



CITY OF MILPITAS AGENDA REPORT (AR)

Item Title:	Receive the 2020 Housing Element Annual Progress Report and Housing Successor Agency Annual Report and Authorize the Submittal of Both Reports to California Department of Housing and Community Development (HCD) and Governor's Office of Planning and Research (OPR)
Category:	Consent Calendar-Community Development
Meeting Date:	3/2/2021
Staff Contact:	Sharon Goei, 408-586-3260; Adam Marcus, 408-586-3244
Recommendation:	Receive the 2020 Housing Element Annual Progress Report and Housing Successor Agency Annual Report and authorize the submittal of both reports to California Department of Housing and Community Development (HCD) and Governor's Office of Planning and Research (OPR)

Background:

Government Code Section 65400 mandates that all cities and counties provide by April 1 of each year an Annual Progress Report of the Housing Element to the legislative body, the California Department of Housing and Community Development (HCD), and the Governor's Office of Planning and Research (OPR) on the status of the City's Housing Element and housing permit activity. More specifically, the State requests a report describing the community's progress in meeting its Regional Housing Needs Allocation (RHNA) goals to maintain, improve, and develop housing through permitting and housing related programs. The City's Housing Element was certified by the State when it demonstrated that adequate sites have been identified to accommodate the City's RHNA housing growth, whereas the Annual Report tracks the actual progress of permitting and constructing new housing. The reporting timeframe covers the RHNA cycle of 2015-2023.

In March 2015, a new State reporting requirement was established, which mandates that jurisdictions also submit a Housing Successor Agency Annual Report with the Annual Progress Report. The Housing Successor Annual Report details activities the Milpitas Housing Authority has undertaken over the 2019-2020 fiscal year relating to the Low and Moderate-Income Housing Asset Fund (LMIHAF). The format of the report is prepared in accordance with the forms adopted by HCD. Both reports are attached for reference.

Analysis:

The information that follows provides a summary of the City's housing production for calendar year 2020. The attachments include the full report to the California Department of Housing and Community Development and Office of Planning and Research. Some tables have been left blank because they do not apply.

Housing Element Annual Progress Report

Following recent changes in state law, this report tracks the entire development process from application through certificate of occupancy. The following table provides an overview which is followed by a breakdown for each of these development milestones. Some projects are recorded in several categories. For instance, applications for certain projects were submitted and entitled in 2020, and other projects were issued building permits and/or certificates of occupancy in 2020.

Housing Production in Milpitas		
Type	2019 Housing Units	2020 Housing Units
Applications	94	24

Entitlements	140	466
Building Permits	141	204
Occupancy	534	231

Housing Applications

Attachment 1, Table A lists the number of housing development applications submitted to the Planning Department. In 2020, the City received 24 housing development applications to develop a total of 24 units. This was a decrease of 70 applications compared to 2019. Of those 24 applications, 22 were for accessory dwelling units (ADUs) and 2 were approved for single family rebuilds. The below table summarizes this data. For full details see Attachment 1, Table A.

Housing Applications Submitted in 2020						
Unit Type	Projects	Extremely Low / Very Low	Low	Moderate	Above Moderate	Total Units
Multifamily	0	0	0	0	0	0
ADU	22	0	0	0	22	22
Single Family	2	0	0	0	2	2
Two to Four Unit	0	0	0	0	0	0
Total	24	0	0	0	24	24

Housing Entitlements, Building Permits, and Occupancy

Attachment 1, Table A2 lists the projects that have completed the entitlement process, have been issued building permits, or have passed the final inspection conducted by the Department of Building Safety and Housing. A few units in Table A were also entitled by the City in 2020 so they also appear on the Completed Entitlement section of Table A2.

In 2020, the City issued planning entitlements for 466 units. This was an increase of 326 units compared to 2019. The majority of the entitlements issued in 2020 were for market rate multifamily units. The below table summarizes entitlement data. For full details see Attachment 1, Table A2.

Housing Entitlements Approved in 2020						
Unit Type	Projects	Extremely Low / Very Low	Low	Moderate	Above Moderate	Total Units
Multifamily	2	22	41	0	353	416
ADU	1	0	0	0	10	10
Single Family	3	0	0	4	36	40
Two to Four Unit	0	0	0	0	0	0
Total	6	22	41	4	399	466

Building permits are what the state uses to measure progress against the City's Regional Housing Needs Allocation (RHNA) goals. In 2020, the City issued building permits for 23 projects for a total of 204 units. This was an increase of 63 units compared to 2019. Of the building permits issued in 2020, 132 units were for affordable housing and 72 units were for market rate housing. Most of the building permits were for multifamily housing. The below table summarizes building permit data. For full details see Attachment 1, Table A2.

