs, educational services, and health care and social assistance sectors accounted for 26.8 percent of the jobs. Retail trade jobs comprised 12.6 percent of jobs, and arts, entertainment, recreation, and accommodation, and food services sectors made up 17.7 percent of the total jobs. Top employers within the City include the French Hospital Medical Center, the County, the City, Sierra Vista Regional Medical Center, and Pacific

³ The number of jobs refers to the number of employed persons over the age of 16 within the City.

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Gas and Electric Company (San Luis Obispo Chamber of Commerce 2018). Comparatively, total jobs within San Luis Obispo County was estimated at 129,280 in 2017 and 23.6 percent of County employment was provided by educational services, health care, and social assistance sectors (Table 3.11-4). Based on these estimates, in 2017, the City’s jobs constituted roughly 18.7 percent of the County’s total employment (U.S. Census Bureau 2017). Some of the County’s largest employers are situated in areas immediately outside the City, including Cal Poly, Cuesta College, and the California Men’s Colony (San Luis Obispo Chamber of Commerce 2018).

Table 3.11-4. Division of Labor by Industry within the City and County (2017)

Industry	City		County	
	Number of Jobs	Percent (%)	Number of Jobs	Percent (%)
Agriculture, forestry, fishing and hunting, and mining	269	1.11%	4,480	3.47%
Construction	886	3.66%	10,235	7.92%
Manufacturing	1,585	6.55%	8,841	6.84%
Wholesale trade	509	2.10%	2,820	2.18%
Retail trade	3,044	12.57%	14,851	11.49%
Transportation and warehousing, and utilities	731	3.02%	5,845	4.52%
Information	457	1.89%	2,012	1.56%
Finance and insurance, and real estate and rental and leasing	846	3.49%	5,845	4.52%
Professional, scientific, and management, and administrative and waste management services	2,879	11.89%	13,821	10.69%
Educational services, and health care and social assistance	6,486	26.79%	30,501	23.59%
Arts, entertainment, and recreation, and accommodation, and food services	4,292	17.73%	16,229	12.55%
Other services, except public administration	1,281	5.29%	6,676	5.16%
Public administration	948	3.92%	7,124	5.51%
Total	24,213	100.00%	129,280	100.00%

Source: U.S. Census Bureau 2017.

As of July 2018, the City’s total labor force is estimated at 25,900, of which 25,200 were employed, resulting in an unemployment rate of 2.7 percent (California Employment Development Department 2018a). The annual average unemployment rate in the City was 3.2 percent in 2017 (California Employment Development Department 2018b). These rates are low in comparison to rates from the past decade, which included the effects of the

national economic recession from 2008 to 2013. The unemployment rate in the City reached up to 10.9 percent in 2010 (Table 3.11-5).⁴ Subsequently, the City has seen a steady decrease in annual unemployment rates since the height of the recession.⁵ In July 2018, the County’s unemployment rate was 3.1 percent, but during the peak of the recession in 2010, unemployment levels in the County were approximately 10.1 percent and have been historically 2 percent lower than the state’s levels, which was 12.2 percent in 2010 (California Employment Development Department 2018a).

Table 3.11-5. City of San Luis Obispo Labor Force and Unemployment 2000-2017

Year	Employed	Unemployed	Total	Unemployment Rate (%)
2000	23,500	1,100	24,600	4.5
2001	24,200	1,100	25,300	4.4
2002	24,600	1,300	25,900	5.2
2003	24,500	1,300	25,800	5.2
2004	24,900	1,300	26,200	5.1
2005	25,400	1,300	26,700	4.7
2006	25,800	1,200	27,000	4.4
2007	26,200	1,300	27,500	4.7
2008	25,900	2,000	27,900	6.3
2009	24,800	2,700	27,500	9.9
2010	24,900	3,000	27,900	10.9
2011	25,200	2,900	28,100	10.3
2012	26,300	2,600	28,800	8.9
2013	26,300	2,100	28,400	7.3
2014	24,200	1,500	25,700	5.9
2015	24,300	1,300	25,600	5.0
2016	24,500	1,200	25,700	4.5
2017	25,100	800	26,000	3.2

Source: California Employment Development Department 2018b.

According to the Regional Growth Forecast, the City had 34,073 jobs as of 2015 (SLOCOG 2017). This employment estimate is 9,860 more jobs than reported by the U.S. Census Bureau and California Employment Development Department data. As noted in Table 3.11-6, SLOCOG anticipates an increase of 10,160 jobs in the City over a 40-year period

⁴ Unemployment rate is unemployed labor force divided by total size of the labor force.

⁵ Labor force is defined as the number of residents within the City that are currently employed or residents that are unemployed looking for employment. Those who choose not to work or are unable to work typically are not calculated as members of the labor force. This differs from the number of jobs available within the City, which also relies on labor force populations outside the City that commute to the City for work.

between 2010 and 2050. This equates to an annual projected employment growth rate of 1.03 percent for the City. In the County, employment is projected to grow by 0.5 percent annually.

Table 3.11-6. SLOCOG Medium Employment Projections

Planning Area	2010	2015	2020	2025	2030	2035	2040	2045	2050
City	33,686	37,536	37,798	39,353	40,804	41,933	42,691	43,238	43,846
County	99,964	114,304	115,842	120,605	125,054	128,512	130,837	132,511	134,375

Source: SLOCOG 2017.

