

# Appendix H2

## Site Inventory

City of Morgan Hill Housing Element 2023-2031

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## City of Morgan Hill Housing Element

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# APPENDIX H-2 | Site Inventory

## 2.1 Introduction

California law (Government Code Sections 65583 (a)(3)) requires that the Housing Element contain an inventory of land suitable for residential development, that can be developed for housing within the planning period and nonvacant (i.e., underutilized) sites having potential for redevelopment. State law also requires an analysis of the relationship of zoning and public facilities and services to these sites.

This appendix presents an inventory of sites within Morgan Hill city limits that are suitable for residential development during the planning period of this Housing Element, January 31, 2023 to January 31, 2031. The analysis presented in this appendix chapter demonstrates there is an adequate supply of residential projects in the “Pipeline” to accommodate the City’s housing allocation of 1,037 units, including housing at all income levels. The analysis also demonstrates that a limited number of residential projects in the “Pipeline” allowing for higher density development are located within existing communities considered “low resource”. There are 1,183 acres of low resource area within the City boundary, which is approximately 14 percent of the City. Consequently, there are no areas within the City of Morgan Hill which are classified as “high resource”.

The appendix starts with a description of the City’s housing target for the 2023-2031 planning period, called the Regional Housing Needs Allocation (RHNA). It then describes the number of residential units in the “Pipeline”, consisting of both planned and entitled projects. The appendix then provides information on the availability of infrastructure to support development of housing.

## 2.2 Regional Housing Needs Allocation

RHNA is the California State-required process that seeks to ensure cities and counties are planning for enough housing to accommodate all economic segments of the community. The process is split into the following three steps:

1. **Regional Determination:** The California Department of Housing and Community Development (HCD) provides each region a Regional Determination of housing need, which includes a total number of units split into four income categories. The City of Morgan Hill is within the region covered by the Association of Bay Area Governments (ABAG). HCD provided ABAG a Regional Determination of 441,176 units for the 6<sup>th</sup> Cycle RHNA (2023-2031). This is the total number of units that the cities and counties in the ABAG region must collectively plan to accommodate.
2. **RHNA Methodology:** Councils of Governments (COG), including ABAG, are responsible for developing a RHNA Methodology for allocating the Regional Determination to each city and county in the COG’s region. This methodology must further specific state objectives, including but not limited to: promoting infill, equity, and environmental protection; ensuring jobs-housing balance; and affirmatively furthering fair housing.
3. **Housing Element Updates:** Each city and county must then adopt a housing element that demonstrates how the jurisdiction can accommodate its assigned RHNA through its zoning. HCD reviews each jurisdiction’s housing element for compliance with state law.

The City of Morgan Hill’s share of the regional housing need was determined by a methodology prepared by ABAG as part of the Regional Housing Needs Plan, adopted in December 2021. For the low- and very low-income allocations, the methodology used three adjustments: access

to high opportunity areas, job proximity by automobile, and job proximity by transit. For the moderate and above moderate allocations, the methodology used two adjustments: access to high opportunity areas, and job proximity by automobile. Lastly, the methodology applied an equity adjustment that identified 49 jurisdictions that exhibited higher racial segregation and high median incomes than regional averages. As a result, Morgan Hill’s RHNA was reduced by 10 units due to the equity adjustment.

In accordance with ABAG’s Regional Housing Needs Plan, the City must plan to accommodate a total of 1,037 housing units between January 31, 2023, and January 31, 2031. This is equal to a yearly average of 130 housing units. Table H 2-1 below shows the City’s RHNA by income category. Of the 1,037 total units, the City must plan to accommodate 262 units for very low-income households, 151 units for low-income households, 174 units for moderate-income households, and 450 units for above moderate-income households.

<b>Income Category</b>	<b>Units</b>	<b>Percent of Total</b>
Very Low-Income	262	25.3%
Low-Income	151	14.6%
Moderate-Income	174	16.8%
Above Moderate-Income	450	43.4%
<b>TOTAL</b>	<b>1,037</b>	<b>100.0%</b>

Source: Association of Bay Area Governments, Regional Housing Needs Plan, 2023-2031. Adopted December 2021.

