



SAN LUIS OBISPO COUNTY

**REGIONAL HOUSING &  
INFRASTRUCTURE PLAN**

The San Luis Obispo Council of Governments (SLOCOG) prepared the Regional Housing & Infrastructure Plan for the County of San Luis Obispo to fulfill the terms of the Senate Bill 2 grant program. SLOCOG would like to thank those who helped develop this strategic planning tool between 2022-2023.

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## The Signatories of the 2020 Regional Housing Compact

County Board of Supervisors, 7 City Councils, and the SLOCOG Board



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## HIP SUMMARY

The Regional Housing & Infrastructure Plan (HIP) is a planning toolkit created collaboratively by the seven Cities, County of San Luis Obispo, and SLOCOG in response to the region's growing housing and infrastructure shortage. The HIP inventories infrastructure barriers and priorities for housing, identifies available grant funding options to implement infrastructure needs, and develops foundational information for the future 2027 Regional Housing Needs Assessment (RHNA).

In 2018, the County of San Luis Obispo recognized the need to work regionally in solving the critical shortage of infrastructure resources and housing attainability in San Luis Obispo County. This challenge is larger than any one jurisdiction can solve alone. The HIP in no way removes land use authority from local jurisdictions; rather, it reflects each community's relevant, long-term plans in one regional tool to inform our region's future efforts in addressing the collective economic and social challenges associated with lack of housing supply.

In January 2019, the County Board of Supervisors approved the kickoff of this effort. Since inception, the HIP has been a phased approach with the goals of regional collaboration, strategic action planning, and aligning land use planning documents which were all agreed upon with the unanimous approval of the 2020 Regional Compact.

### *The Regional Compact (February-April 2020)*

The County, seven cities, and San Luis Obispo Council of Governments (SLOCOG) approved the first major milestone of the phased regional strategy - the San Luis Obispo Countywide Regional Compact. The Regional Compact is an aspirational document that sets the tone and goals for future recommended plans and actions among the local agencies. It establishes a united regional framework to unlock the potential to develop an adequate supply of housing and resilient infrastructure that supports our economic prosperity. It recognizes that people, water, transportation, connectivity, and housing form the foundation of the San Luis Obispo Region's healthy, livable communities and thriving economic opportunity. In signing the Compact, agencies agreed to develop their "first Regional Infrastructure and Housing Strategic Action Plan." As stated in the 2020 Compact, the six "goals will underpin the future Regional Infrastructure and Housing Strategic Action Plan, create compatibility among the eight local agencies Housing Elements, and drive future recommendation for collaborative actions."

*Housing Element Alignment (December 2020)*

The County and the seven Cities were each required to update their jurisdiction's Housing Elements to reflect how local communities are planning for the State's 6th Cycle Regional Housing Needs Allocations through 2028. The Housing Elements were submitted to the Housing and Community Development (HCD) in December 2020. As part of the Housing Element update process, the regional approach section was developed to showcase the ongoing commitment of each agency to the HIP collaboration. This section presents a regional vision and policies focused specifically on fostering regional collaboration to plan and develop housing and supportive infrastructure. It was the first time all eight jurisdictions included a regional approach chapter in their required housing elements.

*Regional Housing and Infrastructure Plan (August 2023)*

Put on hold during the Pandemic, the HIP was revived in June 2022 with the establishment of a Memorandum of Understanding between the County of San Luis Obispo and SLOCOG. SLOCOG became the project manager of the effort. With Senate Bill 2 funding sunset in September 2023, the HIP began moving at an accelerated pace. The 2023 regional toolkit is comprised of seven components listed in Figure 1: HIP Toolkit. These components intertwine and build upon one another.

**Figure 1: HIP Toolkit**

<b>HIP Components</b>	<b>Informs</b>
Data and Project Inventory	Infrastructure barriers to housing
Housing Efficiency Analysis	Housing Efficient Areas in HIP
HIP Mapping	Living strategic analysis tool that show how housing and infrastructure interrelate
Affordable-by-Design Study	Menu of possible policies to increase housing attainability
Funding Strategies Assessment	Funding the region could pursue for HIP projects
Housing Highlights	Communication tool: Understanding the need for housing, affordability, and opportunities
Prioritization Considerations	Further refinement of the prioritization process and data

Agencies that supply or operate local infrastructure facilities identified 440 water, wastewater, and transportation infrastructure projects in the HIP project inventory. Of those, 18% (80 projects) were located within Housing Efficient Areas and identified as barriers to housing. About one quarter of the HIP projects are water related and the remaining are transportation improvements. The estimated total cost for all 80 HIP projects is over one billion dollars. This information can be seen via the interactive [HIP Mapping Tool](#).

BKF Engineering's HIP Funding Strategies Assessment evaluates the disparity between the cost estimate for each HIP identified project and the anticipated funding that could be obtained

through various financial mechanisms. The Funding Analysis involved several steps: a funding requirement determination, an evaluation of potential funding sources, an estimation of potential grant funding, and a funding gap calculation. With current grant funding sources, our region can optimistically be awarded around \$91 million dollars depending on a local jurisdiction's interest in pursuing and successful award for the potential funding identified for that project. That leaves a funding gap of about \$924 million dollars for infrastructure projects needed to support new housing development. More detail is available in Appendix B: Draft Funding Strategies Assessment.