3.11.1.3 Housing

Housing Supply and Number of Households

According to the General Plan HE, the City had 20,553 housing units and 19,193 households with an average household size of 2.29 persons in 2010.⁶ Average household size in the City declined from 2.32 persons per household in 2000 to 2.29 in 2010, a decline of approximately 1.3 percent. Based on the 2050 Regional Growth Forecast, the City’s average persons per household has increased approximately 1.7 percent since 2010, to 2.33 persons per household as of 2015 (SLOCOG 2017).⁷

Based on the City’s maximum 1.0 percent annual growth rate, housing supply within the City is estimated to increase by approximately 5,065 units from 2013 supplies, to a total of 25,762 by the year 2035, an increase of approximately 24.5 percent (Table 3.11-7).

Table 3.11-7. 1.0 Percent City Population Growth Projection

Year	Approximate Maximum Number of Dwelling Units	Anticipated Number of People
2013	20,697	45,541
2015	21,113	46,456
2020	22,190	48,826
2025	23,322	51,317
2030	24,512	53,934
2035	25,762	56,686
Estimated Urban Reserve Capacity		57,200

Source: City of San Luis Obispo 2014a; Table 3..

⁶ By definition, a household consists of all persons occupying a dwelling unit, whether or not they are related.

⁷ Though not reflected in the most current General Plan HE which will guide housing actions through 2019, data provided in the 2050 Regional Growth Forecast prepared in 2017, including the updated City persons per housing ratio of 2.33, will inform the General Plan HE update.

Housing Demand and Availability

Currently, the demand for housing in the City is extremely high, both for rental and homeownership. As of 2017, the homeowner vacancy rate is 0.7 percent and the rental vacancy rate is 4.0 percent (U.S. Census Bureau 2017). For comparison, the City’s housing vacancy rate in 2010 was 7.3 percent with a rental market vacancy rate estimated at 4.5 percent in 2015 (U.S. Department of Housing and Urban Development 2017).⁸ As of 2015, City vacancy rates were estimated at only 7.93 percent – a negligible increase above the 2010 rate (SLOCOG 2017). Historically, in 1990, the City’s vacancy rate remained at just over 5.0 percent; however, between 2001 and 2003, the rate dropped steeply to 3.5 percent. By comparison, in the 1990s the County vacancy rate hovered at around 11 percent (City of San Luis Obispo 2015).

Natural population increase and formation of new households from the local population have historically accounted for only a small part of the overall demand for housing (City of San Luis Obispo 2015). As average households grow smaller, the existing housing stock accommodates fewer people, exacerbating housing needs, particularly for families and larger households. Three- and four-bedroom houses can be occupied by one or two persons, such as by “empty-nesters” who have remained in larger family homes after grown children have moved out (City of San Luis Obispo 2015). Further, full-time college students, a large portion of the City’s population, exert a strong influence on the local housing market. Cal Poly had an enrollment of approximately 20,944 students and Cuesta College had an enrollment of approximately 15,572 students in the 2015-2016 academic year (SLOCOG 2017). This high population of college students and associated high demand for student rental housing near these college campuses has resulted in and is often attributed to the consistently low vacancy rates within the City. However, demand for all types of housing remains high throughout the City, as demonstrated by low vacancy rates for both homeowners and renters discussed above.

⁸ The housing vacancy rate is one measure of general housing availability. A low vacancy rate, less than 5 percent, suggests that households will have difficulty finding housing within their price range. Conversely, a high vacancy rate may indicate a high number of housing units that are undesirable for occupancy, a high number of seasonal units, or an oversupply of housing. By maintaining a “healthy” vacancy rate of between 5 and 8 percent, housing consumers have a wider choice of housing types and prices to choose from. As vacancy rates drop, shortages generally raise housing costs and limit choices.

Housing Affordability

The State of California defines five income categories for the purposes of determining housing affordability and need in communities.⁹ These categories are:

- Extremely Low Income: 30 percent or less of the County median income
- Very Low Income: 31-50 percent of the County median income
- Low Income: 51 to 80 percent of the County median income
- Moderate: 81 to 120 percent of the County median income
- Above Moderate: 121 percent or higher than the County median income

The median household income in 2019 for a four-person household was \$87,500 for the City (City of San Luis Obispo 2019). In 2018, the median sales price for housing in the City was \$749,950. This median sales price would generally be affordable only to above moderate-income categories based on the estimated mortgage payments. Table 3.11-8 identifies the income categories and affordable rents and purchase prices in the City. As the City has a large student population, 33.2 percent of City household incomes were less than \$26,950, which fall within the extremely-low income category; however, this group may be inflated as many student households, including families headed by students, are nominally in the lower income categories but have significant financial resources due to parental support, loans, or savings that are not reflected in their current income levels.

Table 3.11-8. Affordable Rent and Purchase Prices for All Income Categories

Income Category	Annual Income ¹	Affordable Rent ²	Affordable Purchase Price ³
Extremely Low (<=31%)	≤ \$26,950	\$742 or less	≤ \$103,775
Very Low (31-50%)	\$26,951 - \$44,950	\$728 - \$1,269	\$94,500 - \$1,269
Low (51 - 80%)	\$44,951 - \$71,900	\$919 - \$1,523	\$151,050 - \$250,350
Moderate (81 – 120%)	\$71,901 - \$87,500	\$1,276 - \$2,115	\$257,250 - \$426,300
Above Moderate (>120%)	≥ \$87,501	> \$2,115	≥ \$426,301

¹Annual incomes are based on median income of four-person households which is \$87,500 for the City.

