



## **STAFF REPORT TO THE CITY COUNCIL**

**DATE:** Regular Meeting of March 24, 2026

**TO:** Mayor and Members of the City Council

**VIA:** Dante Hall, City Manager

**SUBMITTED BY:** Timothy Rood, AICP, Community Development Director

**SUBJECT:** 2025 Annual Housing Element Progress Report

### **RECOMMENDED ACTION:**

Approve report for submittal to the 2025 Annual Housing Element Progress Report (Attachment 1) to the California Department of Housing and Community Development (HCD) and other applicable agencies.

### **BACKGROUND:**

Government Code Section 65400 requires each local government to complete a Housing Element Annual Progress Report (APR) on the status and progress in implementing the jurisdiction's Housing Element. The annual report is submitted to the Department of Housing and Community Development (HCD) and the Governor's Office of Land Use and Climate Innovation by April 1st of each year for the prior calendar year. In the Bay Area, copies of the approved Housing Element APR report are also forwarded to the Association of Bay Area Governments (ABAG) and Contra Costa Transportation Authority (CCTA).

The report must be reviewed by the local governing body, which can be done before or after submitting to the State. After review by the City Council, staff will submit the APR to HCD and other agencies to ensure compliance with the State deadline of April 1, 2026, for the 2025 reporting period.

HCD provides a standard template that cities complete to fulfill statutory requirements for reporting on housing information – including housing production and affordability, implementation of Housing Element programs, and local efforts to remove governmental constraints to the development of housing.

The City Council may accept the report via minute action instead of by resolution.

## **ANALYSIS:**

The draft Hercules 2025 Annual Housing Element Progress Report (Attachment 1) provides a comprehensive overview of the City's progress within the 2023-2031 Housing Element cycle. It effectively outlines the number of new residential units constructed during the reporting period, categorizing them by income levels. This breakdown allows for a detailed examination of how well the City is meeting the diverse housing needs of its residents.

One key aspect of the report is its comparison of the new residential units to the regional housing needs allocation (RHNA) assigned to the City for the entire Housing Element period (2023-2031). This comparison offers valuable insight into whether the City is on track to meet its mandated housing targets. By assessing progress against the RHNA, city planners and stakeholders can identify areas of success and areas that may require additional focus or resources.

Furthermore, the report delves into the many new housing policies and programs mandated by the State through the Housing Element review process, providing an analysis of the progress made in achieving the goals, metrics and timelines outlined within these policies. The Council's attention is particularly directed to Table D of the report, which discusses each of the 24 housing programs identified in the Housing Element, including their objectives, the status of program administration, and targeted timeframes and metrics. The City engaged a consultant, RSG, to assist in implementing these new housing programs and has also contracted with a non-profit organization, Rebuilding Together East Bay Network, for the new home repair program for low-income homeowners.

Overall, the draft Hercules 2025 Annual Housing Element Progress Report serves as a vital tool for monitoring and evaluating the City's efforts to address housing challenges. The report's detailed analysis provides valuable insights that can inform future policy decisions and resource allocations to ensure continued progress towards meeting the housing needs of Hercules residents.

## **Summary**

The Annual Housing Report for 2025 requires the reporting of the following for every housing unit:

- When housing development applications are submitted;
- When entitlements are completed;
- When building permits are issued;
- When certificates of occupancy are issued;
- Affordability of all units in any phase of development; and,
- Additional information regarding other ancillary information.

Key housing information for 2025 reflected in the report includes:

- **Table A (Housing Development Application Submitted):** Table A includes data on housing units and developments for which an application was determined to be complete between January 1 and December 31 of the reporting year. A total of 365 units, including seven (7) Accessory Dwelling Units (ADU), 162 units within the Emblem Hercules project, and 178 units within the Waterfront District Master Planning area (Blocks A, B, C, D, and J) were submitted for entitlement approval during 2025. Of the 365 units, 58 are low-income deed-restricted.

