



DATE: October 22, 2019
TO: Homelessness-Housing Task Force
FROM: Deputy City Manager
SUBJECT: Senate Bill 2 Grant Application

RECOMMENDATION

That the Homelessness-Housing Task Force (HHTF) reviews the report and provides comments on the proposed Senate Bill 2 Planning Grant projects that are intended to streamline housing approvals.

SUMMARY

The City is eligible for \$310,000 in planning grant money from the State Department of Housing and Community Development (HCD) provided that the funds are used to accelerate housing production, streamline the approval of housing development at all income levels, and prioritize infill development. Staff recommends that the City apply for and utilize the funds to update the City's Density Bonus Ordinance to allow for density bonuses in excess of the maximum permitted under State Law subject to specific criteria; and, to adopt Zoning Map and Ordinance Amendments to bring the zoning on various properties in line with their applicable General Plan designations. This would streamline the approval, environmental review process, and development of mixed density housing within the City. HHTF members will have the opportunity to vote for or against the SB 2 Resolution when it goes before the full Council at regularly scheduled November 19, 2019 City Council meeting.

BACKGROUND

In 2017, Governor Brown signed a 15-bill housing package aimed at addressing the state's housing shortage and high housing costs. One of those bills, Senate Bill 2 (SB 2) established a \$75 recording fee on real estate documents to provide a permanent source of funding to increase the affordable housing stock. Revenue from SB 2 will vary from year to year as the funds are dependent on real estate transactions with fluctuating activity. SB 2 revenues shall be allocated via state and locally administered planning and technical assistance grants to help cities and counties prepare, adopt, and implement plans, programs and improvements to streamline housing approvals and accelerate housing production at all income levels. As a medium-sized locality, Hayward would be eligible for up to approximately \$310,000 in housing grant funding.

To apply for the housing grant, a jurisdiction must: have a certified Housing Element; have submitted a recent Annual Progress Report (APR) to HCD; and, shall demonstrate a nexus from the proposed project to the acceleration of housing production. The proposed project shall also be consistent with State Planning Priorities: to promote infill development; to protect environmental resources; to encourage efficient development patterns by using land efficiently; to build adjacent to developed area; and to locate development in an area planned for growth which is served by transportation and other essential utilities and services.

Eligible uses and activities shall demonstrate a nexus to accelerating housing production and may include updates to planning documents, zoning ordinances, environmental analysis to eliminate the need for project level review, and local process improvements to expedite permitting. Applications for the first-round planning grants are due in November 30, 2019 and shall be accompanied by a City Council Resolution authorizing application for and receipt of SB 2 planning grant funds.

On September 5, 2019, City staff presented a summary and analysis of policies and programs to incentivize housing in the City of Hayward. Two of the policies described in that document would be eligible for the SB 2 grant funding in that they show a clear nexus to accelerating housing production at all levels of affordability. Those two programs include: 1) establishing a Density Bonus in excess of 35% for affordable housing; and 2) amending the zoning on RS (Single Family Residential) District properties to match an underlying higher density General Plan designation. See further information about each program under Discussion below.

DISCUSSION

Density Bonus. Density bonus law allows developers to request development concessions and/or increase density in exchange for on-site affordable units. The percent density increase allowed is relative to the percentage of affordable units and the level of affordability; however, a density bonus may not exceed 35% unless a jurisdiction has specifically adopted an Ordinance allowing for a higher increase.

Other jurisdictions that have Density Bonus provisions that allow bonuses to exceed 35% include Anaheim, Glendale, Sacramento County, San Diego, Santa Rosa, Walnut Creek, and San Francisco. Some jurisdictions allow density bonuses with no specific limit or geographical area and are decided on a case by case basis in exchange for some community benefit like higher affordable housing allocations (i.e. Anaheim, Glendale and Walnut Creek). San Diego allows up to 50% density bonus plus five exceptions for projects that allocate higher numbers of affordable housing units or deeper levels of affordability. Santa Rosa and Sacramento County allow higher density bonuses within certain geographical areas (i.e. proximity to transit, located within downtown areas) or in exchange for certain development features (i.e. preservation of environmentally sensitive areas and energy conservation features), respectively.

