

Report Prepared by: Scott McBride, Director of Development Services, Development Services Department

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SUBJECT: Authorization to Apply for and Receive, Local Early Action Planning Grant (LEAP) Funding from the State of California Department of Housing and Community Development (HCD) Planning Grants Program

REPORT IN BRIEF

Authorizes Development Services Division Staff to apply for grant funding under the Local Early Planning Grant (LEAP) Grants Program in association with a Notice of Funding Availability issued by the California State Department of Housing and Community Development (HCD) and authorizes the receipt of grant funds, authorizes the City Manager to execute documents associated with the grant application and award process, authorizes the use of pooled cash to cover the appropriation until grant funds are reimbursed, and authorizes the Finance Officer to make necessary budget adjustments should the funding be awarded.

RECOMMENDATION

City Council – Adopt a motion:

- A. Adopting **Resolution 2021-04**, a Resolution of the City Council of the City of Merced, California, authorizing application for, and receipt of, Local Government planning support grant program funds; and,
- B. Authorizing the City Manager or designee to execute the standard agreement and other necessary documents associated with the grant application and award process; and,
- C. Accepting the grant and authorizing the Finance Officer to make any necessary budget adjustments if the grant is awarded; and,
- D. Authorizing the use of pooled cash to cover the appropriation until grant funds are reimbursed.

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ALTERNATIVES

- 1. Approve, as recommended by staff; or,
- 2. Approve, with modifications; or,
- 3. Deny the request completely; or,
- 4. Refer to staff for reconsideration of specific items as requested by Council; or,
- 5. Continue to a future City Council meeting (date and time to be specified in the motion).

AUTHORITY

Municipal Code Section 200; Local Government Planning Support Grants Program pursuant to Chapter 3.1 of Health and Safety Code (Sections 50515 to 50515.05) (Chapter 159, Statutes of 2019)

CITY COUNCIL PRIORITIES

This grant program aligns with the City Council's FY 2020/21 priority to develop housing inventory under Future Planning and Homelessness.

DISCUSSION

The City of Merced Development Services Housing Division is requesting City Council permission to apply for funding under the Local Early Action Planning Grants (LEAP) Program. The California State Department of Housing and Community Development (HCD) has implemented the program and is now accepting applications for funding, the deadline is January 31, 2021.

Background

The Local Early Planning Grants Program is part of the broader program known as the Local Government Planning Support Grants Program, which was established as part of the 2019-20 Budget Act. The 2019-20 Budget Act provides a spectrum of support, incentives, resources, and also new accountability requirements to assist the State in meeting housing goals. Some highlights include;

- Planning Support – local and regional planning grants
- Incentives – “pro-housing” preference and infill incentive grants
- Funding Resources
- Accountability – penalties for non-compliant housing plans
- Reform – collaborative processes to reform regional housing needs

The Local Government Planning Support Grants Program provides one-time grant funding to regions and jurisdiction for technical assistance, preparation and adoption of planning documents, and process improvements. The over-arching goals are to accelerate housing production and facilitate compliance to implement the regional housing need assessment or RHNA.

A Notice of Funding Availability (NOFA) was issued by HCD on January 27, 2020, with an original application deadline of July 1, 2020. That deadline was later amended to January 31, 2021. Award amounts are based on jurisdiction size. The City of Merced's maximum award amount is \$300,000, based on the grant's guidelines for jurisdictions of 60,000 to 99,999 residents. The grant funding process is non-competitive, but funding must be requested.

Eligible Activities

Eligible Activities must demonstrate an increase in housing related to planning activities and facilitate accelerated housing production. Eligibility may include a variety of planning documents and processes, including but not limited to, the following as set forth in Health and Safety Code Section 50515.03(C);