The Association of Bay Area Governments (ABAG), in partnership with Bay Area jurisdictions, has been administering an affordability survey to learn more about the rents of newly built ADUs. Based on the results of the surveys, the California Department of Housing and Community Development (HCD) is comfortable with ABAG jurisdictions using the following assumptions in their APR 2025 and 2026:

- 30% very low income
- 30% low income
- 30% moderate income
- 10% above moderate income

As such, of the seven (7) ADU applications submitted to the City in 2025, the following affordability assumptions are made:

- 2 – very low-income non-deed-restricted
- 2 – low-income non-deed-restricted
- 2 – moderate-income non-deed-restricted
- 1 – above moderate-income non-deed-restricted

- **Table A2 (Completed Entitlement, Issued Building Permit or Certificate of Occupancy):** This table follows the dwelling units from entitlement approval to the building, and certificate of occupancy (final inspection) phases of a project, and includes:

- Four (4) ADUs and 171 units within the Waterfront District Master Planning area (Blocks K, L, M, O and P) **completed entitlements**.
  - ADU affordability assumptions: One (1) above moderate-income non-deed-restricted, one (1) moderate-income non-deed-restricted, one (1) low-income non-deed-restricted, and one (1) very low-income non-deed-restricted.
  - Waterfront Blocks K, L, M, O, P and J affordability: Ten (10) low-income deed-restricted.

- Three (3) ADUs and 1 single-family dwelling (Owl Ranch Subdivision), **received building permits.**
  - ADU affordability assumptions: One (1) above moderate-income non-deed-restricted, one (1) moderate-income non-deed-restricted, one (1) low-income non-deed-restricted and one (1) very low-income non-deed-restricted.
- Four (4) ADUs and 37 single-family dwellings (Owl Ranch Subdivision) **received certificates of occupancy.**
  - ADU affordability assumptions: One (1) moderate-income non-deed-restricted, one (1) low-income non-deed-restricted and one (1) very low-income non-deed-restricted.
  - Owl Ranch Subdivision affordability: One (1) low-income deed-restricted, and one (1) moderate-income deed-restricted
- **Table B: Progress on Regional Housing Needs Allocation (RHNA) for the 2023-2031 housing cycle.** Table B reports building permits issued in the current planning cycle.
  - 19 above-moderate income affordable (i.e., market rate units), 309 units short of RHNA of 327 units;
  - One (1) moderate-income affordable units (i.e., affordable at up to 120% of area median income), 125 units short RHNA of 126 units;
  - Two (2) low-income affordable units (i.e., affordable at up to 80% of area median income), 196 units short of RHNA of 198 units;
  - One (1) very low-income affordable unit (i.e., affordable at up to 50% of area median income), 343 units short of RHNA of 344 units.
- **Table C:** The City identified three (3) sites to accommodate additional housing. None of the sites required rezoning to accommodate the realistic or proposed housing capacity.
  - 1352 Willow Ave.: A vacant 2.1-acre parcel zoned New Town Center with the realistic capacity for 140 very low-income dwelling units.
  - 1350 Willow Ave.: An underutilized light industrial 1.77-acre parcel zoned New Town Center with the realistic capacity for 137 very low-income dwelling units.
  - Bayfront Blocks F and H: An SB 35 application that include two (2) parcels within the Waterfront District Master Plan was submitted. The development proposes a total of 83 units, including 29 extremely low, 16 very low, 27 low-income, 10 lower income and one (1) market rate manager's unit.

- **Table D:** The City made progress in implementing many objectives required by the 2023-2031 Housing Element. Key progress includes bringing a consultant on board to assist with implementing many of the new housing programs, including first-time homebuyer assistance, affordable housing partnerships and funding sources, expansion of housing choice voucher use, developing guidelines and criteria for replacing affordable housing replacement units within development projects, fair housing assistance and outreach, and developer convenings.
- **Table E:** No commercial development bonuses approved.
- **Table F:** No affordable units rehabilitated, preserved, or acquired.
- **Table F2:** No above-moderate income units converted to moderate income units.
- **Table G:** No City-owned land sold, leased, or otherwise disposed.
- **Table H:** No City-owned surplus lands.
- **Table J:** No lower-income student housing.
- **Table K:** The City adopted a local tenant prioritization provision in 2021 as part of its Affordable Housing Policy and then updated the policy in 2024, retaining the local tenant prioritization provision.
- **Table L:** No new sites have been added to the National, State or Local register of historic places.
- **LEAP Reporting:** No reporting for Local Early Action Planning grant and other funding (Regional Early Action Planning (REAP)).

#### **FISCAL IMPACT:**

No direct financial impact of filing the annual housing report; however, failing to file the annual housing report can negatively impact the potential receipt of various grant and regional funds.

#### **ATTACHMENTS:**

Attachment 1: 2025 Annual Housing Element Progress Report