



**CITY OF SALINAS  
COUNCIL STAFF REPORT**

---

**DATE:** SEPTEMBER 10, 2019

**DEPARTMENT:** COMMUNITY DEVELOPMENT DEPARTMENT

**FROM:** MEGAN HUNTER, DIRECTOR

**BY:** CHRISTOPHER VALENZUELA, PLANNING MANAGER

**TITLE:** 2019 CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT SENATE BILL 2 PLANNING GRANTS PROGRAM NOTICE OF FUNDING AVAILABILITY APPLICATION SUBMITTAL

RECOMMENDED MOTION:

It is recommended that the City Council adopt the following Resolutions:

- 1) California Department of Housing and Community Development (HCD) Resolution authorizing application submittal and receipt of 2019 California Department of Housing and Community Development (HCD) Senate Bill 2 (SB 2) Planning Grants Program; and
- 2) City of Salinas (City) Resolution authorizing application submittal and receipt of 2019 HCD SB 2 Planning Grants Program.

RECOMMENDATION:

The Community Development Department recommends that City Council adopt the following Resolutions: 1) HCD Resolution and 2) City Resolution authorizing application submittal and receipt of 2019 HCD SB 2 Planning Grants Program.

EXECUTIVE SUMMARY:

In 2017, Governor Brown signed a 15-bill housing package aimed at addressing the state's housing shortage and high housing costs. Specifically, it included SB 2, referred to as the "Building Homes and Jobs Act". SB 2 establishes a permanent, on-going source of funding dedicated to promoting and facilitating affordable housing development. Approximately \$123 million in statewide revenue has been earmarked for local government planning grants. As a medium sized city, Salinas is eligible for up to \$310,000 in funding. The City proposes to apply for a grant to complete required environmental review and other technical studies in order to change zoning for the purpose of facilitating housing production.

BACKGROUND:

SB2 funding is secured through a fee that is imposed at the time of recording of every real estate instrument, paper or notice for each single real estate transaction on a parcel of property. The

recording fees range from \$75 to \$225 depending upon the nature and scope of the property transaction. Sales transactions for single-family homes are exempt from this fee. Effective January 1, 2018, the fee is collected by the County Recorder, who, in turn forwards (quarterly) the fee revenues to the State Controller. SB 2 prescribes that the revenue collected for the 2018 calendar year be deposited in two funds; a) 50% of the revenue is to be placed in a fund made available to local governments for planning grants; and b) 50% of the revenue is to be placed in a fund made available to HCD to assist persons experiencing or at risk of homelessness. The fee is projected to generate approximately \$200 million in annual revenue statewide.

On March 28, 2019 HCD published a NOFA for the first year SB 2 Planning Grants Program allocation. Under this grant program, local governments are provided an eligibility allowance based on community population. The City of Salinas (City) falls within the “medium localities” category (defined as a locality with a population between 60,000 and 200,000), which is eligible for up to \$310,000 in grant funding as indicated in the table below.

<b>SB 2 Planning Grants Program Population Thresholds</b>		
Large Localities (Greater than 200,000)	Medium Localities (60,000 to 200,000)	Small Localities (Less than 60,000)
<b>\$625,000</b>	<b>\$310,000</b>	<b>\$160,000</b>

The purpose of the SB 2 Planning Grants Program is to provide financial and technical assistance to local governments to update planning documents to:

- Accelerate housing production;
- Streamline the approval of housing development;
- Facilitate housing affordability;
- Promote the development of housing consistent with State Planning Priorities (Government Code Section 65041.1); and
- Ensure geographic equity in the distribution and expenditure of allocated funds.

Through this NOFA, grant funding is open on a non-competitive over-the-counter basis to eligible local governments (cities and counties) who meet the following requirements:

- Have an HCD-compliant Housing Element;
- Have submitted a recent Housing Element Annual Progress Report;
- Demonstrate a nexus to accelerating housing production; and
- Demonstrate that the applicant is consistent with State Planning Priorities (Government Code Section 65041.1) or other planning priorities.

This NOFA grant application period is open for a total of eight months, through November 30, 2019. During this eight-month period, local government agencies can file one or multiple applications to HCD for grant funding. HCD anticipates that the time frame for awarding grants is approximately two-three months from the date of application filing.

DISCUSSION:

The City would apply for funding to complete technical studies and environmental work necessary to modify zoning to facilitate housing production. Based upon community input through various planning efforts including the Downtown and Alisal Vibrancy Plans, four areas would be studied for potential zone change to Mixed Use (MU) in order to allow for higher density housing development. Based upon the environmental analysis, staff would present a refined set of zone change recommendations to the City Council for consideration. The four areas identified as shown in the attached maps include: 1) City Downtown Parking Lots and Intermodal Transportation Center (ITC), 2) Alisal Marketplace, 3) Large Shopping Centers (Kmart, OSH, Northridge Mall, Cardenas and Foods Co), and 4) Edge of Downtown along John Street. In addition, a code amendment to Semi/Public Facilities (PF) would be processed that would allow the development of housing with a Conditional Use Permit (CUP) in this zone. Staff is aware of two potential affordable housing projects that would benefit from these changes.