Our region also wanted to look at the concept of Affordable-by-Design (ABD) and evaluate housing affordability characteristics. The intention of ECONorthwest's ABD study was to identify if certain units (without financial assistance or deed restrictions) could be considered affordable as either low- or moderate-income units and if so, how to incentivize ABD development. The ABD Study collected rental and for-sale housing data, interviewed local housing developers, created a unit feasibility analysis, collected case study examples, and identified policies that could incentivize ABD units. The ABD Study revealed that the rental market may be able to produce ABD housing in at least some parts of the region and is likely within a range where regulatory changes could make a difference. However, a longer approach is needed on the for-sale side since the gap between market sales prices and the target sales prices for moderate-income households is likely too large to overcome through design and regulatory measures alone. More detail is available in Appendix A: Draft Affordable-by-Design Study.

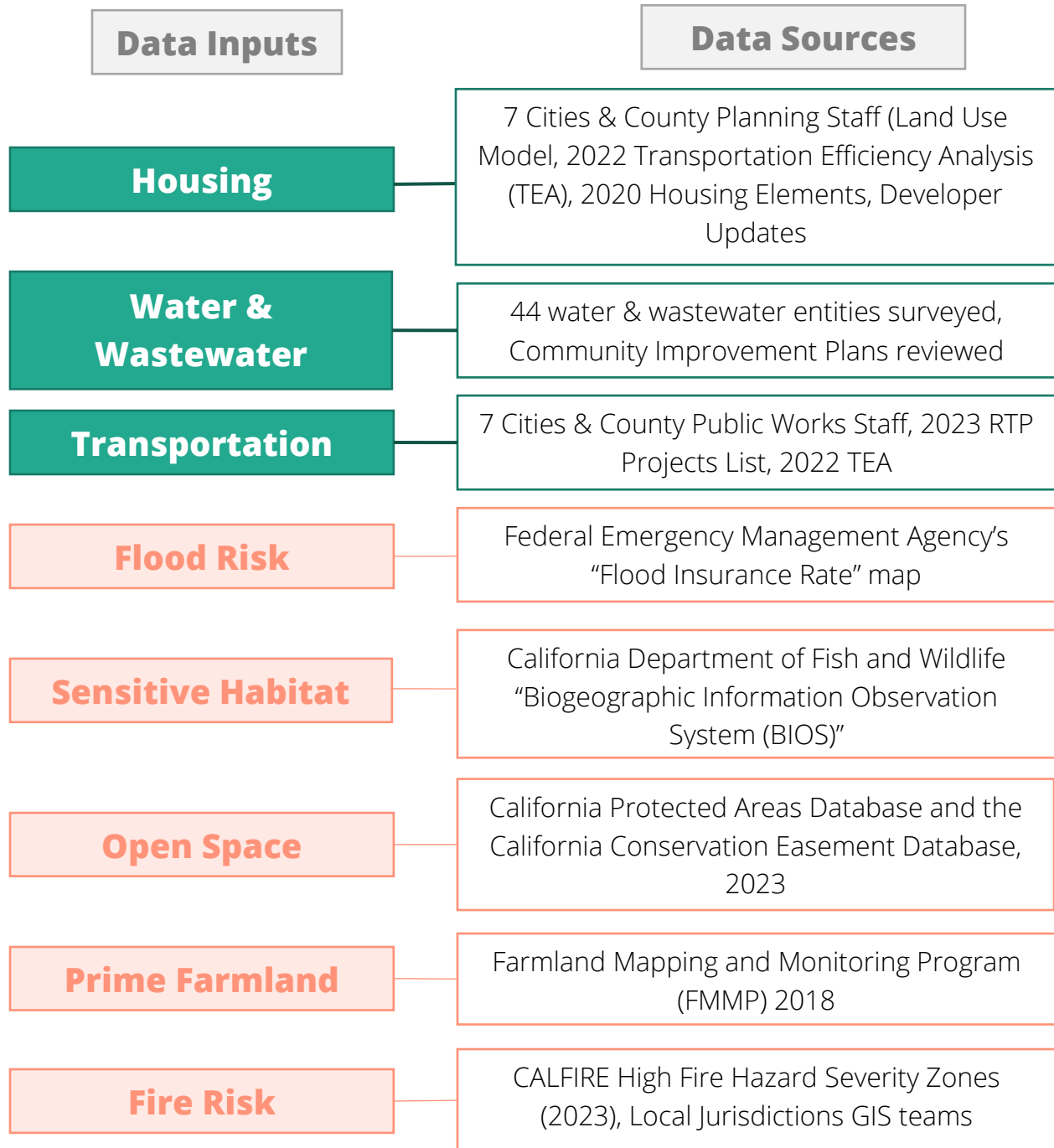
There have been bright spots of success: thoughtful projects developed with engagement from the community, progress in streamlining processes and allowing new types of housing. There has been increased collaboration between the cities and County as well as between public and private partners. Through these efforts, projects are shifting to balance community character and ranges of affordability in positive ways. Created by REACH and Koble Collaborative, the HIP Housing Highlights provides a quick look at what is driving the effort, some highlights of progress, and the opportunities ahead. More detail is available in Appendix C: Draft Housing Highlights.

## **DATA AND PROJECT INVENTORY**

The HIP analyzes the transportation, water, and wastewater infrastructure barriers to housing development. Figure 2 provides the source details on the data used in the HIP analysis.



**Figure 2: Data Inventory Sources**



*Housing*

Proposed residential developments within the seven cities and unincorporated county were collected from planning staff in 2021. This data includes specific plans, proposed residential and mixed-use projects projected for to be built between now and 2045, in alignment with

existing community plans. Residential development that has been completed or near completion was removed from the HIP analysis.

