



CITY OF MILPITAS AGENDA REPORT (AR)

Item Title:	Adopt a Resolution Authorizing the City Manager to Submit an Application for \$310,000 in Non-competitive Planing Grant Funding Provided Under the Building Homes and Jobs Act (SB2) and Execute the Grant Agreement and Related Documents
Category:	Consent Calendar-Community Development
Meeting Date:	10/1/2019
Staff Contact:	Avery Stark, Assistant Planner 408-586-3288 Ned Thomas, Planning Director 408-586-3273
Recommendation:	Adopt a resolution authorizing the City Manager to submit an application for \$310,000 in non-competitive grant funding, provided under the California Building Homes and Jobs Act (Senate Bill 2), and to execute the grant agreement and all related documents required to secure the grant, subject to approval by the City Attorney.

Background:

In 2017, Governor Brown signed a 15-bill housing package aimed at addressing the state’s housing shortage and high housing costs. Specifically, the housing package included the Building Homes and Jobs Act (SB2), which established a \$75 recording fee on real estate documents as a permanent, ongoing source of funding dedicated to affordable housing development. Revenues generated by this new recording fee are collected at the county level and sent quarterly to the State Controller for deposit into the Building Homes and Jobs Fund.

The Planning Grant Programs (PGP) is a one-time component of SB 2 that, among other provisions, provides financial and technical assistance to local governments prepare, adopt, and implement plans and process improvements that streamline housing approvals and accelerate housing production. Funding is intended to help cities and counties:

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

PGP funding is provided through a non-competitive, over-the-counter process to eligible local governments that meet the following requirements:

- Have a Housing Element certified by the State Department of Housing and Community Development;
- Have submitted a recent Annual Progress Report;
- Demonstrate a nexus to accelerating housing production; and
- Demonstrate that the applicant is consistent with State Planning Priorities, including infill development, the protection of environmental and agricultural resources, and efficient land development patterns.

The State has deemed the following activities to automatically demonstrate a nexus to accelerating housing production:

- **Objective Design and Development Standards**: Developing objective design standards or pre-approved site and architectural plans that facilitate non-discretionary permitting.
- **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
- **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.
- **Rezone to Permit By-right**: Rezoning for significant additional housing capacity with less discretionary review or establishing zoning to permit residential development, particularly multi-family housing, by-right.
- **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.
- **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. Develop and implement fee reduction and rationalization approaches, such as reassessing fees to adhere to best practices in reducing costs, deferrals, sliding scales or proportionate impacts fees.

Eligible Activities:

Activities eligible for PGP funding may include:

- Updates to general plans, community plans, specific plans, local planning related to the implementation of sustainable communities’ strategies, or local coastal plans.
- Updates to zoning ordinances.
- Environmental analyses that eliminate the need for project-specific review.
- Local process improvements that expedite local planning and permitting.

Ineligible Activities:

Activities that are not eligible for PGP funding in this years’ grant cycle include:

- Rent relief programs (direct or indirect)
- Social Services Programs
- Activities unrelated to housing production

Program Timeline:

Technical Assistance	Beginning early 2019
NOFA release	March 2019
Over-the-counter period	Eight months from NOFA release date, ending on November 30, 2019
Awards	Beginning summer 2019 and ongoing with the potential for supplemental round
Grant term	Three-year grant term. Projects to be completed by June 30, 2022.

Analysis:

The California Building Homes and Jobs Act (SB2) established the Planning Grant Program (PGP) in 2019 to provide non-competitive planning grants to cities and counties across the state. Based on population, the City of Milpitas is eligible to receive \$310,000 in PGP grant funding. To receive these funds, the City must submit a grant application to the Department of Housing and Community Development (HCD) with a proposal to achieve the general program goals of streamlining housing approvals and accelerating housing production. City Council authorization is needed for the City Manager to submit an application to the California Department of Housing and Community Development (HCD) for the City's share of SB 2 grant funds.

Staff recommends three eligible planning activities or tasks to include in the SB 2 grant application based on the need for better access to information regarding affordable housing options in the Milpitas community and the need for objective design standards in the Milpitas Zoning Ordinance to ensure streamlined review and processing of new affordable housing projects. The recommended planning activities are outlined below. The City Council Housing Subcommittee reviewed staff's proposal for the SB 2 grant application on September 10, 2019, and supported using the funds for the three recommended planning activities or tasks. The SB 2 grant funds will be used to hire consultants, through a formal RFP process, to assist staff in completing these tasks and developing and implementing the programs and processes described below.

Once the City submits an application to receive its share of SB 2 grant funds, HCD will review the application and inform the City of Milpitas within two to three months regarding the status of our funding. As noted above, the grant term runs through June 30, 2022, and all projects must be completed and funds spent by the end of the term. Staff will work during the HCD review period to prepare the draft RFP and gather data in preparation for a successful kick-off meeting with the selected consultant.

Task 1: Develop Objective Design Standards for New Residential and Mixed-Use Development

The City of Milpitas does not currently have objective design standards for residential or mixed-use zones. The Midtown and Transit Area Specific Plans have semi-defined objective design and development standards for buildings, landscaped areas, and public rights-of-way in those areas, but most residential zoning districts in the City are not regulated by any specific design criteria. The proposed project would analyze best practices and develop objective design standards for all residential and mixed-use zones within the City. These would be mandatory standards applicable to all new residential development and not merely guidelines. As stated above, the intent is to streamline housing approvals and accelerate housing production by providing clarity and certainty in design decisions and eliminating unnecessarily burdensome review in the approval process. SB 2 grant funds may not be used to develop design standards for non-residential development but may lay the groundwork for future work on design standards in those areas.

