



TOWN OF LOS GATOS
COUNCIL POLICY COMMITTEE REPORT

MEETING DATE: 09/24/2019

ITEM NO: 5

DATE: September 20, 2019
TO: Council Policy Committee
FROM: Laurel Prevetti, Town Manager
SUBJECT: Discuss and Provide Direction on a Planning Grants Program Application

RECOMMENDATION:

Discuss and provide direction on a Planning Grants Program application.

BACKGROUND:

In 2017, Governor Brown signed a 15-bill housing package aimed at addressing the State's housing shortage and high housing costs. Specifically, it included the Building Homes and Jobs Act (SB 2), which establishes a \$75 recording fee on real estate documents to provide a permanent source of funding, intended to increase the supply of affordable homes in California.

The legislation directs the Department of Housing and Community Development (HCD) to use 50 percent of the first year's revenue (January through December 2018) to establish a Planning Grants Program (PGP) that provides financial and technical assistance to local governments to update planning documents and land-use ordinances. A maximum award amount of \$160,000 is available for localities with a population of less than 60,000 people. The application period is anticipated to end on November 30, 2019 (see Attachment 1).

The program provides grants through a noncompetitive, over-the-counter process to eligible local governments (cities and counties) who must: have an HCD-compliant housing element, have submitted a recent Annual Progress report, demonstrate a nexus to accelerating housing production, and demonstrate consistency with State Planning Priorities (Government Code Section 65041.1) or other planning priorities.

PREPARED BY: JOEL PAULSON
Community Development Director

Reviewed by: Town Manager and Town Attorney

BACKGROUND (continued):

Applicants proposing activities in at least one of the Priority Policy Areas below are automatically deemed to demonstrate a nexus to accelerating housing production without any further documentation:

- **Rezone to Permit By-right:** Rezoning for significant additional housing capacity without or with lesser discretionary review or establishing zoning to permit residential development by-right, particularly multifamily, without discretionary action pursuant to Government Code Section 65583.2(h) and (i).
- **Objective Design and Development Standards:** Developing objective design standards or pre-approved site and architectural plans that facilitate non-discretionary permitting.
- **Specific Plans or Form based Codes Coupled with CEQA Streamlining:** Designating and rezoning for additional housing capacity or preparing specific plans or form codes that include zoning and development standards and plan-level environmental analysis that can be used to streamline future housing projects and facilitate affordability.
- **Accessory Dwelling Units or Other Innovative Building Strategies:** Encouraging ADUs and other innovative building types through actions above state law such as, outreach, fee waivers, pre-approved plans, website zoning clearance assistance, and other homeowner tools or finance tools. Also, establishing other approaches to intensify existing lower density residential areas and “missing model” typologies to encourage significantly more residential development (e.g., duplexes, triplexes) in lower density residential areas.
- **Expedited Processing:** Speeding up approvals and permit processing, including instituting programs that streamline or consolidate the review process or create a separate process for expedited review of housing projects.
- **Housing Related Infrastructure Financing and Fee Reduction Strategies:** Develop and implement approaches to local, regional or sub-regional housing related infrastructure financing. Create plans and programs to finance and increase infrastructure with accompanying enhanced housing capacity, such as enhanced infrastructure financing districts. Fee reduction and rationalization approaches, such as reassessing fees to adhere to best practices in reducing costs, deferrals, sliding scales or proportionate impacts fees (e.g., ADUs, transit oriented, and infill development, special needs housing), or fee transparency measures including publicly available fee calculators.

Staff looks forward to the Policy Committee discussion and direction regarding whether the Committee recommends the Town submit a Planning Grants Program application, and if so, in which Priority Policy Area activities should be proposed.

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SUBJECT: State Planning Grant Application

DATE: September 20, 2019

COORDINATION:

The preparation of this report was coordinated with the Town Manager's and Town Attorney's Offices.