### *Water & Wastewater*

In early January 2023, SLOCOG staff contacted the 44 water and wastewater agencies found in the 2021 Regional Water Infrastructure Resiliency Plan. Five initial questions were asked to the agencies:

1. Is your agency fulfilling its water/wastewater service demand?
2. Do you have capacity to serve additional housing units?
3. Is your agency experiencing any infrastructure limitations or does it have any infrastructure needs?
4. Have they been planned for?
5. Is there a cost estimate for these improvements?

The data collected includes the findings of the 2021 Regional Water Infrastructure Resiliency Plan, agency responses, local capital improvement project lists, and information from the County of San Luis Obispo's Water Team. Water and wastewater service districts were used as water boundaries. Detailed GIS based data from these agencies is limited and water capacity data will be informed by the County's Master Water Report Update. However, infrastructure projects, estimated costs, and timing were all collected. In 2023, 45 water and wastewater projects were collected from the agencies.

### *Transportation*

Transportation infrastructure was studied in the Transportation Efficiency Analysis (TEA) which the SLOCOG Board approved in April 2022. The TEA identified transportation barriers to housing production which resulted in a list of transportation projects that were prioritized as either land use necessitated or land use beneficial. Land use necessitated projects were transportation projects required for new housing development. These projects are considered TEA priority projects because they are needed to accelerate housing development. Land use beneficial projects are transportation projects that are not required for housing development but improve the transportation efficiency of an area. Of the 350+ transportation investments contained within the 2023 Regional Transportation Plan (RTP), 64 transportation investments were identified as TEA projects. In 2023, the San Luis Obispo Regional Transit Authority (RTA) provided details on transit projects and additional improvements needed to best serve additional housing development. The transportation infrastructure list was further refined in the HIP analysis and prioritized differently.

### *Bonus Layers*

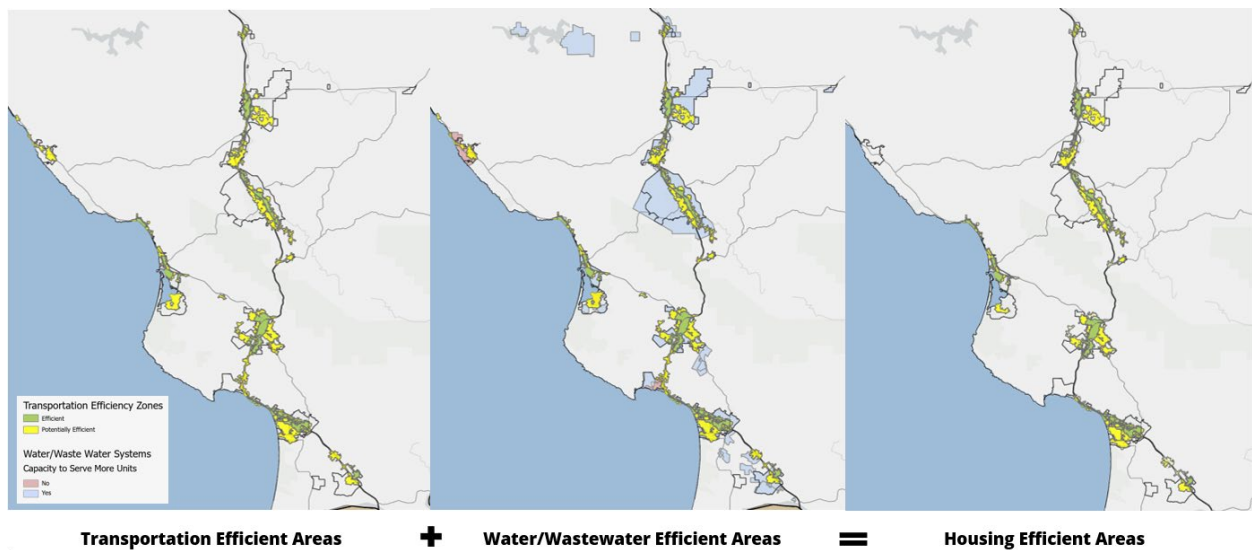
The HIP analysis provides the data that connects infrastructure and housing on a regional scale for the first time. The 2023 effort is also the first phase of the analysis. When planning for housing, land conditions are carefully considered. To provide a fuller picture, flood hazard,

sensitive habitat, open space, prime farmland, and fire hazard severity data were included as additional reference information. These were not used to remove infrastructure projects from the HIP list but are there to provide additional context.