²Affordable rent is defined as 30 percent or less of gross income spent on rent for studio and one-bedroom through four-bedroom households.

³Affordable purchase price is defined as three times the annual income for extremely low, very low, and low; and as 3.5 times the annual income for moderate and above moderate.

Source: City of San Luis Obispo 2019.

⁹ A disparity between monthly housing cost and monthly income is referred to as a housing affordability gap. Housing affordability is determined by its cost and by the occupant’s income and other sources of purchasing power. Affordability is often described in terms of what portion of household income should be spent on housing. According to the U.S. Department of Housing and Urban Development, the California Department of Housing and Community Development (HCD), and many lending institutions, households should spend no more than 30 percent (25 percent or less for extremely low, very low, and low income groups) of their gross monthly income on housing (City of San Luis Obispo 2016).

Based upon data from the General Plan HE, average market rate rent for a studio apartment was affordable for some of the City’s very low income households (refer to Table 3.11-9). However, as average rent would fall in the middle of the very low range, households at the lower half of the very low income bracket could not afford average market rate rents for a studio unit. Further, large very low income households (i.e., more than two persons) would be overcrowded in studio units. Average market rents for a one-bedroom apartment would be affordable for a small segment of very low income households and all low income households, although overcrowding would be an issue for larger households. Extremely low income families are essentially priced out of the City’s housing market. The average two-bedroom rental unit is affordable for a small segment of the City’s low income households and all, moderate and above moderate income households, while average rent for three-bedroom homes leaves these affordable for some moderate and all above moderate income households (City of San Luis Obispo 2015).

Regional Housing Needs Assessment (RHNA)

During the General Plan HE’s planning period from 2014 to 2019, the City is responsible for accommodating a net increase of 1,144 dwelling units. The quantified objectives promote the development of housing that meets affordability standards for the income groups in the same proportion as the RHNA allocation, and emphasize production of multi-family, higher density housing, where appropriate.¹⁰

Consistent with state law, the City’s RHNA is reduced based on the number of dwelling units approved, under construction, or built between January 1, 2014 and June 30, 2019. These units are deducted from the RHNA number for each income category to establish the City’s housing construction objectives for the General Plan HE’s planning period, 2014 to 2019. The City’s adjusted RHNA housing need for the five-year period from 2014 to 2019 is 525 dwelling units, and of these, 386 are needed for low, very low or extremely low income categories (Table 3.11-9).

¹⁰ Under state law, each city and county is required to develop programs designed to meet its share of the region’s housing needs for all income groups, as determined by the region’s council of governments. HCD identifies housing needs for all regions of the state. Councils of governments then apportion the regional housing need among their member jurisdictions. The RHNA process seeks to ensure that each jurisdiction accepts responsibility, within its physical and financial capability to do so, for the housing needs of its residents and for those people who might reasonably be expected to move there. State housing law recognizes that housing need allocations are goals that jurisdictions seek to achieve; however, they are not intended as production quotas. The allocations are included in each jurisdiction’s HE so that plans, policies and standards may be created to help meet housing needs within the HE’s planning term.

Table 3.11-9. Remaining RHNA Need Based on Dwelling Units Approved, Under Construction, or Built, 2014 to 2019

(Percent of Area Medium Income)	New Construction Need (RNHA)	Dwelling Units Approved, Under Construction or Built (2014)	Remaining RHNA Need, Dwelling Units
Extremely Low Income (0-30%)	142	5	119
Very Low Income (31-50%)	143	161	
Low Income (51-80%)	179	31	148
Moderate Income (81-120%)	202	13	189
Market Rate (120%+)	478	801	0
Total	1,144	1,011	456
Percent Affordable	40.5%	19.5%	57.5%
Total Need for Newly Constructed Units			525

Source: City of San Luis Obispo 2018.

As reported in the City’s 2018 General Plan Annual Report (GPAR), 267 affordable housing units have been added to the City since 2014, which aids in fulfilling the Quantified Housing Objectives for the extremely low, very low, and low income categories. Combined with the addition of 189 moderate and 801 above moderate units, the City has made meaningful contributions to the housing stock per the General Plan HE. As of 2018, the City is roughly 60 percent of achieving its Quantified Housing Objectives through 2019. Achieving the quantified objective is not a requirement, yet it is a way to measure how effective the City has been in terms of housing programs and policies to advance the construction of affordable housing. It should be noted, however, that market conditions and the financing environment are the primary drivers that determine the production of affordable housing.

Jobs-to-Housing Ratio

The jobs-to-housing ratio in a jurisdiction is an overall indicator of both availability of jobs within an area, providing residents with an opportunity to work locally, and availability of housing, providing employees with adequate housing opportunities. The jobs-to-housing balance is a planning tool to review whether a community has a healthy balance between jobs and the housing supply available to potentially house workers for those jobs. This balance may be impacted by the match between wage levels and housing costs; whether all workers in a house have employment in the community in which they live; whether preferences are met within the community for either housing or employment; and whether options are available nearby for either housing or employment. According to the 2018 GPAR, the desired target is a jobs-to-housing-units ratio of 1.5:1, which reflects that there is more than one worker living in the average household (City of San Luis Obispo 2018).