Attachment:

1. Notice of Funding Availability – SB 2 Planning Grants Program

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF FINANCIAL ASSISTANCE**

2020 W. El Camino Avenue, Suite 500
Sacramento, CA 95833
(916) 263-2771 / FAX (916) 263-2763
www.hcd.ca.gov



March 28, 2019

MEMORANDUM FOR: All Potential Applicants

FROM: Zachary Olmstead, Deputy Director
Division of Housing Policy Development

SUBJECT: NOTICE OF FUNDING AVAILABILITY -
SB 2 PLANNING GRANTS PROGRAM

The Department of Housing and Community Development (Department) is pleased to announce the release of this Notice of Funding Availability (NOFA) for approximately \$123 million under the Senate Bill 2 (SB 2, 2017) Planning Grants Program (PGP). SB 2 established a permanent source of funding intended to increase the affordable housing stock in California. The legislation directs the Department to use 50 percent of the first year's revenue to establish a program that provides financial and technical assistance to local governments to update planning documents and land-use ordinances. The PGP is intended for the preparation, adoption, and implementation of plans that streamline housing approvals and accelerate housing production.

In order to be eligible for grant funding, an applicant must submit a complete, signed original application and an electronic copy on CD or USB flash drive. OTC applications will be accepted for an eight-month period ending on **November 30, 2019**. The Department will only accept applications through a postal carrier service that provides date stamp verification confirming delivery to the Department's office, such as the U.S. Postal Service, UPS, FedEx, or other carrier services. No facsimiles, late applications, incomplete applications, application revisions, electronic submittals, or walk-in application packages will be accepted. All applications must be submitted to the Department at the following address:

**Department of Housing and Community Development
Division of Housing Policy Development
2020 West El Camino Ave, Suite 500
Sacramento, CA 95833**

PGP applications and forms are available on the Department's [website](#). Please refer to the [Planning Grants Program Guidelines](#) for detailed information on eligible activities, applicants, and awards. If you have questions regarding this NOFA, please email the Department at sb2planninggrant@hcd.ca.gov.

Attachment

PLANNING GRANTS PROGRAM (SB 2, 2017) 2019 NOTICE OF FUNDING AVAILABILITY



**State of California
Governor Gavin Newsom**

**Alexis Podesta, Secretary
Business, Consumer Services and Housing Agency**

**Ben Metcalf, Director
Department of Housing and Community Development**

**Zachary Olmstead, Deputy Director
Department of Housing and Community Development
Division of Housing Policy Development**

2020 West El Camino Avenue, Suite 500
Sacramento, CA 95833
Telephone: (916) 263-2771

Website: <http://www.hcd.ca.gov/grants-funding/active-funding/planning-grants.shtml>

Email: sb2planninggrant@hcd.ca.gov

March 29, 2019

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2019 NOTICE OF FUNDING AVAILABILITY SB 2 PLANNING GRANTS PROGRAM

I. Introduction

The Department is releasing this Notice of Funding Availability (NOFA) for approximately \$123 million to make funding available to all local governments in California under the Senate Bill 2 (SB 2) Planning Grants Program (PGP). The PGP program is intended for the preparation, adoption, and implementation of plans that streamline housing approvals and accelerate housing production.

The PGP is authorized by Health and Safety Code sections 50470 et seq. (Chapter 364, Statutes of 2017, (SB 2)). Funding is subject to the December 2018 Planning Grants Program Guidelines (hereinafter referred to as the “Guidelines”), which includes detailed information on eligibility requirements, conditions, and procedures for awarding funds.

II. Program Summary

SB 2 (2017) is part of a 15 bill housing package aimed at addressing the state’s housing shortage and high housing costs. Specifically, SB 2 established a permanent source of revenue intended to increase the affordable housing stock in California.

PGP grants are funded through 50 percent of the revenues collected during the first calendar year (January through December, 2018). The PGP program is a one-time component of SB 2 that, among other provisions, provides financial and technical assistance to local governments to update planning documents in order to:

- Accelerate housing production;
- Streamline the approval of housing development affordable to owner and renter households at all income levels;
- Facilitate housing affordability, particularly for all income groups;
- Promote development consistent with the State Planning Priorities; and
- Ensure geographic equity in the distribution and expenditure of allocated funds

The Department, in conjunction with the Governor’s Office of Planning and Research, will provide technical assistance to localities pursuant to the provisions set forth in Article VII, Section 700(a) through (e) of the Guidelines. For further information, contact the Department at sb2planninggrant@hcd.ca.gov for details regarding local technical assistance.