## HOUSING EFFICIENCY ANALYSIS

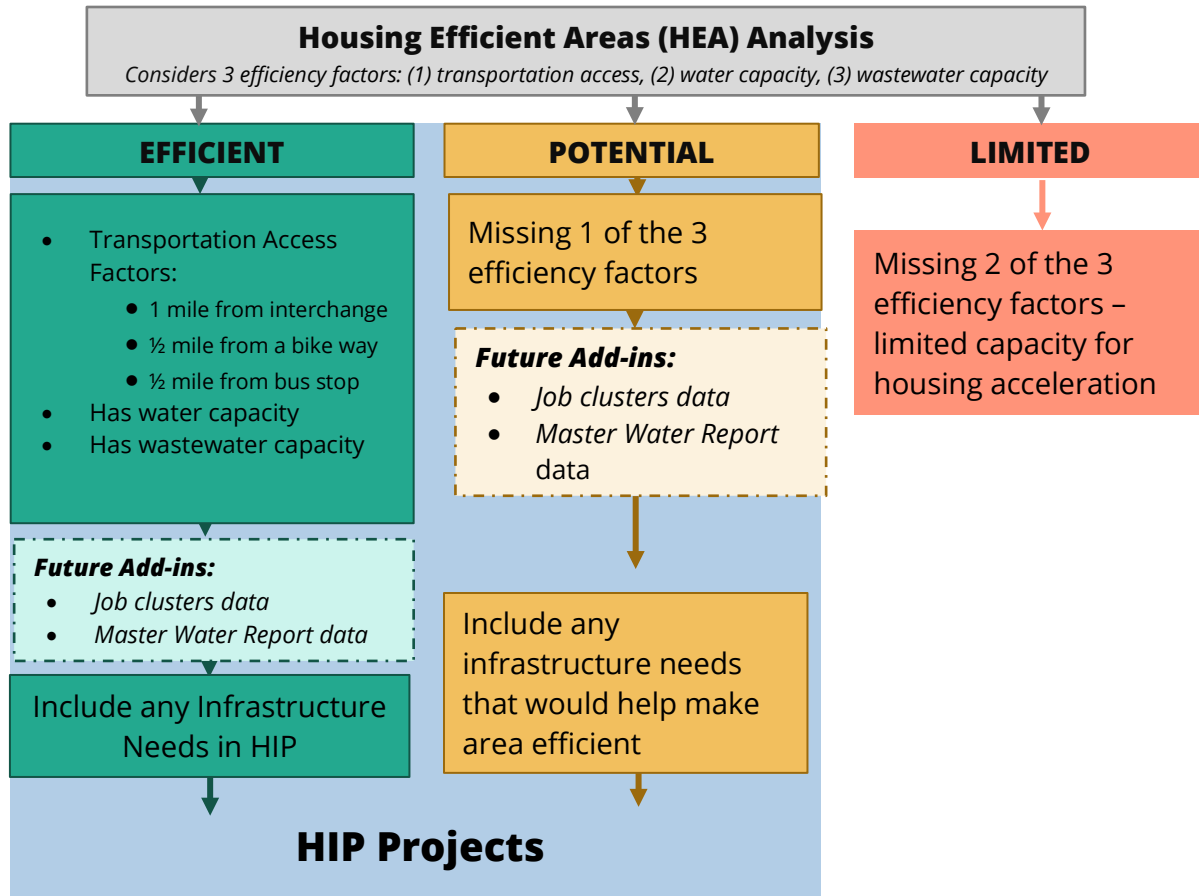
The Housing Infrastructure Analysis looks at three efficiency factors: transportation access, water capacity, and wastewater capacity. By combining the three efficiency factors, housing efficient areas were identified. This is graphically represented in Figure 3: HIP Mapping Process. Any infrastructure projects located in the “efficient” or “potential” mapped areas moved on to the prioritization phase. All areas and projects that were considered “limited” were removed from further analysis. The HIP in no way removes land use authority from local jurisdictions or changes zoning of an area. The Communities of Shandon, Avila Beach, and Cambria were removed from HIP analysis since they did not meet the efficiency criteria.

**Figure 3: HIP Mapping Process**



There were 440 infrastructure projects collected as part of the data inventory. Of those, 18% (80 projects) were located within a Housing Efficient Area. The 80 projects moved on to the prioritization phase. The flow of the analysis can be seen in Figure 4: HIP Analysis Process.

**Figure 4: HIP Analysis Process**



The draft HIP list contains 80 infrastructure projects with an estimated total funding gap of more than one billion dollars in need. As seen in Figure 5: Draft HIP List Summary, one quarter of the needed infrastructure investments are water-related (supply & wastewater).

**Figure 5: Draft HIP List Summary**

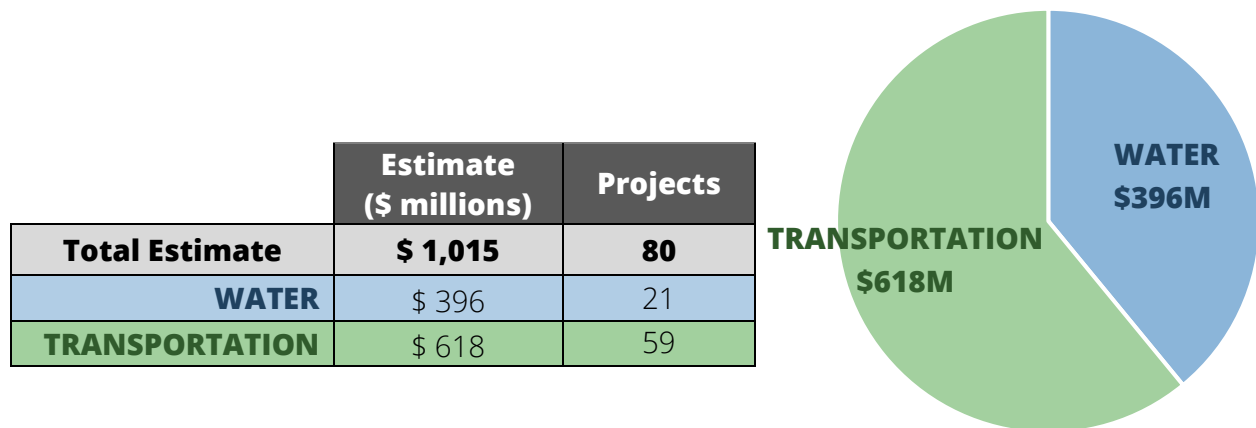


Figure 5: HIP Projects by Community breaks down the total number of HIP projects and the total estimated investment needed by the community. Among the 80 total projects, three are listed as multijurisdictional projects including Central Coast Blue, the Regional Transit Authority Cashless Fare System Conversion, and the North County Transit Charging Facility. In Figure 6, these are listed as a separate row and are not included individually in the "HIP Projects" column for each community. However, multijurisdictional project costs are included in the community's total investment needed.