State law also requires the City to identify the projected need for extremely low-income housing. The City assumes that 50 percent of the very low-income housing need is equal to the extremely low-income housing need. As such, there is a projected need for 131 extremely low-income housing units.

## 2.3 Planned and Entitled Projects

### 2.3.1 Overview

Morgan Hill has a significant pipeline of development projects that are seeking entitlements or are entitled and actively pursuing construction. Table H 2-2 summarizes the current inventory of residential and mixed-use projects with submitted or active entitlements. As of March 1, 2022, there were an estimated 1,823 housing units in the pipeline that are counted toward meeting the RHNA, which include single-family dwellings, deed-restricted affordable units, market rate condominiums and multi-unit development, and individual affordable housing developments. These projects range in size from smaller infill projects with fewer than 100 units, to larger developments with hundreds of units.

There are 545 units in the pipeline that will provide affordable housing for lower-income households. The inventory includes several individual affordable housing developments in the pipeline, including a 249-unit affordable development at 18960 Monterey Road; a 66-unit affordable development at 17965 Monterey Road; a 73-unit affordable development at 15440 Monterey Road; and an 82-unit affordable development at 16685 Church Street.

### 2.3.2 Summary of Pipeline Residential Development

In total, there are 1,823 units in planned and entitled projects that are counted toward meeting the RHNA. Based on affordability restrictions, the projects listed in Table H 2-2 are anticipated to provide 545 affordable lower-income units consisting of 158 extremely low-income units, 149 very low-income units, and 238 low-income units. In addition to the affordable lower-income units, there are 445 moderate-income units in the pipeline and 833 above moderate-income units.

Project Name	Above Mod. Income Units	Moderate Income Units	Low-Income Units	Very Low-Income Units	Extremely Low-Income Units	Total Units
SR2020-0017 Monterey-Lucky Shing Manzanita Park (APN 725-010-18) <sup>2</sup>	57	10	-	-	-	67
SR2018-0020 E. Dunne- Young (Andalusia) (APNs 726-020-51 & 726-020-52) <sup>3</sup>	42	1	3	-	-	46
SR2021-0003 Dakota-Dunne (APN 726-090-24) <sup>2</sup>	3	3	-	-	-	6
SR2019-0003 Depot-Latala (Hale Lumber) (APN 726-130-49) <sup>3</sup>	49	-	-	-	-	49
SR2019-0026 Monterey-City Ventures (APN 726-250-06) <sup>3</sup>	86	15	-	-	-	101
SR2019-0015 Jarvis-MH Apartments (Braddock & Logan) (APN 726-250-95) <sup>3</sup>	-	311	-	78	-	389
SR2020-0027 Monterey-Minor (Jemcor) (APN 726-360-59) <sup>3</sup>	-	3	196	25	25	249
SR2021-0014 Monterey-Kerley (DeNova Homes) (APNs 726-420-01 through 726-420-03) <sup>1</sup>	79	14	-	-	-	93
SR2020-0010 Half-Dividend (Crosswinds) (APNs 728-300-01 through 728-300-04) <sup>1</sup>	229	40	-	-	-	269
SR2021-0011 Cochrane-Toll Brothers (APNs 728-340-32 & 728-340-33) <sup>3</sup>	114	25	-	-	-	139
SR2018-0009 Tilton-Lee Schmidt (APN 764-090-04) <sup>2</sup>	1	1	-	-	-	2
SR2021-0005 Monterey-First Community Housing (Magnolias) (APN 764-120-06) <sup>2</sup>	-	1	14	9	42	66
SD2021-0002 Campoli-Squires (APN 764-240-05) <sup>2</sup>	1	-	-	-	-	1