Please refer to the Guidelines for other administrative provisions not summarized in this NOFA.

III. Program Timeline

Pursuant to Section 500(a) of the Guidelines, funds will be initially available to eligible applicants on a noncompetitive, over-the-counter (OTC) basis. Applications will be accepted over an eight-month period, commencing from the date of the release of this NOFA (Section 500(b) of the Guidelines). See Table 1 below for the projected timeline for awards for the initial OTC period.

Table 1: *Projected Timeline for Awards for OTC Applications*

Event	Date(s)
NOFA release	March 28, 2019
NOFA-Application Workshops / Webinar Period	April 1 - May 1, 2019
Final due date for OTC applications	November 30, 2019
Supplemental round	TBD
Anticipated end of grant term	June 30, 2022

The Department anticipates awards in 2-3 month intervals, depending on the volume of applications, and reserves the right to make adjustments to the projected timeline at any time. If OTC funds are not fully awarded at the end of the eight-month period, the Department may extend the final OTC application due date or consider a supplemental funding round (Section 500(g) of the Guidelines). During any supplemental round, top priority will be given to localities that have not submitted a previous request for funding. All other applicants may be subject to competitive scoring criteria during any supplemental round (Section 500(g)(2) of the Guidelines).

IV. Funding Available

The Department determined maximum award amounts for large, medium, and small localities, based on population estimates from the Department of Finance (DOF). Table 2 below shows the minimum and maximum awards available pursuant to Article IV, Section 400 of the Guidelines. Applicants can view maximum award amounts for all jurisdictions [here](#).

Table 2: *Minimum and Maximum Award Amounts*

All Localities	Large Localities – Defined as ≥ 200,000 people	Medium Localities – Defined as 60,000 to 200,000 people	Small Localities – Defined as ≤ 60,000 people
Minimum award amount:	Maximum award amount:	Maximum award amount:	Maximum award amount:
\$25,000	\$625,000	\$310,000	\$160,000

For a link to the 2018 DOF Population Estimates, E-5, see:
<http://www.dof.ca.gov/Forecasting/Demographics/Estimates/E-5/>

Applicants seeking partnerships with other local governments will be additive. For example, two large localities could submit a proposal for up to \$1.25 million; three small localities up to \$480,000, etc. Note: All applicants, including those who are forming partnerships, must submit separate, complete and signed application packages, pursuant to section X of this NOFA, to the Department in order to be awarded funds.

V. Eligible Applicants

Pursuant to Article II, Section 200 of the Guidelines, eligible applicants are limited to local governments, i.e., cities and counties. However, local governments may partner through legally binding agreements with other forms of governments or entities where the proposal will have a direct effect on land-use or development within the locality. This includes, but is not limited to, partnerships with other localities, regional governments, housing authorities, school districts, special districts, community based organizations, or any duly constituted governing body of an Indian Reservation or Rancheria.

Multi-jurisdictional partnerships between local governments are encouraged in order to coordinate with regional governments, leverage regional and state investment, promote consistency with the sustainable communities strategy, and affirmatively further fair housing.

Note: All localities must pass the Threshold Criteria as stated in section VIII of this NOFA. To ensure compliance with section VIII, all applicants, including those who are forming partnerships, must submit separate, complete and signed application packages, including resolutions, to the Department in order to be awarded funds.

VI. Eligible Activities

Applicants proposing Priority Policy Areas, as defined in section VIII of this NOFA, are automatically deemed to accelerate housing production without any documentation or demonstration to the Department.