General Plan LUE Policy 1.5 states that the City’s housing stock should keep pace with the growth in employment so that the jobs-housing balance would not worsen.

The 2018 GPAR estimates there were 54,132 jobs and 21,416 housing units in the City. As shown in Table 3.11-10, this creates a jobs-to-housing balance of 2.5:1; however, when considering jobs within the City, as well as those generated by neighboring major employers, the City’s jobs-to-housing ratio was 2.7:1 as of 2018. This jobs-to-housing ratio indicates that the City is jobs-rich, in comparison to the countywide ratio of 0.87:1 (City of San Luis Obispo 2018; SLOCOG 2017).

Table 3.11-10. City and Regional Jobs-to-Housing Ratio

Planning Area	Jobs (in City limits)	Housing Units	Jobs-to-Housing Ratio	Jobs (including neighboring major employers)	Jobs-to-Housing Ratio (including neighboring major employers)
City	54,132	21,416	2.5:1	4,660	2.7:1
County	103,584	119,697	0.87:1	-	-

Source: City of San Luis Obispo 2018; SLOCOG 2017.

Projected Housing Development and Buildout Capacity

SLOCOG Regional Growth Forecast

SLOCOG Regional Growth Forecasts project an increase 1,981 housing units, and 8,247 jobs between 2010 and 2035 (SLOCOG 2017). Assuming 550 commercial square feet (sf) per job as estimated in the LUCE Update EIR, there is a demand for 4,535,850 sf of non-residential floor area between 2010 and 2035 within the City.

City General Plan LUE

Potential future development within the City permitted under the land use designations and policies of the LUE could result in approximately 4,904 additional housing units, 11,230 new residents, and 5,081,708 sf of non-residential uses that would support 11,346 new jobs. As of 2019, development within the City has increased by 1,157 housing units, 1,429 residents, and 240,275 sf of non-residential uses since 2014. This results in an estimated remaining 3,747 housing units, 9,801 residents, and 4,841,433 sf of non-residential uses that could be constructed under the adopted LUE. Although the LUE is a long range planning document with a planning horizon of 2035, the total future development capacity under the LUE exceeds the SLOCOG Regional Growth Forecast in population, housing units, and employment (see Table 3.11-11; City of San Luis Obispo 2014b). However, the

City’s LUE is considered to be more accurate and representative of General Plan buildout projections than those provided by SLOCOG.

Table 3.11-11. SLOCOG Projections vs. LUCE Buildout Capacity for 2035

	SLOCOG Forecast in 2035 ¹	LUCE Development Capacity in 2035 ²
Population	50,656	57,200
Housing Units	20,771	25,762
Employment	41,933	44,346
New Non-Residential Square Footage from 2010 to 2035 ³	4,535,850	5,081,708

¹ See Table 2.3-4 of LUCE Update EIR.

² See Table 3 of LUE

³ Estimated using 550 commercial sf per job estimated in the LUCE Update EIR.

Sources: SLOCOG 2017; City of San Luis Obispo 2014b.

3.11.2 Regulatory Setting

Population and housing for this Project are governed primarily by federal, state, and local regulations that would apply to future development under the Project. Relevant state and local regulations that are directly relevant to the Project are summarized below.

3.11.2.1 State

State Housing Law

State law (Government Code Section 65580-65589.8) recognizes the vital role local governments play in the supply and affordability of housing. Local governments in California are required to adopt a comprehensive, long-term general plan for the physical development of the jurisdiction, including an HE. The HE law, enacted in 1969, mandates that local governments adequately plan to meet the existing and projected housing needs of all economic segments of the community. The law acknowledges that, in order for the private market to adequately address housing needs and demand, local governments must adopt land use plans and regulatory systems which provide opportunities for, and do not unduly constrain, housing development. HE law also requires the California Department of Housing and Community Development (HCD) to review local HEs for compliance with state law and to report its written findings to the local government.

Regional Housing Needs Plan

The Regional Housing Needs Plan is required under California Government Code Section 65584 to enable regions to address housing issues and meet housing needs based on future

growth projections for the area. The State of California determines the number of total housing units needed for each region. The allocation comes after projection modeling based on current General Plan policies and established land use zonings. The allocations are based on “smart growth” assumptions in the modeling and aim to shift development patterns from historical trends towards better jobs-to-housing balance, increased preservation of open space, and development of urban and transit-accessible areas. Regional housing needs are based on the local and regional distribution of income, the need for housing generated by local job growth, the projected growth in the number of households, and the vacancy rate in each community.

3.11.2.2 Local

City of San Luis Obispo General Plan

Land Use Element

Policy LU 1.5 Jobs/Housing Relationship. The gap between housing demand (due to more jobs and college enrollment) and supply should not increase.

Policy LU 1.11 Growth Rates & Phasing.

Policy LU 1.11.1 Overall Intent. The City shall manage the city’s growth rate to provide for the balanced evolution of the community and the gradual assimilation of new residents. Growth must be consistent with the City’s ability to provide resources and services and with state and City requirements for protecting the environment, the economy, and open space.