Table H 2-2 Pipeline Residential Projects (cont.)						
Project Name	Above Mod. Income Units	Moderate Income Units	Low-Income Units	Very Low-Income Units	Extremely Low-Income Units	Total Units
SD2020-0001 Sanchez-Brewer (APN 764-240-76) <sup>2</sup>	1	-	-	-	-	1
AAE2021-0002 Old Monterey-Appletree (Kelly Vo) (APN 764-240-61) <sup>2</sup>	5	2	-	-	-	7
SR2020-0028 Spring-Ginacola (APN 767-110-30) <sup>3</sup>	19	3	-	-	-	22
SR2022-0001 Edes-Alcini (TTLIC Morgan Hill) (APN 767-180-46) <sup>1</sup>	18	3	-	-	-	21
SR2018-0025 Llagas-Strolata Properties (Silvas) (APN 773-320-13) <sup>2</sup>	4	-	-	-	-	4
SR2020-0023 Watsonville-Hordness (Crossings at Monterey/Royal Oaks Village) (APN 779-040-75) <sup>3</sup>	-	1	-	24	48	73
SR2020-0005 Monterey-Morgan Hill Senior Housing (APN 817-020-67) <sup>2</sup>	-	1	25	13	43	82
SR2020-0014 Tennant-Osito Holdings (APN 817-040-59) <sup>2</sup>	14	2	-	-	-	16
SR2022-0002 (Lillian Commons/Rosewood) (APN 817-090-41) <sup>1</sup>	111	9	-	-	-	120
<b>Subtotal</b>	<b>833</b>	<b>445</b>	<b>238</b>	<b>149</b>	<b>158</b>	<b>1,823</b>

Source: City of Morgan Hill Development Services Department, May 1, 2022.

Notes: <sup>1</sup> Pending project based on the affordability and unit count within the proposed project expected to be built within the 2023-2031 planning period.

<sup>2</sup> Entitled project based on the affordability and unit count of the approved development expected to be built within the 2023-2031 planning period.

<sup>3</sup> Affordability and unit count of the approved development based on Building Permits submitted to City of Morgan Hill and expected to be built within the 2023-2031 planning period.

The City of Morgan Hill received Building Permit applications for several of the projects identified in Table H 2-2 totaling 1,068 units. These projects include: 1. SR2018-0020 E. Dunne-Young (Andalusia) (APNs 726-020-51 & 726-020-52); 2. SR2019-0003 Depot-Latala (Hale Lumber) (APN 726-130-49); 3. SR2019-0026 Monterey-City Ventures (APN 726-250-06); 4. SR2019-0015 Jarvis-MH Apartments (Braddock & Logan) (APN 726-250-95); 5. SR2020-0027 Monterey-Minor (Jemcor) (APN 726-360-59); 6. SR2021-0011 Cochrane-Toll Brothers (APNs 728-340-32 & 728-340-33); 7. SR2020-0028 Spring-Ginacola (APN 767-110-30); and 8) SR2020-0023 Watsonville-Hordness (Crossings at Monterey/Royal Oaks Village) (APN 779-040-75).

To estimate the number of proposed pipeline development projects that are expected to reach completion during the 6th cycle, the City examined completion rates of pipeline development projects during the 5th cycle (2015 through 2022). For discretionary entitlements, completion rates were found by drawing upon all planning entitlement applications and approvals and finding the percentage of those projects which have obtained a building permit and therefore reached completion. This analysis found that entitlement applications had a completion rate of 88.7%, while approved entitlements had a completion rate of 91.7%. For building permit applications and

approved permits, completion rates were established based on evaluating all residential building permits issued for new residential units, as well as all issued building permits that have been finalized/received a certificate of occupancy, from January 1, 2015, through December 31, 2020. The report found that building permits have a 99.2% completion rate for issued permits. Those completion rates were then applied to the current pipeline to determine the number that would be expected to be completed within the next eight years.

<b>Table H 2-3 Summary of Expected Pipeline Residential Projects</b>			
<b>Project Type by Income Category</b>	<b>Proposed Units Added</b>	<b>% Units Expected to be Completed</b>	<b>Units Expected to be Completed</b>
<b>Active Planning Entitlements</b>			
Lower Income	-	-	-
Moderate Income	66	88.7%	59
Above Moderate Income	437	88.7%	388
<b>Total Units</b>	<b>503</b>	<b>88.7%</b>	<b>447</b>
<b>Approved Planning Entitlements with No Building Permit</b>			
Lower Income	146	91.7%	134
Moderate Income	20	91.7%	18
Above Moderate Income	86	91.7%	79
<b>Total Units</b>	<b>252</b>	<b>91.7%</b>	<b>231</b>
<b>Building Permit Applications</b>			
Lower Income	399	99.2%	396
Moderate Income	359	99.2%	356
Above Moderate Income	310	99.2%	308
<b>Total Units</b>	<b>1,068</b>	<b>99.2%</b>	<b>1,060</b>

Table H 2-4 shows the expected breakdown of this pipeline development potential, by expected income category. The income categories for individual development projects are based on the actual proposed affordability level requested or approved as part of the entitlement request.