Pursuant to Article III, Section 300 of the Guidelines, a variety of planning documents, planning activities and strategies, are considered eligible activities and must demonstrate a nexus to accelerating housing production, which may include:

- (1) Updates to general plans, community plans, specific plans, local planning related to implementation of sustainable communities strategies, or local coastal plans;
- (2) Updates to zoning ordinances;
- (3) Environmental analyses that eliminate the need for project-specific review;
- (4) Local process improvements that improve and expedite local planning;
- (5) A smaller geography with a significant impact on housing production including an overlay district, project level specific plan, or development standards modifications proposed for significant areas of a locality, such as corridors, downtown or priority growth areas;
- (6) The creation or enhancement of a housing sustainability district pursuant to AB 73 (Chapter 371, Statutes of 2017);
- (7) Workforce housing opportunity zone pursuant to SB 540 (Chapter 369, Statutes of 2017);

- (8) Zoning for by-right supportive housing, pursuant to Government Code section 65651 (Chapter 753, Statutes of 2018);
- (9) Zoning incentives for housing for persons with special needs, including persons with developmental disabilities;
- (10) Rezoning to meet requirements pursuant to Government Code Section 65583.2(c) and other rezoning efforts to facilitate supply and affordability;
- (11) Rezoning for multifamily housing in high resource areas (according to Tax Credit Allocation Committee/Housing Community Development Opportunity Area Maps);
- (12) Pre-approved architectural and site plans;
- (13) Regional housing trust fund plans;
- (14) SB 2 funding plans;
- (15) Infrastructure financing plans;
- (16) Environmental hazard assessments; data collection on permit tracking; feasibility studies, site analysis, or other background studies that are ancillary and part of a proposed activity with a nexus to accelerating housing production; and
- (17) Other planning activities demonstrating a nexus to accelerating housing production.

Eligible activities may be part of a larger planning effort (e.g., a comprehensive zoning code update) if proposed activities have not been completed prior to the NOFA date, are distinct, and demonstrate a nexus to accelerating housing production.

As part of the PGP program, HCD, in coordination with the Governor's Office of Planning and Research (OPR), will work with a team led by Placeworks to provide technical assistance (TA) to applicants throughout the application period. The TA team will work closely with regions, sub-regions, and counties to help jurisdictions identify activities and provide tools that will accelerate housing production. For further information, contact the Department at sb2planninggrant@hcd.ca.gov for details regarding local technical assistance.

VII. Eligible Uses

Pursuant to Article III, Section 302 of the Guidelines, grant funds shall be used for the costs of preparing and adopting the proposed activity. Subcontracting is allowable under conditions set forth in Section 302(c) of the Guidelines. Pursuant to Section 302(b) of the Guidelines, grant funds may not be used for administrative costs of persons employed by the grantee for activities not directly related to the proposed activity. No more than 5 percent of the grant amount may be used for administrative costs for any proposed use, to be approved by the Department upon disbursement.

Only approved and eligible costs incurred for work after the NOFA date, continued past the date of the Standard Agreement, and completed during the grant term, will be reimbursable. Approved and eligible costs incurred prior to the NOFA date are ineligible.

(Section 601(c) of the Guidelines).

Refer to Section 301 of the Guidelines for a list of all ineligible activities.

VIII. Threshold Requirements

In accordance with Article II, Section 201 of the Guidelines, all applicants must meet the following threshold requirements:

- (1) **Housing element compliance:** The applicant must have a housing element that has been adopted by the jurisdiction's governing body by the date the applicant submits the application package, and is subsequently determined to be in substantial compliance with state housing element law pursuant to Gov. Code Section 65585 by the time of award. A jurisdiction's current housing element compliance status can be obtained by referencing the Department's website at <http://www.hcd.ca.gov/community-development/housing-element/index.shtml> or emailing the Department at sb2planninggrant@hcd.ca.gov. For more information on housing element requirements, please contact Paul McDougall at paul.mcdougall@hcd.ca.gov.

Pursuant to Section 201(a)(2) of the Guidelines, applicants not meeting housing element requirements may be considered to meet this threshold requirement at the discretion of the Department on a case by case basis by applying factors such as significant progress in meeting housing element requirements (e.g., a draft found to meet statute, rezoning near completion), proposing activities to meet housing element requirements (e.g., rezoning to accommodate housing needs pursuant to Gov. Code Section 65583(c)(1)) and adoption of a compliant element prior to the award of funds.