The objective design standards for residential development will apply to all projects seeking mandatory streamlining pursuant to state law, unless the applicant requests exceptions or modifications to these standards through the Design Review Process. The anticipated outcome of this project is a streamlined review process for all new residential and/or mixed-use development applications for staff, Planning Commission and City Council. The objective design standards will also ensure compliance with SB 35, which stipulates that qualifying multi-family residential projects meeting certain criteria may request a streamlined ministerial approval process. Extensive community engagement, including stakeholder workshops and informal study sessions with the City Council and Planning Commission will be a key part of the development of the proposed design standards.

Task 2: Develop an Online ADU Toolkit and User Guide

Accessory dwelling units (ADU's) are seen as a key opportunity in the production of affordable housing across the state, and many local governments, including Milpitas, have adopted ordinances to reduce restrictions and streamline approval of ADUs. This, in turn, has led to a dramatic uptick in the volume of ADU-related public inquiries and permit applications from homeowners interested in earning extra income, providing affordable housing for family members, and aging in place. The goal of the ADU tool kit and user guide would be to inform, inspire, and guide the homeowner through a full-service review process at the City of Milpitas.

The related links below describe web-based service programs in the Bay Area that would be referenced to develop an ADU tool kit and “concierge-type” ADU review process specifically for Milpitas residents and property owners:

City of San Jose: *Backyard Home* is a new initiative aimed at increasing the projection of ADUs
<https://www.sjbackyardhomes.com>

San Mateo County: *Second Unit Resources Center* is an online toolkit that provides online information and resources to homeowners considering building a second unit. <https://secondunitcentersmc.org/>

City of San Mateo: Basic webpage with information and resources to support the construction of ADUs
<https://www.cityofsanmateo.org/3907/Accessory-Dwelling-Unit-ADU>

California AIA: *Plus1Home* is an online resource center created by the California Chapter of the American Institute of Architects to answer questions about ADUs. <http://plus1house.org/>

Task 3: Develop an Online ADU/Zoning Clearance Tool

The purpose of an online ADU/Zoning Clearance Tool would be to assist homeowners in understanding the zoning and development standards for their properties and simplifying the approval process for an ADU (like turbo tax for homeowners). The City of Palo Alto has developed this type of tool to provide home owners with an online parcel report that identifies zoning, setbacks, possible easements, flood zone boundaries, and most importantly, if they are eligible for an ADU (see <http://xmap.cityofpaloalto.org/parcelreports/>). Along with an ADU tool kit, this type of online zoning clearance tool would clarify ADU requirement and eligibility and help facilitate the approval and production of ADUs in the City.

Another potential approach might be collaborating with a company called Symbium to develop an online portal that would enable homeowners, design professionals, developers, and staff to determine whether an ADU is allowed on a particular parcel in the City of Milpitas. The online portal would allow homeowners and designers to easily visualize where ADUs could be located on a property and understand the applicable site-specific development standards and constraints. The tool could also generate reports on ADU development to provide a resource to homeowners and City staff. The City of San Francisco launched this online tool earlier this year (<https://the-atlas.com/projects/san-francisco-uses-symbium-s-build-portal-to-combat-the-housing-crisis-4>).

Future SB 2 Funding:

Additional SB 2 funds will be available to cities and counties in future years. HCD has indicated that a second round of SB 2 grants will build off of the first-year policy and planning work and provide funds needed by local jurisdictions to meet their affordable housing objectives. With the goal of producing affordable housing, future SB 2 grant funding will be allocated through the Permanent Local Housing Allocation Program (PLHP) and awarded in accordance with the Community Development Block Grant (CDBG) formula. The purpose of PLHP is to provide a permanent source of funding to help cities implement plans and increase affordability housing.

See: <http://www.hcd.ca.gov/policy-research/docs/Permanent-Local-Housing-Allocation-Draft-Guidelines.pdf>.

Funding will help cities and counties achieve the following objectives:

- Increase the supply of housing for households at or below 60% of area median income
- Increase assistance to affordable owner-occupied workforce housing
- Assist persons experiencing or at-risk of homelessness
- Facilitate housing affordability, particularly for lower- and moderate-income households
- Promote projects and programs to meet the local unmet share of regional housing needs allocation
- Ensure geographic equity in the distribution of the funds

Policy Alternatives:

Alternative 1: Do not authorize the City Manager to submit an application for SB 2 grant funding.

Pros: None.

Cons: The funding is non-competitive, so the City would forgo \$310,000 in SB 2 grant funds. Staff would still need to develop objective design standards to address SB 35. Homeowners would not be provided with tools to assist in designing and building ADUs.

Reason not recommended: The City should apply for its share of SB 2 funds to create objective design standards and zoning tools to comply with state legislation. Online resources and interactive tools to support the development of ADUs would encourage and inspire Milpitas residents to develop second units on their properties and help implement the housing goals outlined the the City's Housing Element.

Fiscal Impact:

The maximum award amount for the City of Milpitas as a Medium Localities is \$310,000 per table 2 of Article IV, Section 400 of the PGP Guidelines. This is a noncompetitive grant application available to local jurisdictions within the State of California, and there will be no fiscal impact to the City of Milpitas.

Environmental Review:

Authorization of a grant application is not a project under the California Environmental Quality Act (CEQA).

Recommendation:

Adopt a resolution authorizing the City Manager to submit an application for \$310,000 in non-competitive grant funding, provided under the California Building Homes and Jobs Act (Senate Bill 2), and to execute the grant agreement and all related documents required to secure the grant, subject to approval by the City Attorney.

Attachments:

- 1) Resolution No. _____
- 3) Senate Bill 2 Planning Grant Guidelines