<b>Table H 2-4 Total Pipeline Development Potential, by Income Category</b>						
	<b>Above Mod. Income Units</b>	<b>Moderate Income Units</b>	<b>Low-Income Units</b>	<b>Very Low-Income Units</b>	<b>Extremely Low-Income Units</b>	<b>Total Development Potential</b>
Active Planning Entitlements	388	59	-	-	-	447
Approved Planning Entitlements with No Building Permit	79	18	36	20	78	231
Building Permit Applications	308	356	197	126	73	1,060
<b>Total Pipeline Development Projects</b>	<b>775</b>	<b>433</b>	<b>233</b>	<b>146</b>	<b>151</b>	<b>1,738</b>

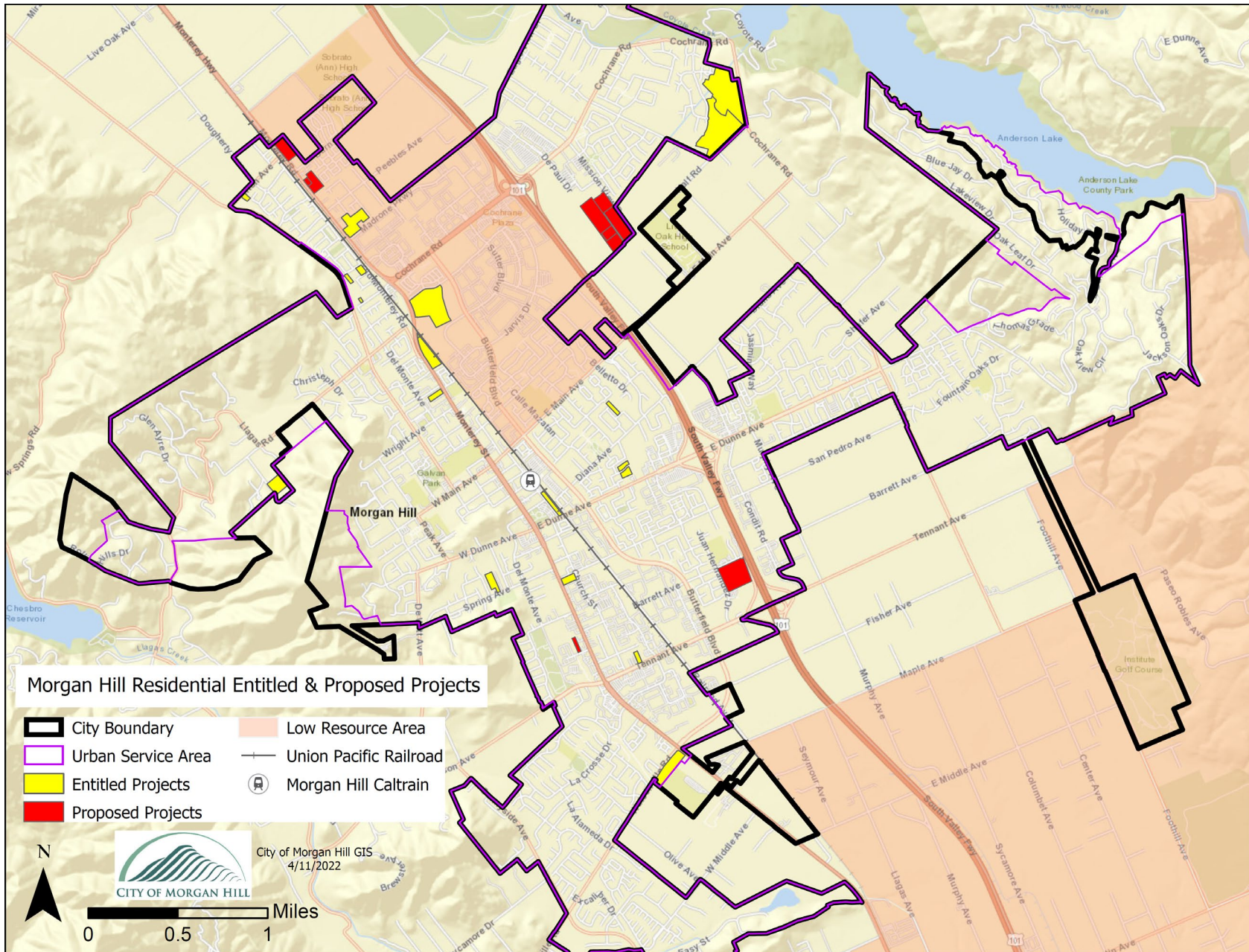
## 2.4 Summary of Capacity/Potential to Accommodate the RHNA