**Figure 6: HIP Projects by Community**

Community	HIP Projects	Total Estimated Investment Needed (\$ millions)
<i>Multijurisdictional*</i>	3	\$ 95
<b>Arroyo Grande</b>	1	\$ 136
<b>Atascadero</b>	4	\$ 112
<b>Grover Beach</b>	4	\$ 54
<b>Morro Bay</b>	1	\$ 22
<b>Paso Robles</b>	17	\$ 184
<b>Pismo Beach</b>		\$ 18
<b>San Luis Obispo</b>	26	\$ 267
<b>County</b>	22	\$ 172
Cayucos	2	\$ 8
Los Osos	3	\$ 15
Nipomo	6	\$ 34
Oceano	1	\$ 4
San Miguel	1	\$ 41
Santa Margarita	1	\$ 2
Templeton	7	\$ 66
<b>Cal Poly</b>	2	\$ 50
<b>Total Projects</b>	<b>80</b>	<b>\$ 1,015</b>

Ninety-nine percent of the region’s population lives in four out of five subregions: North County, Central County, North Coast, and South County. The North and Central subregions have most of the HIP projects and combined make up an estimated 81% of the proposed new housing units in the entire region.

- North Coast (Los Osos, Morro Bay, and Cayucos)
- North County (Santa Margarita, Atascadero, Templeton, Paso Robles, San Miguel)
- South County (Pismo Beach, Grover Beach, Arroyo Grande, Oceano, Nipomo)
- Central County (San Luis Obispo)

\*The Communities of Shandon, Avila Beach, and Cambria were removed from HIP analysis since they did not meet the efficiency criteria.

**Figure 7: HIP Projects by Subregion**

Subregion	Total Proposed Dwelling Units	HIP Projects	Total Estimated Investment Needed (\$ millions)
North County	6,540	31	\$ 405
Central County	6,171	29	\$ 319
North Coast	127	6	\$ 45
South County	2,876	13	\$ 246
			<b>\$ 1,015</b>

The complete HIP list can be viewed in Appendix D: HIP Project List.

## HIP MAPPING TOOL

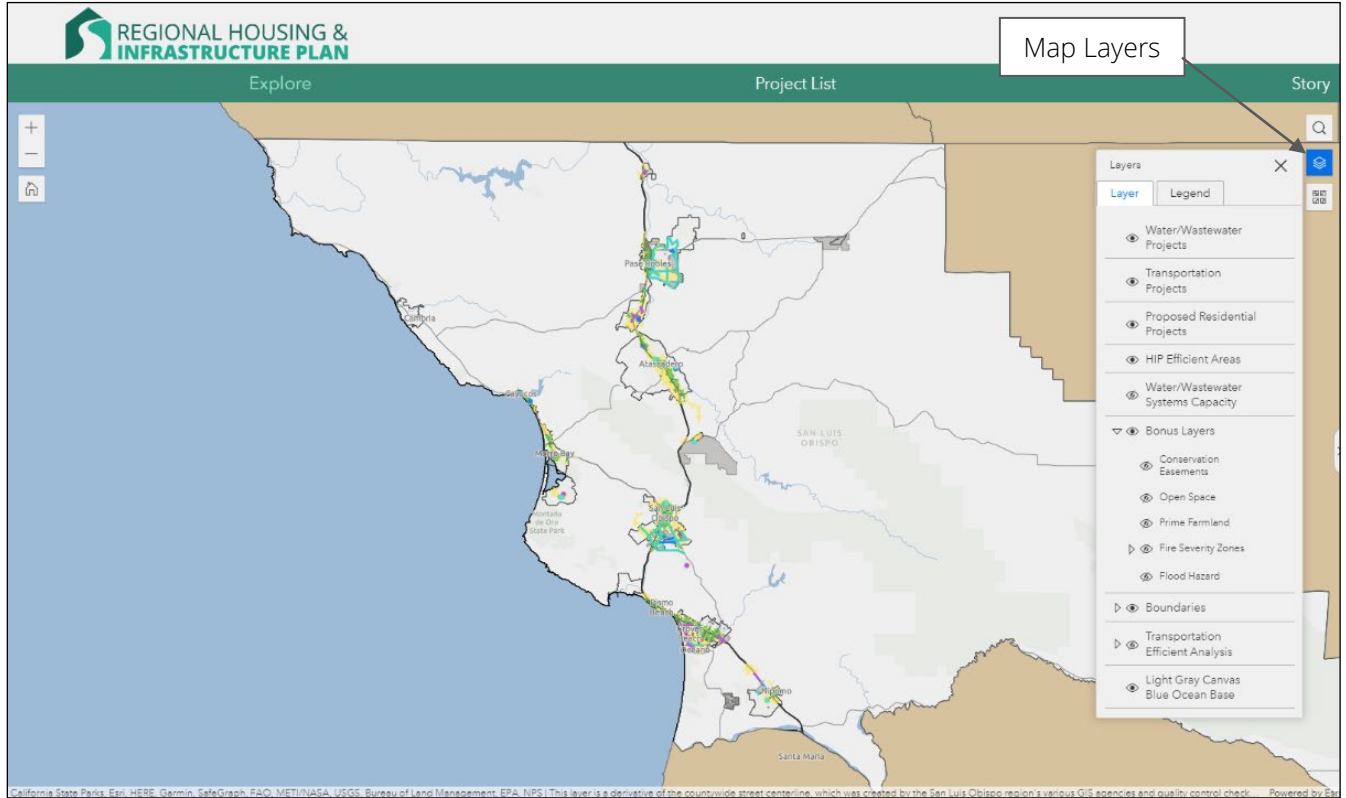
The [HIP Mapping Tool](#) is an interactive, region-wide web app that supplements this plan. It was created to illustrate the HIP geographical analysis and support communication and collaboration. The web app includes three pages.