1. Rezoning and encouraging development by updating planning documents and zoning

- ordinances, General Plan updates, preparation of community plans, preparation of specific plans, implementation of sustainable community strategies, and local coastal programs;
2. Completing environmental review clearance to eliminate the need for project specific review;
 3. Establishing housing incentive zones or other area-based housing incentives beyond State Density Bonus Law such as a workforce housing opportunity zone, or a housing sustainability district;
 4. Performing infrastructure planning, may include sewer systems, water systems, transit, roads, or other public facilities necessary to support new housing and new residents;
 5. Planning documents to promote development of publicly owned land such as partnering with other local entities to identify and prepare excess or surplus property for residential development;
 6. Revamping local planning processes to speed up housing production;
 7. Developing or improving an accessory dwelling unit ordinance;
 8. Planning Documents for a smaller geography (less than jurisdiction-wide) with a significant impact on housing production, including an overlay district, project level specific plan, or development standards modifications proposed for significant areas of locality, such as corridors, downtown, or priority growth areas;
 9. Rezoning efforts to comply with Housing Element Requirements;
 10. Upzoning or other implementation actives to intensify land use patterns in strategic locations, such as close proximity to transit, jobs, or other amenities;
 11. Rezoning for multifamily housing in high resource areas (Tax Credit Allocation Committee/Housing Opportunity Area Maps);
 12. Establishing pre-approved architectural and site plans;
 13. Preparing and adopting Housing Elements that include an implementation component to facilitate compliance with the most recent RHNA requirements;
 14. Adopting planning documents to coordinate with sub allocations under Regional Early Action Planning Grants (REAP) that accommodate the development of housing and infrastructure, and accelerate housing production in a way that aligns with state planning priorities such as transportation equity, climate goals, hazard mitigation, and climate adaption;
 15. Zoning for by right supportive housing;
 16. Zoning incentives for hosing for persons with special needs, including developmental disabilities;
 17. Planning documents related to carrying out a local or regional housing trust fund;
 18. Environmental hazard assessments with a nexus to accelerating housing production;
 19. Other planning documents or process improvements that demonstrate an increase in housing related planning activities and facilitate accelerating housing production; and
 20. Establishing Pro-housing Policies – may help qualify for funding under the Affordable Housing Sustainable Communities Program AHSC, Transformative Climate Communities (TCC), Infill Infrastructure Grant (IIG) and other state funding programs.

Relationship to SB2

The City previously applied for and received funding under the SB2 program for planning and technical assistance. The program is very similar to LEAP in many aspects. The award was

\$310,000. The following activities were included in the application – award. Some are in progress however the bulk are outstanding;

- Accessory Dwelling Unit (ADU) Ordinance Update – This item has been completed by staff and is going through internal review and will likely be agendaized for Council consideration in March.
- Off-the-Shelf Plans for Cottage or ADU
- Off-the-Shelf Duplex / Triplex Plans
- In-Fill Overlay Study
- Tiny Home Ordinance
- Downtown Housing Pre-Entitlement and Environmental Review
- SB2 20-Year Plan

Community Input and Grant Activity Recommendation

Throughout 2020 the City worked on the Consolidated Plan and Annual Action Plan. These are requirements of the Department of Housing and Urban Development (HUD) and directly related to the annual entitlement allocations that the City receives under the Community Development Block Grant (CDBG) and Home Investment Partnership Program or HOME. As part of this work numerous opportunities were provided for community input and comments. Two specific workshops held in September and October 2020 yielded considerable input.

The comments and feedback received were incorporated into the Analysis of Impediments to Fair Housing Choice (AI) portion of the Consolidated Plan. They highlighted community concerns over the availability and affordability of housing. Impediment #3 – Economic Barriers due to limited supply of adequate and accessible affordable housing included several proposed updates to zoning codes and other city policies related to development. The LEAP grant funding provides an opportunity to perform planning and related activities to help address many of the program and policy items identified in the AI process. There are also other existing codes and policies in need of updating which are being included for possible consideration. Staff is recommended the following activities to be included in the City’s LEAP application;

- Tentative Map – Final Map Process Update
- Zoning Code Updates – expand duplex by right in single family districts, streamline small lot single family approvals, formalize mixed use districts, and update appeal process
- Creating an Objective Standards Zoning Section
- Planned Development (PD) Code Update
- Review Pre-Annexation Development Agreement (PADA) and Development Agreement (DA) Process and Procedures
- Evaluate a Housing Trust Fund and Commercial Linkage Fee
- Evaluate creating and implementing an Inclusionary Zoning Ordinance
- Planning, Engineering, and Inspection Fee review
- Review and Create CFD Annexation Policy
- Update A32 – Impact Fee Deferral for Multi Family projects

IMPACT ON CITY RESOURCES

The LEAP grant program allows for the City to perform work and be reimbursed for staff time or it provides the flexibility of using professional services by way of a contract. The anticipated grant request would be \$300,000, maximum allocation. A local funding match is not required. The program does require that all funding be expended by September 30, 2023 to allow for final reimbursement by December 31, 2023.

ATTACHMENTS

1. HCD's Notice of Funding Availability Issued January 27, 2020
2. Draft Resolution 2021-04