Policy LU 1.11.2 Residential Growth Rate. The City shall manage the growth of the City’s housing supply so that it does not exceed 1.0 percent per year, on average, based on thresholds established by LUE Table 3, excluding dwellings affordable to residents with extremely low, very low, or low incomes as defined by the HE. This rate of growth may continue so long as the City’s basic service capacity is assured. Table 3 of LUE Policy 1.11.2 (summarized in Table 3.11-7 above) shows the approximate number of dwellings and residents which would result from the 1.0 percent maximum average annual growth rate over the planning period. Approved specific plan areas may develop in accordance with the phasing schedule adopted by each specific plan provided thresholds established by Table 3.11-7 are not exceeded. The City Council shall review the rate of growth on an annual basis in

conjunction with the General Plan annual report to ensure consistency with the City's gradual assimilation policy.

Housing Element

The City's 5th Cycle (2014-2019) General Plan HE sets forth the City's policies and detailed programs for meeting existing and future housing needs, for preserving and enhancing neighborhoods, and for increasing affordable housing opportunities for extremely low, very-low, low, and moderate income persons and households. It is the primary policy guide for local decision-making on all housing matters. The General Plan HE also describes the City's demographic, economic, and housing factors, as required by state law.

State housing law requires that each jurisdiction identify the number of housing units that can be built, rehabilitated, and preserved during the General Plan HE's planning period, which ended June 30, 2019. These projections are termed "quantified objectives." Chapter 3 of the General Plan HE includes goals, policies, and programs to accommodate affordable housing programs that meet the City's quantified objectives (City of San Luis Obispo 2015a).

The General Plan HE Goal 2 objective is to accommodate affordable housing production that helps meet the City's quantified objectives. In particular, the following policies and program address the inclusion of affordable units in new residential development:

Policy HE 2.3 For housing to qualify as "affordable" under the provisions of this Element, guarantees must be presented that ownership or rental housing units will remain affordable for the longest period allowed by state law, or for a shorter period under an equity sharing or housing rehabilitation agreement with the City.

Policy HE 2.4 Encourage housing production for all financial strata of the City's population, in the proportions shown in the Regional Housing Needs Allocation, for the 2014 - 2019 planning period. These proportions are: extremely low income, 12 percent, very low income, 12 percent; low income, 16 percent; moderate income, 18 percent; and above moderate income, 42 percent.

Program HE 2.5 Continue to manage the Affordable Housing Fund so that the fund serves as a sustainable resource for supporting affordable housing development. The fund shall serve as a source of both grant funding and below market financing for affordable housing projects; and funds shall be used to support a wide variety

of housing types at the following income levels: extremely low, very low, low, and moderate, but with a focus on production efficiency to maximize housing benefits for the City’s financial investment, and to support high quality housing projects that would not be feasible without Affordable Housing Fund support.

The General Plan HE Goal 4 Mixed-Income Housing includes policies directed towards preserving and accommodating existing and new mixed-income neighborhoods. In particular, the following policy and program address the inclusion of affordable units in new residential development:

Policy HE 4.2 Include both market-rate and affordable units in apartment and residential condominium projects and intermix the types of units. Affordable units should be comparable in size, appearance and basic quality to market-rate units.

Program HE 4.6 Consider amending the City’s Inclusionary Housing Ordinance and Affordable Housing Incentives to require that affordable units in a development be of similar number of bedrooms, character and basic quality as the non-restricted units in locations that avoid segregation of such units.

The City, along with the County and all six other cities within the San Luis Obispo region, entered into their 6th Cycle (2018-2028) planning period on December 31, 2018 for a 10-year production period that will end on December 31, 2028. The City is currently preparing the 6th Cycle General Plan HE update, which is required to be submitted to HCD on December 31, 2020. HCD finalized its RHNA allocation determination for the San Luis Obispo region at 10,810 units for the 10-year production period, and the SLOCOG Board voted unanimously to accept the distribution allocation projection. The number of housing units allocated to the City has been identified as 3,354, which the City anticipates can be accommodated based on existing land use capacity created through the 2014 LUCE Update.

Inclusionary Housing Program

Adopted in 1999 and amended in 2004, the Inclusionary Housing Program implements two core housing programs of the General Plan – that of providing affordable housing for extremely low, very low, low, and moderate income households, and establishing an Affordable Housing Fund. The program requires that most new development projects help meet affordable housing needs by: 1) building the required number of affordable dwelling units as part of a development project (Table 3.11-12a and Table 3.11-12b); 2) dedicating real property, improved or not, for development of affordable housing by the City’s

Housing Authority or by a non-profit housing provider; 3) paying an in-lieu fee which is used to fund affordable housing throughout the City; or 4) using a combination of the above methods, to the approval of the City Council (City of San Luis Obispo 2015a).

All affordable dwelling units must meet the City’s affordable housing standards and be consistent with affordability policies in the General Plan. In addition, the required inclusionary units shall be constructed concurrent with market rate units unless the developer and the City council agree within an affordable agreement to an alternative development schedule. Table 3.11-12a below displays the Inclusionary Housing Requirements and Table 3.11-12b details the associated inclusionary housing adjustment factors.

Table 3.11-12a. Inclusionary Housing Requirements

Type of Development Project ¹		
Residential – Adjust base requirement per Table 2A below		
Location	In City Limits (applies to Project)	Build 3% low ⁴ or 5% moderate income Affordable Dwelling Units ² , but not less than 1 Affordable Dwelling Unit per project; or Pay in-lieu fee equal to 5% of building valuation. ³
	In Expansion Area	Build 5% low ⁴ – and 10% moderate income Affordable Dwelling Units ² , but not less than 1 Affordable Dwelling Unit per project; or Pay in-lieu fee equal to 15% of building valuation.