On the Explore page (shown below), users can pan/zoom around the Region to view and click on infrastructure projects. Transportation projects are symbolized with lines and open circles, and water/wastewater projects are symbolized with points. Bonus layers may be added to the map by clicking the map layers icon and opening the "bonus layers" group. Residential projects, symbolized by grey polygons, may also be selected to learn more information.

On the Project List page, users can sort infrastructure projects by water and transportation. Both lists are collapsible. When a project is selected on the list, the map will zoom to the project. The user may also click on the project on the map to view a pop-up showing the name, description, and estimated cost.

On the "Story" page of the tool, users may scroll through the HIP Storymap. It includes a quick summary of the HIP, the four-step geographic analysis, a timeline, and a link to the draft plan. This tool was created using ArcGIS Experience Builder, ArcGIS Pro, ArcGIS Online, and ArcGIS Storymaps.

**Figure 8: HIP Mapping Tool**



## AFFORDABLE-BY-DESIGN STUDY

Our region also wanted to look at the concept of Affordable-by-Design (ABD) and evaluate housing affordability characteristics. The intention of ECONorthwest’s ABD study was to see if certain units (without financial assistance or deed restrictions) could be considered affordable as either low- or moderate-income units and if so, how to incentivize ABD development. The ABD Study collected rental and for-sale housing data, interviewed local housing developers, created a unit feasibility analysis, collected case study examples, and identified polices that could incentivize ABD units. The ABD Study revealed that the rental market may be able to produce ABD housing in at least some parts of the County and is likely within a range where regulatory changes could make a difference. However, a longer approach is needed on the for-sale side since the gap between market sales prices and the target sales prices for moderate-income households is likely too large to overcome through design and regulatory measures alone. More detail is available in Appendix A: Draft Affordable-by-Design Study.

## FUNDING STRATEGIES ASSESSMENT

BKF Engineering’s HIP Funding Strategies Assessment evaluates the disparity between the cost estimate for each HIP identified project and the anticipated funding that could be obtained through various financial mechanisms. The Funding Analysis involved several steps: a funding

requirement determination, an evaluation of potential funding sources, an estimation of potential grant funding, and a funding gap calculation. With current grant funding sources, our region can optimistically be awarded around \$91 million dollars depending on a local jurisdiction's interest in pursuing funding for that project. That leaves a funding gap of about \$924 million dollars for infrastructure projects needed for housing development. More detail is available in Appendix B: Draft Funding Strategies Assessment.

## HOUSING HIGHLIGHTS

There have been bright spots of success: thoughtful projects developed with engagement from the community, progress in streamlining processes and allowing new types of housing. There has been increased collaboration between cities as well as between public and private partners. Through these efforts, projects are shifting to balance community character and ranges of affordability. Created by REACH and Koble Collaborative, the HIP Housing Highlights provides a quick look at what is driving the effort, some highlights of progress, and the opportunities ahead. More detail is available in Appendix C: Draft Housing Highlights.

## STAKEHOLDER ENGAGEMENT STRATEGY

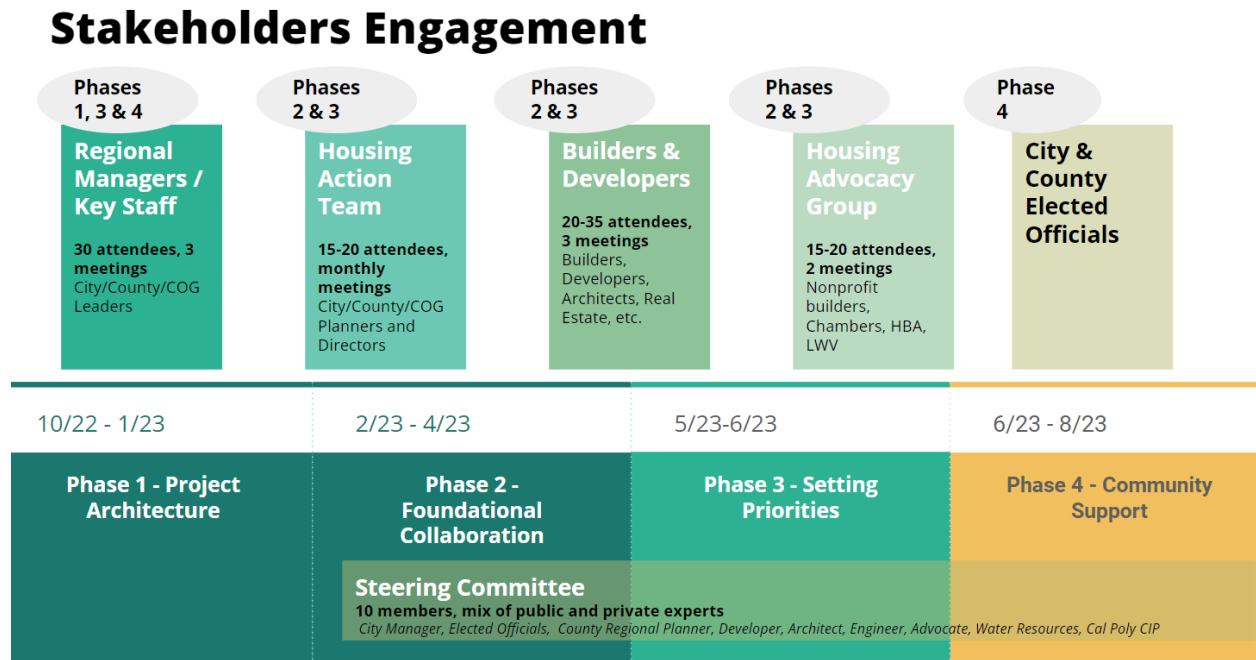
The HIP engagement strategy established four outreach objectives:

- Foster ongoing collaboration and buy-in among private and public stakeholders.
- Remind government/elected officials of the Regional Compact and the motives behind it to lay groundwork for their commitment to the 2023 regional HIP.
- Build public sentiment in support of solutions and regional planning efforts related to HIP.
- Support effective coordination with and communication among SLOCOG, HIP consultants and the Comprehensive Economic Development Strategy (CEDS) teams.