- (2) **Annual Progress Report (APR) on the housing element:** The applicant must submit the APR to the Department, as required by Gov. Code section 65400, for the current or prior year by the date the applicant submits the application package.
- (3) **Nexus to accelerating housing production:** The applicant must propose and document plans or processes that accelerate housing production. The application must demonstrate a significant positive effect on accelerating housing production through timing, cost, approval certainty, entitlement streamlining, feasibility, infrastructure capacity, or impact on housing supply and affordability. An application not utilizing Priority Policy Areas must include an explanation and documentation of the nexus plans or processes impact on accelerating housing production based on a reasonable and verifiable methodology and must utilize the Department's form (see Attachment 2 in the Application). A verifiable methodology may include a statement of support from a non-profit or for-profit developer that is active in the locality.

Applicants proposing Priority Policy Areas do not require a nexus demonstration and are automatically deemed to accelerate housing production without any documentation. Pursuant to Section 102(q) of the Guidelines, Priority Policy Areas means any of the following:

- (a) Rezone to Permit By-right: Rezoning for significant additional housing capacity without, or lesser, discretionary review, or establishing zoning to permit residential development by-right, particularly multifamily, without discretionary action pursuant to Government Code Section 65583.2(h) and (i).
- (b) Objective Design and Development Standards: Developing objective design standards or pre-approved site and architectural plans that facilitate non-discretionary permitting.
- (c) Specific Plans or Form based Codes Coupled with CEQA Streamlining: Designating and rezoning for additional housing capacity or preparing specific plans or form codes that include zoning and development standards and plan-level environmental analysis that can be used to streamline future housing projects and facilitate affordability.
- (d) Accessory Dwelling Units (ADU) or Other Low-Cost Building Strategies: Encouraging ADUs and other low-cost building types through actions above state law such as, outreach, fee waivers, pre-approved plans, website zoning clearance assistance, and other homeowner tools or finance tools. Also, establishing other approaches to intensify existing lower density residential areas and “missing model” typologies to encourage significantly more residential development (e.g., duplexes, triplexes) in lower density residential areas.
- (e) Expedited Processing: Speeding up approvals and permit processing, including instituting programs that streamline or consolidate the review process or create a separate process for expedited review of housing projects.
- (f) Housing Related Infrastructure Financing and Fee Reduction Strategies: Develop and implement approaches to local, regional or sub-regional housing related infrastructure financing. Create plans and programs to finance and increase infrastructure with accompanying enhanced housing capacity, such as enhanced infrastructure financing districts. Fee reduction and rationalization approaches, such as reassessing fees to adhere to best practices in reducing costs, deferrals, sliding scales or proportionate impacts fees (e.g., ADUs, transit oriented, and infill development, special needs housing), or fee transparency measures including publically available fee calculators.

Note: HCD will be rolling out best practice toolkits and technical assistance in these topic areas over the course of 2019.

Note: If the applicant is proposing only Priority Policy Areas ((PPA), as defined in section VIII, subsection (3) of the NOFA), do not fill out Attachment 2. However, if the applicant is proposing to fund PPAs AND other activities that are not considered PPAs, the application must demonstrate how these other activities have a nexus to accelerating housing production by filling out Attachment 2 of the application.

- (4) **State Planning and Other Planning Priorities:** Applicants must demonstrate that the locality is consistent with State Planning or Other Planning Priorities.

Consistency may be demonstrated through activities (not necessarily proposed for SB 2 funding) that were completed within the last five years. Applicants must self-certify utilizing the Department's form (see Attachment 1 in the Application).

IX. NOFA Application Workshops

The Department will hold workshops and a webinar to review the PGP NOFA and application, and will be conducting technical assistance to aid applicants throughout the OTC period. For a list of dates, times, and locations for the workshops as well as information on technical assistance, please visit the Department's SB 2 Planning Grants webpage, or register here.

X. Application Submission Requirements

In order to be eligible for grant funding, an applicant must submit a complete, signed original application and an electronic copy on CD or USB flash drive. Applications will be accepted on an OTC basis for an eight-month period anticipated to end **November 30, 2019**. Note: All localities must pass the threshold criteria as stated in section VIII of this NOFA. To ensure compliance with section VIII, all applicants, including those who are forming or have formed partnerships, must submit separate, complete and signed application packages, including resolutions, to the Department in order to be awarded funds.