¹ Residential developments of four or less dwellings are exempt from these requirements.

² Affordable Dwelling Units must meet the City affordability criteria.

³ “Building Valuation” shall mean the total value of all construction work for which a permit would be issued, as determined by the Chief Building Officer.

⁴ Low income includes the subsets of extremely low and very low incomes categories.

Table 3.11-12b. Inclusionary Housing Adjustment Factors

Table 2A						
Project Density (du/ac) ¹	Average Unit Size (sf and associated Adjustment Factor ²)					
	Up to 1,100	1,101-1,500	1,501-2,000	2,001-2,500	2,501-3,000	>3,000
36 or more	0	0	.75	1	1.25	1.5
24-35.99	0	0	.75	1	1.25	1.5
12-23.99	0	.25	1	1.25	1.5	1.75
7-11.99	0	.5	1	1.25	1.5	1.75
<7	0	.5	1.25	1.5	1.75	2

¹ Including allowed density bonus, where applicable.

² Multiply the total base Inclusionary Housing Requirement (either housing or in-lieu percentage) by the adjustment factor to determine requirement. At least one enforceably-restricted affordable unit is required per development of five or more units.

The Project site is subject to the Expansion Area Inclusionary Housing Requirements which require the Project to build 5 percent low and 10 percent moderate income affordable dwelling units. The developer may, at his or her discretion, choose to pay an in-lieu fee to the City or dedicate real property in lieu of constructing affordable dwellings to meet the requirement. The fee amount and method of payment are subject to approval by the City Community Development Department Director. All in-lieu fees shall be paid prior to release of occupancy of the first dwelling within a residential development. All in-lieu fees are deposited into the Affordable Housing Fund. The Affordable Housing Fund is administered by the City finance director and shall be used exclusively to provide funding for the provision of affordable housing and for reasonable costs associated with the development of affordable housing, at the discretion of the City Council.

3.11.3 Environmental Impact Analysis

3.11.3.1 Thresholds of Significance

The Project would have a significant impact if it would generate substantial unplanned population growth or substantially change the population, housing, and employment compositions in the City or regionally. Significance thresholds for population and housing are based on Appendix G of the CEQA Guidelines. Impacts to population and housing are considered significant if the Project would:

- a) Induce substantial unplanned population growth in an area, either directly (e.g., by proposing new homes and businesses) or indirectly (e.g., through extension of roads or other infrastructure); or
- b) Displace substantial numbers of existing people or housing, necessitating the construction of replacement housing elsewhere.

Impacts are also considered significant if the Project is found inconsistent with adopted housing goals and policies described in the regulatory setting. Growth inducing impacts relating to installation of new roadways and utility infrastructure are addressed in Section 4.0, *Other CEQA Issues*.

Non-Applicable Thresholds

- Thresholds (b) (*Displace Existing People or Housing*): The Project site does not currently contain a residential population or housing and would not involve offsite impacts within any residential area. Therefore, the Project would not displace substantial numbers of persons or housing and threshold ‘b’ would not apply. As

such, there would be no potentially significant adverse impacts related to these thresholds and this issue will not be analyzed further in this EIR.

3.11.3.2 Impact Assessment Methodology

Sources utilized in the development of this section include the City's General Plan LUE and HE, LUCE Update EIR and supporting appendices, SLOCOG projections, the City's 2018 GPAR, U.S. Census Bureau data, and California Department of Finance data.

Analysis of population and housing impacts is based on data from the City's LUE and HE and U.S. Census Bureau. Demographic and socioeconomic data from these sources are relatively consistent; however, since each of these organizations uses different methods of data collection and analysis, data do not always have the same results and may not represent the same data year. Accordingly, the population, housing, and employment numbers used in this analysis may vary somewhat, depending upon the source cited. Despite the variations, the data used represents the best available information and provides a meaningful description of the population and housing characteristics of the City and County.

This analysis reviews potential land use changes and future development that would occur under the Project and considers whether these changes would result in substantial adverse impacts on population, housing, and/or employment growth, particularly in relation to existing conditions and to cumulative growth estimated in the LUCE Update EIR. The LUE projections are considered to be the most accurate for defining buildout of the City under the current General Plan, and are considered more representative than SLOCOG growth projections; therefore, SLOCOG growth projections for the City are not utilized in analysis of Project impacts on local growth. This analysis does, however, utilize SLOCOG's persons-per-household projection of 2.33 as it is more recent and more conservative than the City's 2010 estimate of 2.29 persons-per-household. The LUCE Update EIR also considers potential for changes in population and the general effect on the City's jobs-housing balance. Potential related impacts of population and employment growth on issues such as transportation, public services, and other issues are addressed in respective sections of this EIR.

3.11.3.3 Project Impacts and Mitigation Measures

Potential impacts related to population and housing are discussed further below and summarized in Table 3.11-13.

Table 3.11-13. Summary of Project Impacts

Population and Housing Impacts	Mitigation Measures	Residual Significance
PH-1. Residential and commercial development associated with the Project would induce population growth.	None required	Less than Significant
PH-2. The Project would provide additional housing for the City, assisting the jobs-to-housing ratio.	None required	Less than Significant
PH-3. The Project would provide additional affordable housing for the City	None required	Less than Significant

Impact PH-1 Residential and commercial development associated with the Project would induce population growth (Less than Significant).