The San Luis Obispo region laid out aspirational goals for the future of housing and infrastructure in its Regional Compact, but those can only be achieved through the decisions and actions of organizations and stakeholders. The stakeholder meetings were designed to create space for honest conversations about what each organization can and needs to do to realize those goals. Figure 9 depicts the timeline and amount of engagement conducted during the 2023 HIP.



**Figure 9: HIP Stakeholder Engagement**



The following list are the key stakeholder groups engaged – totaling approximately 150 individuals that participated during the HIP development process in January - August 2023:

*Regional Managers/ Key Staff:* A key driving force behind developing this plan has been regional leadership, including eight City Managers, County Administrative Officer, SLOCOG Executive Director (and key directors from their organizations).

*Building & Development Cluster:* Leaders in the building and development industry that convene quarterly with the goal of regional coordination focused on aligning housing and infrastructure needs to create a strong local economy.

*Housing Advocacy Group:* Organizations and individuals that have significant influence in the community, with representation from the non-profit builders, local chambers of commerce and various advocate organizations.

*Housing Action Team:* Work group made up of planning and community development staff from Cities, County, and SLOCOG.

*Community Stakeholders:* The broader community had opportunities to provide input through public updates to SLOCOG Board and its advisory committees, as well as through presentations to their community's Councils and Boards of interest in Summer 2023.

*HIP Steering Committee:* Formed to oversee the vision for the HIP Outreach Strategy and to bring leaders from each of these stakeholder groups together, aligning and integrating the various interests that will lead to action on the region's priorities.

*Elected Officials:* Two City Council Members with knowledge of regional differences bring the various perspectives and concerns voiced by their respective constituents for this HIP Steering Committee. The full 40 elected officials within the region have an opportunity to hear about the plan through public updates to SLOCOG Board as well as through presentations of the recommended HIP to their Councils and Boards in Summer 2023.

**Figure 10: City Council & County Board of Supervisor HIP Schedule**

June 27, 2023	City of Morro Bay Council
July 11, 2023	City of San Luis Obispo Council
July 11, 2023	City of Atascadero Council
July 18, 2023	City of Paso Robles Council
July 18, 2023	City of Pismo Beach Council
July 24, 2023	City of Grover Beach Council
July 25, 2023	City of Arroyo Grande Council
August 8, 2023	County Board of Supervisors

At the time of this release (July 21), staff presented the HIP to five City Councils. To-date, Councils have offered rich feedback related to the approach and overall regional strategy. However, to not over accentuate a few Councils’ comments prior to the remaining Council presentations, key input themes will be presented during the August 2<sup>nd</sup> SLOCOG Board Meeting.

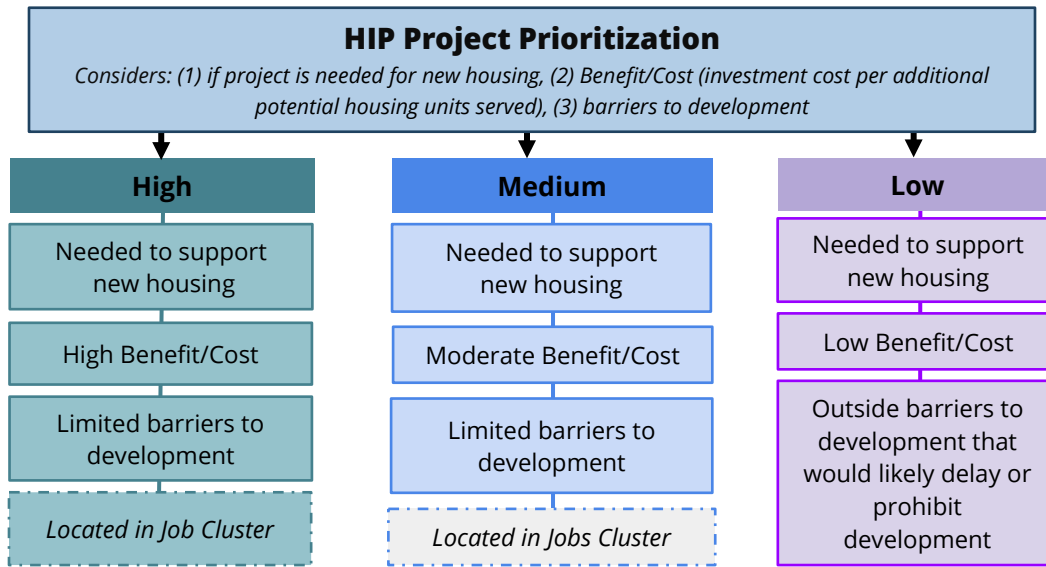
## **PRIORITIZATION CONSIDERATIONS**

### **Infrastructure Prioritization**

Based on input from stakeholders in February & March 2023, the HIP infrastructure projects were prioritized to maximize ability to accelerate housing within housing efficient areas, considering three factors: (1) if project is needed for new housing; (2) benefit/cost (investment cost per additional potential housing units served); and (3) barriers to development. Barriers to development include instances such as a building moratorium. These barriers are outside the controls of the HIP and slow housing development. The prioritization process can be seen in Figure 11: Prioritization Factors.

