



City of Sunnyvale

Agenda Item

22-0893

Agenda Date: 11/16/2022

REPORT TO HOUSING AND HUMAN SERVICES COMMISSION

SUBJECT

Forward Recommendation to City Council to Adopt a Resolution Authorizing the City to Apply to and Participate in the State of California's Prohousing Designation Program

BACKGROUND

In 2019, Assembly Bill ("AB") 101 established the Prohousing Designation Program to provide an incentive for jurisdictions that have adopted policies that facilitate housing production and are compliant with State housing element requirements. The program, which is administered by the California Department of Housing and Community Development (HCD), created a special "Prohousing Designation" for qualifying jurisdictions. In order to receive Prohousing Designation, jurisdictions must demonstrate that their local policies go beyond existing State law to increase housing production in the following four categories:

- Favorable zoning and land use
- Acceleration of housing production timeframes
- Reduction of construction and development cost
- Providing financial subsidies

Jurisdictions seeking Prohousing Designation must submit an application to HCD that details relevant Prohousing policies in these four categories. The application must be accompanied by an authorizing resolution adopted by the jurisdiction's governing body, in this case the City of Sunnyvale City Council. A draft of the authorizing resolution is provided as Attachment 2 to this report. Applications are awarded points based on the jurisdiction's existing and proposed policies that will increase housing production. Proposed policies must be enacted within two years of application submittal. In order to receive Prohousing Designation, applications must score at least 30 points total. To date, only one jurisdiction, the City of Sacramento, has been awarded Prohousing Designation.

Jurisdictions that are awarded Prohousing Designation will receive a competitive advantage in the form of additional points when applying for specific State affordable housing and infrastructure grant programs. Current State grant programs that provide a preference for Prohousing-designated jurisdictions include the Affordable Housing and Sustainable Communities, Infill Infrastructure Grant, Transformative Climate Communities, and Transit and Intercity Rail Capital programs. As HCD continues to engage with stakeholders and other agencies, other housing and non-housing grant programs may be added to this list.

The City Council will consider this item on November 29, 2022.

EXISTING POLICY

General Plan, Housing Element, Goal HE-1

22-0893

Agenda Date: 11/16/2022

Assist in the provision of adequate housing to meet the diverse needs of Sunnyvale's households of all income levels.

Policy HE-1.2 Facilitate the development of affordable housing through regulatory incentives and concessions, and/or financial assistance.

ENVIRONMENTAL REVIEW

The applying for and receiving Prohousing Designation does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines sections 15060(c)(2), 15060(c)(3), or 15378 because the activity is not a "project" subject to CEQA, as there is no potential that it will result in a direct or reasonably foreseeable indirect physical change in the environment. Projects that utilize Prohousing Designation when applying for State grant funding will undergo a separate CEQA review.

DISCUSSION

The City of Sunnyvale has an opportunity to become one of the first jurisdictions in the State, and possibly the first in the Bay Area, to receive HCD's Prohousing Designation. Staff conducted a thorough assessment of the City's adopted and proposed policies that are relevant to the Prohousing application. The City has been proactive in adopting many zoning, land use, and housing policies that exceed State law in increasing housing production. The City's adopted Prohousing policies include the following:

- 15% Below Market Rate inclusionary housing
- Housing Mitigation Fund for 100% affordable housing developments
- Industrial to Residential Zoning
- Lawrence Station Area Plan Development Incentives
- Reduced parking requirements for 100% affordable housing developments

In addition to these existing policies, the City has several proposed policies that are considered Prohousing. Many of these are included in the Draft 2023-2031 Housing Element, which include planned implementation timelines. The Draft 2023-2031 Housing Element also includes a program to pursue and maintain Prohousing Designation. The City's proposed Prohousing policies include the following:

- Moffett Park Specific Plan rezoning
- Accessory Dwelling Unit Toolkit
- New Funding Mechanisms for Affordable Housing Development

Based on this policy assessment, Staff completed a preliminary Prohousing application and submitted it to HCD for comments in July 2022. In September 2022, Staff met with HCD to discuss the preliminary application. Based on this meeting, Staff calculates that the City is likely to receive 41 points, which is well above the 30 point threshold required for Prohousing Designation. The City's draft Prohousing application scoring sheet is provided as Attachment 3 to this report.

If awarded, the competitive benefits of Prohousing Designation could be realized in the near future. In spring 2023, MidPen Housing intends to apply for the Affordable Housing and Sustainable Communities ("AHSC") grant program, which would provide critical funding for the 1178 Sonora Court affordable housing development project. Under the grant's draft guidelines, the project would receive three additional points if located in a Prohousing jurisdiction. Given the increasingly competitive

22-0893

Agenda Date: 11/16/2022

nature of affordable housing financing, these three points could give the project the advantage it needs to secure funding and become a reality. As the City and other affordable housing developers seek State funding for infrastructure and housing projects, Prohousing Designation could provide a key competitive edge that will help secure funding and benefit the City well into the future.

FISCAL IMPACT

Applying for and receiving the Prohousing Designation will have no impact on the City's General Fund. Prohousing Designation will enable affordable housing and infrastructure projects to be more competitive when the City or local non-profit developers are applying for certain State grant programs.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Public Library, Senior Center, Community Center and in the Department of Public Safety Lobby. In addition, the agenda and report are available at the Sunnyvale Public Library, Office of the City Clerk, and on the City's website.

ALTERNATIVES

Recommend that the City Council:

1. Adopt a Resolution Authorizing the City to Apply to and Participate in the State of California's Prohousing Designation Program
2. Does Not Adopt a Resolution Authorizing the City to Apply to and Participate in the State of California's Prohousing Designation Program

STAFF RECOMMENDATION

Alternative 1: Recommend that the City Council Adopt a Resolution Authorizing the City to Apply to and Participate in the State of California's Prohousing Designation Program

The City of Sunnyvale has adopted many policies that increase housing production and continues to incentivize housing production with proposed policies and planning initiatives. Based on a preliminary application and meeting with HCD, the City is eligible for Prohousing Designation. The Prohousing Designation Program would reward the City with a competitive advantage in many State grant programs, which will support affordable housing and infrastructure projects and benefit the City for years to come.

Prepared by: Ryan Dyson, Housing Specialist

Approved by: Jenny Carloni, Housing Officer

Reviewed by: Trudi Ryan, Director, Community Development

Reviewed by: Teri Silva, Assistant City Manager

Approved by: Kent Steffens, City Manager

ATTACHMENTS

1. Reserved for Report to Council
2. Draft Prohousing Resolution
3. Draft Prohousing Application Scoring Sheet