The Project is expected to generate new population onsite by facilitating the construction of up to 174 multi-family units and 404 senior residential units, 100,000 sf of commercial retail uses, and health care facilities and operations. This development would potentially increase population within the City by 1,231 residents, including 825 residents of Villaggio and 406 residents of Madonna Froom Ranch. The Project would increase the City's population by approximately 2.6 percent. The Project would also create an estimated 332 new jobs, including 150 jobs in Villaggio associated with proposed health care and resident services and 182 jobs in Madonna Froom Ranch associated with proposed retail commercial and hotel uses (see Table 3.11-14). SLOCOG and the City anticipate that population growth will occur in the region, including the City, as a result of natural births, people moving into the region, and other factors. The Project would provide additional dwelling units and amenities to help accommodate projected growth, including senior populations.

Table 3.11-14. Summary of Estimated Population Generated by the Project

Proposed Zones	Housing Units/sf	Population Factor	Projected Population/ Employment
VILLAGGIO			
R-3-SP Medium-High Density Residential	404 units/ 51 beds	-	-
<i>Independent Living Units</i>	366 units	2.0	732 people
<i>Assisted Living Units</i>	38 units	1.0 (and two units would have double occupancy)	40 people
<i>Health Care Units (Skilled Nursing & Memory Care)</i>	51 beds	1.0 (and two units would have double occupancy)	53 people
<i>Health Care Administration Building</i>	85,670 sf	Supplied by Applicant	150 jobs
<i>Ancillary Uses (wellness center, restaurants, theater, etc.)</i>	84,078 sf		
Total (Villaggio)			825 people 150 jobs
MADONNA FROOM RANCH			
R-3-SP Medium-High Density Residential	130 multi-family units	2.33 ¹	303 people
R-4-SP High Density Residential	44 multi-family units	2.33 ¹	103 people
C-R-SP Retail-Commercial	100,000 sf	1 job per 550sf ²	182 jobs
Total (Madonna Froom Ranch)			406 people 182 jobs
TOTAL (TOTAL)			1,231 people 332 jobs

¹ SLO County 2050 regional growth factor

² LUCE Update EIR job factor

Population growth is considered significant only if it is unplanned or unanticipated by the City. The total increase in population under the Project would be well below the projected population under the LUE by 2035, which plans for a future additional population of 10,652 (from 46,248 in 2018 to 57,200 in 2035; refer also to Table 3.11-11 above). Therefore, population increases resulting from the Project would remain within planned growth under the LUE.

The age distribution of the population increase would comprise a greater percentage of senior citizens, in comparison to the existing City population. For instance, of the 1,231 new residents anticipated under the Project, potentially new senior citizens would comprise

approximately 825 individuals within Villaggio and 49 individuals of the Madonna Froom Ranch component (approximately 12 percent are estimated to be senior citizens, per existing City population percentage). In total, approximately 874 new senior citizens would be accommodated with implementation of the Project, or 71 percent of the total anticipated population increase. The Villaggio component would therefore help to accommodate the relatively high proportion of senior citizens in the City.

Employment requirements for Villaggio are anticipated to generate 150 full-time equivalent jobs, with a maximum of 95 employees onsite at any given time. Madonna Froom Ranch would facilitate development of 100,000 sf of retail-commercial space, which would generate employment. The number of employees at a business is typically a factor of the particular operations of a business and, as such, varies greatly. As an example, retail and hotel uses would have different numbers of employees per square footage than office uses. For the purposes of this EIR and due to variability in employment factors, employment generation is quantified based on applying the existing factor of one job per 550 sf.¹¹ When this factor is applied to proposed retail commercial uses within Madonna Froom Ranch, it is anticipated that retail commercial uses could generate approximately 182 jobs.

The Project would not result in or substantially contribute to a significant housing impact, or a related population impact, because the Project would be consistent with the LUE projected population forecasts and with the residential unit growth requirements specified by LUE Policy 1.10.2. Therefore, the Project would not induce substantial housing or population growth either directly or indirectly and housing and population impacts would be *less than significant*.

Impact PH-2 The Project would provide additional housing for the City, assisting the jobs-to-housing ratio (Less than Significant).

An imbalance between jobs and housing, particularly affordable housing, may result in a range of undesirable environmental impacts and social effects, including:

- Increased commute distances and time;
- Increased energy consumption, GHG, and air pollutant emissions from additional commuters;
- Critical service workers living outside the area (e.g., firefighters, law enforcement personnel, nurses, school teachers);

¹¹ LUCE Update EIR job factor.

- Increased business costs and difficulty retaining and recruiting employees;
- Change in demographic composition and impacts to the quality of life and community participation; and
- Indirect impacts on other communities that build housing, such as loss of habitat.

As stated above, as of 2018, the City had an unemployment rate of 2.7 percent. Increased population growth without adequate housing growth could exacerbate the City's existing jobs-to-housing ratio and displace labor force from the City to other areas of the County. This could result in increases in long-distance commuting and associated adverse effects. According to the 2018 GPAR, the City currently has a jobs-to-housing ratio of 2.5:1 based on jobs and housing within City limits, which is well above the City's target ratio of 1.5:1. Policy LU 1.5 states the gap between housing demand (due to more jobs and college enrollment) and supply should not increase. For the purposes of this analysis, the effect of the Project is compared with local estimates provided in the City's 2018 GPAR. Further, the LUCE Update EIR noted that the Project has the potential to improve the jobs-to-housing balance within the City.