Housing Building Permits Issued in 2020						
Unit Type	Projects	Extremely Low / Very Low	Low	Moderate	Above Moderate	Total Units
Multifamily	2	132	0	0	3	135
ADU	19	0	0	0	19	19
Single Family	2	0	0	0	50	50
Two to Four Unit	0	0	0	0	0	0
Total	23	132	0	0	72	204

The City issued occupancy for 231 housing units in 2020. This was a decrease of 303 units compared to 2019. None of the units that received occupancy in 2020 was deed restricted affordable. The majority of these units were townhomes from older projects that were not subject to inclusionary policies.

Housing Occupancy Issued in 2020						
Unit Type	Projects	Extremely Low / Very Low	Low	Moderate	Above Moderate	Total Units
Multifamily	2	0	0	0	45	45
ADU	14	0	0	0	14	14
Single Family	6	0	0	0	172	172
Two to Four Unit	0	0	0	0	0	0
Total	22	0	0	0	231	231

Overall Progress on RHNA Goals

While this report tracks all steps in the development cycle, RHNA production goals are measured by building permits issued. For the 2015-2023 RHNA cycle, the total housing production goal for the City of Milpitas is 3,290 housing units. The City has far exceeded its goal for above moderate-income housing units. In 2020, the City added 72 additional above moderate-income units and 132 affordable units.

The remaining RHNA goal for the next three years is to permit 1,997 units of extremely low, very low, low, and moderate-income units. This is summarized in the table below. For details on the City's yearly progress since 2015, see Attachment 1, Table B.

Milpitas RHNA By Income Level					
	Extremely Low / Very Low	Low	Moderate	Above Moderate	Total Units
RHNA Goals for 2015-2023	1,004	570	565	1,151	3,290
Building Permits 2015-2020	142	0	0	2,452	2,594
Remaining Balance of RHNA	862	570	565	0	1,997

Meeting the City's affordable housing production goals will require a combination of mixed income (inclusionary) and standalone affordable housing development. On June 19, 2018, the City adopted an Affordable Housing Ordinance which requires that 15% of all new residential development projects of 10 units or more designed and intended for permanent occupancy be affordable to very low-income, low-income, or moderate-income households. The current ordinance requires Council approval based on findings before a developer is allowed to pay an in-lieu fee.

The City is still working through older projects that were not subject to the Affordable Housing Ordinance and newer projects are coming forward that will build units on-site. The following developments have not yet received building permits, but they will help the City meet its remaining RHNA goals. These projects will yield approximately 318 affordable units for very-low, low, and moderate-income households. These projects are anticipated to apply for building permits in 2021 or later.

Affordable Housing and Mixed-Income Projects¹						
Project	Extremely Low / Very Low	Low	Moderate	Above Moderate	Total Affordable Units	Total Units
600 Barber Lane	15	41	0	316	56	372
91 Montague Expressway	0	2	10	60	12	72
1380-1400 S. Main Street	10	0	0	210	10	220
1504 S. Main Street	38	0	0	152	38	190
1005 N. Park Victoria Drive	0	0	4	39	4	43
308 Sango Court	0	84	0	1	84	85
355 Sango Court	85	16	0	1	101	102
1724 Sunnyhills Drive	7	0	0	37	7	44
2001 Tarob Court	0	0	6	34	6	40
Total	155	143	20	850	318	1,168

It is important to note that 862 units or 43% of our remaining RHNA goal is for extremely-low and very-low income housing. Currently, our Affordable Housing Ordinance does not require developers to provide extremely-low and very-low income housing. This underscores the importance of collaboration and using other strategies to incentivize and support developers who seek to build well-designed and professionally managed affordable housing at these income levels. For example, Measure A is a \$950 million affordable housing bond passed by Santa Clara County voters in November 2016. Measure A helps to fund housing development for special needs populations as well as housing for extremely low-income households.

Housing Programs

The annual submittal also reports on the City's progress on implementing housing related policies and programs. The following highlights programs where the City made progress in 2020:

- The City anticipates the construction of approximately 155 new extremely low/very-low income units, 143 low-income units, and 20 moderate-income units in the next few years. These will be built as stand-alone affordable housing and mixed-income housing in compliance with the City's Affordable Housing Ordinance.
- The City expects to adopt its new General Plan in early March 2021 and has identified areas that will need to be predesignated for either greater residential densities or mixed uses that allow residential. Adoption of the General Plan is anticipated in 2021.
- The City is also updating the Metro Specific Plan (formerly known as the Transit Area Specific Plan) with new design guidelines, densities, and land use designations and will begin updating the Midtown/Gateway Specific Plan in 2021. The City is also preparing Objective Design Standards for residential and mixed-use developments to establish clear and implementable design criteria which will help ensure that new projects are attractive and meet the intent of the City's General Plan.
- The City was awarded the Local Early Action Planning (LEAP) grant to implement Housing Opportunity Zones and utilize incentive-based zoning in its specific plan updates and to provide incentives (permit streamlining, CEQA streamlining, objective design standards, and financial incentives) for affordable developers and mixed-income housing.
- The City is preparing a Development Handbook and Accessory Dwelling Unit (ADU) Toolkit to clarify the City's development review process and ADU regulations. The City is also implementing a web-based ADU visualization tool to allow homeowners to visualize where an ADU can be located on their property and design their own ADUs by selecting or customizing pre-approved designs. These efforts are expected to improve customer service, reduce permit processing times, and streamline ADU production.
- The City Council continued funding the Rent Relief Program to provide assistance to Milpitas residents and families that have emergency housing needs such as rent, deposit relief, emergency hardship, eviction prevention, domestic violence relocation, child homelessness relief, and Section 8 Good Faith

¹ Affordability levels and units are estimates and may be subject to change as projects are finalized.

Deposit assistance. As of early February, the program has assisted over 70 households with a total of over 250 residents.

- In fiscal year 2020-21, the City awarded Project Sentinel CDBG funds for Fair Housing assistance and for COVID-19 related rent relief/reduction services through negotiations with tenant, property owner, mortgage holder, and mediators. Project Sentinel also hosted two educational workshops on fair housing laws and the local eviction moratorium.
- In 2020, the City endorsed the County's 2020-2025 Community Plan to End Homelessness and two Councilmembers served on the County's Unhoused Task Force. The City allocated funding for mobile shower and laundry service in Milpitas, and allocated funding for homeless outreach, assessment, and street-based case management in partnership with the County's Office of Supportive Housing.

For details on these and other programs, please refer to Attachment 1, Table D.

RHNA Update

Most jurisdictions throughout California have challenges meeting their RHNA goals, including those in the Bay Area. As housing production is a regional issue that transcends city boundaries and barriers, shared housing strategies can benefit all communities in the area. Toward this end, staff has closely followed the Association of Bay Area Governments' (ABAG) process for distributing units for the 2023-2031 RHNA cycle and has applied for grants through the ABAG Regional Early Action Planning (REAP) and Priority Development Area Planning technical assistance programs. Housing and Planning staff regularly attend meetings hosted by the Santa Clara County Cities Association Planning Collaborative and will continue to exchange best practices and lessons learned. Staff will also track new issue-based regional working groups as they form in 2021.

Housing Successor Agency Annual Report

The Housing Successor Annual Report (Attachment 2) addresses the requirements of California Health and Safety Code Section 34176.1(f) regarding the Low- and Moderate-Income Housing Asset Fund (LMIHAF). This Report outlines the financial and housing covenant details of the Milpitas Housing Authority (Housing Successor) for 2019-20 (Fiscal Year). The purpose of this Report is to provide the governing body of the Housing Successor an annual report on the housing assets and activities of the Housing Successor under Part 1.85, Division 24 of the California Health and Safety Code, in particular sections 34176 and 34176.1 (Dissolution Law).

This Report includes discussion on the deposits, ending balance, and expenditures from the LMIHAF. A description of the Housing Successor's assets, and any transfers of assets to other housing successor agencies are also addressed. The Report also discusses the Housing Successor's current projects, acquisitions of any real property since February 1, 2012, or any outstanding obligations. Finally, as required by law, three separate tests are discussed – the income test, senior housing test, and excess surplus test. The results of these tests are discussed in Attachment 2.

Policy Alternative:

Alternative: Do not accept or authorize the submittal of the Housing Element Annual Progress Report and Housing Successor Agency Annual Report to HCD and OPR.

Pros: None.

Cons: If the City does not submit the reports to HCD and OPR, the City would not be in compliance with Government Code Section 65400.

Reason not recommended: Per Government Code Section 65400, failure to submit the reports will result in a court order or judgment compelling compliance.

Fiscal Impact:

Receiving and submitting the Housing Element Annual Progress Report and Housing Successor Agency Annual Report to HCD and OPR will result in no fiscal impact to the City.

California Environmental Quality Act:

The action being considered has no potential for causing a significant effect on the environment and is exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15061(b)(3).

Recommendation:

Receive the 2020 Housing Element Annual Progress Report and Housing Successor Agency Annual Report and authorize the submittal of both reports to California Department of Housing and Community Development (HCD) and Governor's Office of Planning and Research (OPR).

Attachments:

1. Housing Element Annual Progress Report
2. Housing Successor Agency Annual Report