State law requires each jurisdiction to demonstrate that sufficient land is zoned to provide housing capacity that is adequate to meet the RHNA for each income level. Table H 2-5 below provides a summary of total residential development capacity and potential included in the site inventory compared to the City's 6<sup>th</sup> Cycle RHNA. As shown in the table, the City has a total residential development pipeline capacity for 1,823 units. After incorporating the success criteria percentages identified in Table H 2-3 above, the City has a total residential development pipeline potential of 1,738 units, which is sufficient capacity to accommodate the RHNA of 1,037 units. The site inventory includes capacity for 413 lower-income units (i.e., extremely low-, very low-, and low-income units), 174 moderate income units, and 450 above moderate-income units.

<b>Table H 2-5 Summary of Residential Capacity/Potential Compared to 6<sup>th</sup> Cycle RHNA by Income, City of Morgan Hill, January 31, 2023 to January 31, 2031</b>						
	<b>Extremely Low-Income Units</b>	<b>Very Low-Income Units</b>	<b>Low-Income Units</b>	<b>Moderate-Income Units</b>	<b>Above Moderate-Income Units</b>	<b>Total Units</b>
<b>RHNA</b>	131	131	151	174	450	1,037
Pipeline Residential Capacity	158	149	238	445	833	1,823
Pipeline Residential Potential	151	146	233	433	775	1,738
<b>Total Capacity</b>	<b>151</b>	<b>146</b>	<b>233</b>	<b>433</b>	<b>775</b>	<b>1,738</b>
<b>Surplus(+)/ Deficit(-)</b>	<b>+20</b>	<b>+15</b>	<b>+82</b>	<b>+259</b>	<b>+325</b>	<b>+701</b>



Figure H 2-1: Morgan Hill Residential Entitled & Proposed Projects



## 2.5 Infrastructure Availability

This section addresses the availability of infrastructure to accommodate planned residential growth throughout the Housing Element planning period (2023-2031). The Housing Element includes programs to help support infrastructure improvements in areas targeted for development to ensure that there is enough water, sewer, and dry utility capacity to meet housing units projected in the RHNA.

As development occurs throughout the city, upgrades to water and wastewater conveyance facilities may be required. The precise location and connection would need to be determined at the time development is proposed. Any future line size modifications or connections would be designed in accordance with applicable provisions of the Morgan Hill Municipal Code and to the satisfaction of the City Engineer. Increased development density has the potential to impact the capacities of local utilities infrastructure, which may require the expansion or construction of new facilities. However, all new development is subject to its own CEQA process where project-specific impacts associated with water supply and wastewater would be analyzed.

The availability of adequate public facilities and services in relation to the pending pipeline residential projects identified in Table H 2-2 has been evaluated, and the City has determined there are no public facilities or service constraints that would impede development of housing units to meet Morgan Hill's allocation. Existing water delivery and wastewater collection infrastructure is available to all properties located in the City's Urban Service Area, which includes all the pipeline residential projects identified in Table H 2-2, and the City has adequate water and wastewater capacity to accommodate the RHNA of 1,037 units. All of the pipeline residential projects are adjacent to existing public roadways and are serviceable by the City's police and fire departments, as well as private companies that provide telephone, cable, gas, and electric service.

Senate Bill (SB) 1087, effective January 2006, requires water and sewer providers to grant priority for service allocations to proposed developments that include units affordable to lower income households. Pursuant to these statutes, upon adoption of its Housing Element, the City of Morgan Hill will immediately deliver the Housing Element to local water and sewer providers, along with a summary of its RHNA.