The Project's proposed construction of 174 units within Madonna Froom Ranch would provide additional housing for the existing and growing labor force. Since the units proposed within Villaggio would provide specialized housing for seniors, the 404 units and 51 beds within Villaggio would not be utilized by the City's labor force, and therefore are not counted as part of the City's housing supply. Further, the Project would also add jobs within the City by facilitating the creation of 332 jobs within proposed retail and commercial uses and within Villaggio health care and service sectors. Overall, the Project would result in both an increased housing supply and an increase in jobs.

With 332 new jobs added to the City's existing 54,132 jobs and 174 multi-family units added to the existing 21,416 housing unit stock, the jobs-to-housing balance would be approximately 54,464 jobs to 21,590 housing units, or similarly remaining at 2.5 to 1. Given this negligible change in the jobs-to-housing ratio, the Project would maintain the City's current jobs-to-housing ratio of 2.5 to 1, ensuring consistency with Policy LU 1.5. The Project would ~~provide a substantial increase in~~ the City's housing supply, including a range of housing types and affordability as well as long-term job growth both within Villaggio and Madonna Froom Ranch. Therefore, impacts relating to the City's jobs-to-housing ratio, would be considered *less than significant*.

Impact PH-3 The Project would provide additional affordable housing for the City (Less than Significant).

The FRSP includes policies that require the Applicant to provide for deed-restricted housing for low and moderate-income households, consistent with the General Plan. In accordance with Municipal Code 17.91, inclusionary affordable units are those in which extremely low, very low, low, and moderate income households can afford to purchase or rent, assuming 30 percent of their annual income is spent on housing (25 percent of income for extremely low income households). As the Project is located in SP-3 under the LUE, it is subject to the Expansion Area Inclusionary Housing Requirements which require the Project to build 5 percent low and 10 percent moderate income affordable dwelling units or pay in-lieu fees equal to 15 percent of building valuation. Policy HE 4.1 requires new development to build housing that is affordable to various economic strata intermixed with other housing rather than segregated into separate enclaves; and Policy HE 4.2 requires both market-rate and inclusionary units to be included in apartment and residential condominium projects and intermixed with all type of units. This policy also requires that inclusionary units are built to be comparable in size, appearance, and basic quality to market-rate units. Further, the Project would be required to comply with Tables 2 and 2A of the Inclusionary Housing Program as described in the regulatory setting. . As such, impacts would be *less than significant*.

3.11.3.4 Cumulative Impacts

Cumulative buildout permitted under the LUE would include development of areas within existing City boundaries, as well as identified expansion areas. Overall, development under the LUE would increase both the supply of jobs and housing within the City and would maintain the City's jobs-to-housing balance of 2.5:1 (see Impact PH-2). As of 2018, potential future development within the City as allowed under the land use designations and policies of the LUE could result in eventual construction of approximately 3,652 additional dwelling units, and creation of 4,841,433 sf of new non-residential development which would support an estimated 10,810 new jobs. This could result in 8,509 additional residents and 10,810 new jobs. In comparison, over the long-term, full buildout under the LUE is anticipated to increase the jobs-to-housing ratio to 1.8 jobs per residential unit, according to the 2018 GPAR.

A comparison of population and housing unit characteristics conditions in 2010 and those at projected buildout of the LUE in 2035 for the City and County shows that projected

population and housing unit growth in the City is anticipated to be commensurate with anticipated growth throughout the County (Table 3.11-15).

Table 3.11-15. City and Countywide Population and Housing Projections, 2010-2035

	Population		Housing Units	
	2010	2035	2010	2035
County of San Luis Obispo	252,631	304,736	117,315	141,888
Average Annual Growth (%)	--	0.8	--	0.8
City of San Luis Obispo	43,937	56,686	20,553	25,762
Average Annual Growth (%)	--	1.1	--	0.6

Source: City of San Luis Obispo 2014c.

Much of the potential residential unit growth identified by the LUE would occur in areas identified for preparation of specific or area plans. In addition to the 174 units within Madonna Froom Ranch, the Avila Ranch Development Project would add approximately 720 units to the City’s housing supply, and the San Luis Ranch Specific Plan would add approximately 580 residential units. Moreover, future development proposed under the South Broad Street Area Plan would have the potential to provide approximately 355 additional dwelling units. In total, these projects could result in the development of approximately 1,829 new dwelling units.

In addition to the proposed specific and area plans described above, the LUE identifies six potential future development sites that could provide approximately 412 new housing units. These sites include the Foothill at Santa Rosa area (80 units); Caltrans site (53 units); General Hospital site (41 units); Pacific Beach site (38 units); LOVR Creekside area (159 units); and the Broad Street at Tank Farm Road site (41 units).

While development of these projects would be consistent with the residential unit growth requirements specified by LUE Policy 1.11.2 and Table 3.11-7, there may be pressure to exceed the annual 1.0 percent rate allowed under Policy LUE 1.11.2. However, the Project contribution would remain consistent with LUE and HE policies and would not result in significant cumulative contribution. Further, existing LUE policies requiring that the City manage its housing supply so that it does not exceed a growth rate of 1.0 percent per year, on average, would help to ensure population growth does not exceed planned growth or result in significant cumulative impacts associated with increases in population and housing within the City. Therefore, cumulative impacts would be *less than significant*.