Infrastructure projects were divided into two lists, water and transportation, and then prioritized. It was concluded that transportation projects, in general, could be built at various stages of housing development. Whereas housing cannot be built without adequate water distribution and collection infrastructure. Each list was sorted by highest benefit/cost and the total funding need for the list was divided by three. The premise of the 2023 HIP is to accelerate housing development, so the vetted prioritization factors relate solely to the total amount of proposed housing. In the future, other factors like jobs-housing balance and proposed housing unit type could be considered.

**Figure 11: Prioritization Factors**



The tiered priorities in Figure 11 and Figure 12 were not finalized based on initial feedback from the City Councils in Summer 2023 and require more discussion. These factors were vetted multiple times but as a living document, there is room for continued refinement of the process and data. Currently, there is no funding specifically tied to the 2023 HIP so prioritizing the 80 HIP projects further is unnecessary. However, the identification of the 80 HIP projects (from 440) is a critical first step in linking the region’s efficient housing areas to infrastructure projects.

**Figure 12: Results from Prioritization Exercise**

	<i>Estimate (\$ Millions)</i>	<i>Projects</i>
<b>Estimate for all HIP Projects</b>	<b>\$ 1,014</b>	<b>80</b>
High	\$ 348	54
Medium	\$ 385	10
Low	\$ 281	16

### Future Data Considerations

Creating balanced communities is one of the six 2020 Regional Housing Compact goals. The 2023 Sustainable Communities Strategy defines a jobs-housing balanced community as:

*A community where residents can both live and work. With jobs and housing in close proximity, vehicle trips and commute times reduce and active transportation*

*and transit use increase. These balanced communities also provide a broad mix of housing options to accommodate households with a range of incomes.*

As a proactive measure, the jobs-housing balance of communities was analyzed using live/work percentages. A live/work percentage is the total number of employees living and working in the city or community boundaries divided by the total workers living in that boundary. In future iterations of the HIP, jobs-housing balance could be integrated through the live/work percentage and additional job cluster data as mentioned in Figure 4: HIP Analysis Process and Figure 13: Future Data Considerations by Community.

**Figure 13: Future Data Considerations by Community**

<b>Community</b>	<b>Number of Total Proposed Dwelling Units</b>	<b>% of Multi-family units proposed</b>	<b>Live Work Percentage</b>
<b>Arroyo Grande</b>	600	18%	14%
<b>Atascadero</b>	722	75%	21%
<b>Grover Beach</b>	624	81%	9%
<b>Morro Bay</b>	120	47%	21%
<b>Paso Robles</b>	4,959	42%	28%
<b>Pismo Beach</b>	297	30%	12%
<b>San Luis Obispo</b>	6,171	58%	41%
<b>County</b>	2,221	25%	
<i>Cayucos</i>	7	0%	13%
<i>Los Osos</i>	-	0%	11%
<i>Nipomo</i>	1,351	34%	9%
<i>Oceano</i>	4	100%	4%
<i>San Miguel</i>	152	0%	3%
<i>Santa Margarita</i>	514	10%	2%
<i>Templeton</i>	193	19%	12%
<b>Total</b>	<b>15,714</b>		

Source: Longitudinal Employer-Household Dynamics (LEHD) 2019, SLOCOG GIS 2021

Figure 13 and Figure 14 are for reference purposes only. This information is included since it relates to goals found in the 2020 Regional Housing Compact, HIP stakeholder interest, and relates to the 2023 Affordable-by-Design Study. The 2023 Affordable-By-Design Study has shown that units within the multi-family category, depending on how and where designed, can lead to more aligned units in the low- and moderately priced income categories.

**Figure 14: Future Data Considerations by Subregion**

<i>Subregion</i>	<i>Number of Total Proposed Dwelling Units</i>	<i>% of Multi-family units proposed</i>	<i>Live Work Percentage</i>
<i>North County</i>	<i>6,540</i>	<i>42%</i>	<i>40%</i>
<i>Central County</i>	<i>6,171</i>	<i>58%</i>	<i>44%</i>
<i>North Coast</i>	<i>127</i>	<i>44%</i>	<i>27%</i>
<i>South County</i>	<i>2,876</i>	<i>41%</i>	<i>27%</i>

Source: Longitudinal Employer-Household Dynamics (LEHD) 2019, SLOCOG GIS

## **CONCLUSION**

The 2023 HIP is the first planning tool of its kind, and it is intended to be a living document. For the last five years, collaboration has continued to build, and these incremental steps have allowed the region to make progress in addressing the monumental challenges of the housing and infrastructure shortage. Nothing in the HIP mandates any of the Cities, County, or SLOCOG to take certain actions, but rather offers analysis to inform decisions and tools to support our communities moving forward. It is understood that each community is unique and must consider what works for their community while considering how to be a good regional partner. The 2023 HIP moves the region one step further in a larger and ongoing regional collaborative effort to develop an adequate supply of housing, create resilient infrastructure, and support our economic prosperity.

## **APPENDIX**

### **Appendix A: Draft Affordable-by-Design Study**

### **Appendix B: Draft Funding Strategies Assessment**

### **Appendix C: Draft Housing Highlights**

### **Appendix D: 2023 HIP Projects**

### **Appendix E: Regional Compact & Housing Element Regional Chapter**