Allowing for higher density bonuses and concessions would require amendments to the Hayward Municipal Code and would require outreach with the development community to

determine appropriate levels of density bonus increases and the concessions to make such development feasible. Depending on level of density bonus requested, this could result in a requirement for CEQA clearance for an otherwise exempt project (depending on site acreage and location, project size, underlying General Plan designation). All outreach and work could be accomplished with grant funds and would take approximately nine months to one year to complete.

Consistency between Zoning/General Plan. This program would only apply to properties that have inconsistent Zoning and General Plan designations, which is applicable to approximately 1,558 properties or about 289 acres throughout the City (see Attachment II for map of properties). All of the subject properties are currently zoned RS (Single Family Residential District) which allows up to 8.7 units per acre; however 819 of the properties have an underlying *Limited Medium Density* General Plan designation which allows up to 12 units per acre; 731 of the properties have a *Medium Density Residential* General Plan designation which allows up to 17.4 units per acre; and eight of the subject properties have a *High Density Residential* General Plan designation which allows up to 34.8 units per acre.

Only 2% of the applicable properties are over one acre in size, so the proposed rezoning would not result in a significant number of large-scale projects. Rather this program would result in the potential for a significant number of small scale, infill developments with micro-increases in density to fill in that missing middle housing typically comprised of duplexes, triplexes, and small lot development that are typically considered “affordable by design” and have the appearance of single family development from the street. It is important to note that the proposed program would not require that a property owner take any specific and unwanted action with their property. The updated regulations would only be applicable upon redevelopment of the lot.

State law requires that Zoning and General Plan designations be consistent. If the applicable Zoning and General Plan designation are inconsistent, then the General Plan takes precedence. Thus, in the case of these properties, the higher density would be permitted. Further, if an applicant requests to process a streamlined application subject to Senate Bill 35, staff would only be able to utilize the objective standards set forth in the General Plan which consists of minimum and maximum density. Typical objective standards related to setbacks, height, lot coverage, parking, minimum open space, or what makes up the building form and site layout would not be permitted in the review because those standards reside in the Zoning Ordinance.

The proposed project covered by the grant would include: outreach in applicable neighborhoods and with decisionmakers; a zone change or development of an Overlay District to ensure consistency with General Plan designation; development of objective Small Lot and Infill Design Guidelines to ensure compatibility between the proposed development and surrounding neighborhoods; and environmental clearance for the project.

Staff recommends that the Homeless-Housing Task Force recommend that the City Council authorize staff to prepare a grant application and, if awarded, receive and expend funds to incentivize housing production in the City of Hayward. The proposed programs would

prioritize development of affordable housing and allow for development on specific properties subject to the adopted General Plan designation without requiring expensive and time-consuming Zone Change process and related environmental review.

STRATEGIC INITIATIVES

This agenda item supports the Complete Communities Strategic Initiative. The purpose of the Complete Communities Initiative is to create and support structures, services, and amenities to provide inclusive and equitable access with the goal of becoming a thriving and promising place to live, work, and play for all. This item supports the following goal and objectives:

- Goal 2: Provide a mix of housing stock for all Hayward residents and community members, including the expansion of affordable housing opportunities and resources.
- Objective 2b: Facilitate the development of diverse housing types that serve the needs of all populations.
 - Objective 2d: Increase the supply of affordable, safe and resilient housing in Hayward.
- Goal 3: Develop a regulatory toolkit for policy makers.
- Objective 3a: Update, streamline, and modernize zoning & codes.

PUBLIC CONTACT

If the City is awarded the grant funds, City staff would conduct outreach with property owners, developers, and other interested parties through the project development and review process.

NEXT STEPS

On November 19, 2019, the City Council will consider adopting a Resolution to authorize application for and receipt of SB 2 planning grant program funds. If adopted, City staff will prepare and submit the SB 2 Planning Grant Application before November 30, 2019. If the grant funds are awarded to the City, Planning staff will start work on the Zoning Map and Ordinance Amendments and related Design Guidelines in Spring 2020.

Prepared by: Leigha Schmidt, AICP, Senior Planner

Recommended by: Jennifer Ott, Deputy City Manager

Approved by:



Kelly McAdoo, City Manager