The Department will only accept applications through a postal carrier service that provides date stamp verification confirming delivery to the Department's office, such as the U.S. Postal Service, UPS, FedEx, or other carrier services. No facsimiles, late applications, incomplete applications, application revisions, electronically submitted, or walk-in application packages will be accepted. All applications must be submitted to the Department at the following address:

**Department of Housing and Community Development
Division of Housing Policy Development / Land Use Planning Unit
2020 West El Camino Ave, Suite 500
Sacramento, CA 95833**

Applications must be on Department forms and cannot be altered or modified by the applicant. Program applications and forms are available on the Department's website located at <http://www.hcd.ca.gov/grants-funding/active-funding/planning-grants.shtml#forms>.

XI. Application Review Process

Each application will first be reviewed for completeness, threshold eligibility requirements, and accuracy. In order to be considered complete, an application must contain all requested information and supporting documentation. All applications must also meet the eligibility and threshold requirements as specified in this NOFA and the

Guidelines. If the application is ineligible, it will not be considered for funding. Applicants may resubmit their applications prior to the November 30, 2019 deadline. All applicants not meeting the eligibility and threshold requirements will be informed within 60 days from the date the Department receives the application.

XII. Applicant Notification

Applicants will be notified within 60 days of the Department's receipt of their application regarding the status of their application and/or if any additional information is required (Section 500(e)) of the Guidelines). Applicants will receive an official letter of award after the Department approves funding recommendations (Section 500(f) of the Guidelines).

XIII. Award Letter and Standard Agreement

Successful applicants will receive an Award Letter from the Department and will be awarded funds through the Standard Agreement process that will specify, among other things, the amount of funds granted, timeline for expenditure of funds, and the approved use of funds. Expenditure report dates and other requirements will also be identified in the SB 2 Planning Grants Program Standard Agreement.

XIV. Appeals

(1) Basis of Appeals:

- (a) Upon receipt of the Department's notice deeming an application incomplete or ineligible, applicants under this NOFA may appeal such decision(s) to the Director pursuant to this Section.
- (b) No applicant shall have the right to appeal a decision of the Department relating to another applicant's eligibility, point score, award, denial of award, or any other related matter.

(2) Appeals Process and Deadlines:

- (a) Process. In order to lodge an appeal, applicants must submit to the Director by the deadline set forth in subsection (b) below, a written appeal which states all relevant facts, arguments, and evidence upon which the appeal is based. No new or additional information will be accepted. Once the written appeal is submitted to the Director, no further information or materials will be accepted or considered thereafter. Appeals are to be submitted to the Director at following address:

Department of Housing and Community Development
Division of Housing Policy Development
2020 W. El Camino Avenue, Suite 500
Sacramento, California 95833
sb2planninggrant@hcd.ca.gov

The Director will accept appeals delivered through a carrier service such as

the U.S. Postal Service, UPS, Fed Ex, or other carrier services that provide date stamp verification of delivery. Deliveries must be received during the Department's weekday (non-state holiday) business hours of 9:00 a.m. to 5:00 p.m. Pacific Standard Time. Additionally, emails to the email address listed above will be accepted if the email time stamp is prior to the appeal deadline.

- (b) **Filing Deadline.** Appeals must be received by the Director no later than (5) five business days from the date of the Department's determination.

(3) **Decision:**

Any request to amend the Department's decision shall be reviewed for compliance with the December 2018 Guidelines and the March 29, 2019 NOFA. The Director shall render his/her decision in writing within fifteen (15) business days of receipt of the applicant's written appeal. The decision of the Director shall be the Department's final decision, and shall not be appealable to any court or tribunal.

(4) **Effectiveness:**

In the event that the statute and/or guidelines governing the PGP program contain an existing process for appealing decisions of the Department with respect to NOFA awards made under such programs, this Section shall be inapplicable and all appeals shall be governed by such existing authority.

XV. Right to Modify or Suspend

The Department reserves the right, at its sole discretion, to suspend, amend, or modify the provisions of this NOFA at any time, including, without limitation, the amount of funds available hereunder. If such an action occurs, the Department will notify all interested parties and will post the revisions to the Department's website. You may subscribe to the Department's email list here: http://www.hcd.ca.gov/HCD_SSI/subscribe-form.html.