Below is a table summarizing each activity the City would apply for through the first year SB 2 allocation:

<b>Attachment</b>	<b>Area of Focus</b>	<b>Activity</b>
Map 1	Semi/Public Facilities Zone (PF)	Permit housing development with CUP
Map 2	Downtown Parking Lots & ITC	Rezone for PF to Mixed Use (MU)
Map 3	Alisal Marketplace	Rezone to MU
Map 4	Large Shopping Centers	Rezone to MU
Map 5	Edge of Downtown	Rezone to MU

Normally these type of zone changes would occur through a General Plan Update (GPU). Although the City will be undertaking this process in early 2020, it would take 3 to 4 years to complete. Given our critical housing shortage, the City cannot afford to wait that long to try and jumpstart housing production. With funding through SB 2, the City can pursue these changes at a more modest level ahead of the GPU process. Staff would reach out to property owners before presenting any recommendations to City Council on rezoning.

The City is eligible to receive up to \$310,000 for the first-year allocation of SB 2 funding. No more than five percent of the grant amount may be used for administrative costs. The table below provides a summary of the year one SB 2 budget for the City.

<b>City of Salinas SB 2 Proposed Budget (Year 1 Allocation)</b>	
<b>Description</b>	<b>Amount</b>
Administration (5%)	\$15,500
Activity Funds	\$294,500
<b>Total</b>	<b>\$310,000</b>

Under the Planning Grant, there are two categories of eligible activities, 1) Priority Policy Areas (PPA) and 2) Non-Priority Policy Areas (NPPA) as defined in the NOFA. Applicants proposing PPA activities are automatically deemed to accelerate housing production without any documentation or demonstration to HCD. The City’s proposed activities fall under PPA. Applicants proposing non-PPA activities must demonstrate a nexus to accelerating housing production to HCD. Eligible activities for this grant are shown in Attachment C.

The table below shows the proposed activities and associated SB 2 Budget:

<b>City of Salinas SB 2 Proposed Activities (Year 1 Allocation)</b>		
<b>Activity Description</b>	<b>Activity Type (PPA or NPPA*)</b>	<b>Amount</b>
Administration (5%)	N/A	\$15,500
Semi/Public Zoning Amendment	PPA	\$10,000
City Downtown Parking Lots and ITC	PPA	\$100,000
Alisal Marketplace	PPA	\$60,000
Large Shopping Centers	PPA	\$84,500
Edge of Downtown – No Place Like Home	PPA	\$40,000
<b>Total</b>		<b>\$310,000</b>

CEQA CONSIDERATION:

The City of Salinas has determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) per Guidelines Section 15378. CEQA Guidelines Section 15061 includes the general rule that CEQA applies only to activities which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Because the proposed action and this matter have no potential to cause any effect on the environment, or because it falls within a category of activities excluded as projects pursuant to CEQA Guidelines section 15378, this matter is not a project. Because the matter does not cause a direct or foreseeable indirect physical change on or in the environment, this matter is not a project. Any subsequent discretionary projects resulting from this action will be assessed for CEQA applicability.

STRATEGIC PLAN INITIATIVE:

SB 2 grant funding will help advance the following City Council strategic goals: 1) Economic Diversity and Prosperity; 2) Safe, Livable Community; 3) Effective, Sustainable Government; 4) Well Planned City and Excellent Infrastructure and 5) Quality of Life by facilitating much needed housing production.

#### DEPARTMENT COORDINATION:

This agenda item is administered by the City's Community Development Department (CDD) Housing Division, however, all six divisions in CDD were involved in discussions related to the City's application for SB 2 funding. The Current and Advanced Planning Divisions in CDD were especially helpful in evaluating areas for these potential zone changes. GIS in Public Works produced the attached maps and associated data to assist in narrowing CDD's geographic focus.

The CDBG and Housing Subcommittee received an Administrative Report at their August 20, 2019 meeting and expressed support to present the item to City Council for consideration.

If the City is awarded funding, it is expected that the Current Planning Division will process any proposed code amendment and zone changes. The Legal Department will assist in matters such as consultant contracting, and environmental review and the Finance Department will assist on purchasing and grant monitoring.

#### FISCAL AND SUSTAINABILITY IMPACT:

There is no General Fund impact associated with this agenda item. SB 2 does not require a local financial commitment or "match" from local jurisdictions requesting grant funds.

#### ATTACHMENTS:

- Attachment A: State Resolution
- Attachment B: City Resolution
- Attachment C: SB 2 Planning Grant Eligible Activities
- Map 1: Semi/Public Facilities
- Map 2: Downtown Parking Lots and ITC
- Map 3: Alisal Market Place
- Map 4: Large Shopping Areas
- Map 5: Edge of Downtown