



DATE: March 6, 2023

TO: Honorable Mayor and Members of the City Council through City Manager

FROM: Karen Shimizu, Housing Manager

SUBJECT: Resolutions (1) Authorizing the City Manager to Submit an Application for Prohousing Designation to the California Department of Housing and Community Development and (2) Authorizing the City Manager to Submit a Prohousing Incentive Pilot Program Application and to Execute Any Related Funding Agreements if Awarded and Finding This Action is Not a Project Pursuant to CEQA Guidelines Section 15378

RECOMMENDATION

It is recommended that the City Council adopt the attached Resolutions in support of Petaluma's participation in the State of California Prohousing Program administered by Housing and Community Development. One Resolution will authorize the City Manager to submit an application for Prohousing Designation and would enable Petaluma to become eligible for incentives in the form of additional points or other preference in scoring of competitive housing, community development, and infrastructure funding applications. The second Resolution will authorize the City Manager to submit a Prohousing Incentive Pilot Program Application and to execute any related agreements if the application is approved for funding.

BACKGROUND

The Newsom Administration and California Legislature passed the Prohousing Designation Program as part of a suite of technical assistance, accountability measures, and incentives to address housing and homelessness. The California Department of Housing and Community Development (HCD) worked with multisector collaborators to create Prohousing regulations and began administering the Prohousing Designation program in June 2021.

The Prohousing Designation Program aims to incentivize these key principles:

- Increase development capacity, variety, streamlining
- Planning consistent with state priorities
- Promote equitable communities
- Collaborate to align policies and programs

- Implementation of relevant housing statutes
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Prohousing incentives for local governments are being implemented in funding programs across public state agencies and departments, including but not limited to:

[Prohousing Incentive Pilot Program \(PIP\)](#)

[Affordable Housing & Sustainable Communities \(AHSC\)](#)

[Infill Infrastructure Grant \(IIG\)](#)

[Transformative Climate Communities \(TCC\)](#)

[Solutions for Congested Corridors](#)

[Local Partnership Program](#)

[Transit and Intercity Rail Capital Program \(TIRCP\)](#)

DISCUSSION

It is recommended that the City Council adopt the attached Resolutions in support of Petaluma's participation in the State of California Prohousing Program administered by Housing and Community Development. Actions for consideration include: 1) adopting a Resolution to approve submission of a Prohousing Designation application to HCD to strengthen future funding applications from the City and its affordable housing development partners, and 2) adopting a Resolution to approve submission of a Prohousing Incentive Pilot (PIP) Program application to receive one-time funding for homeless services or affordable housing development. Below is a high-level summary of the guidelines to achieve the Prohousing Designation, and to qualify for PIP Program funding.

Prohousing Designation Requirements

To qualify for the Prohousing Designation, a jurisdiction must meet key threshold requirements including adoption of a compliant Housing Element and submission of a legally sufficient Annual Progress Report prior to designation, and compliance with applicable state housing law, including but not limited to, Housing Element Law; "No Net Loss" Law (Gov. Code, § 65863); the Housing Accountability Act (Gov. Code, § 65589.5); State Density Bonus Law (Gov. Code, § 65915 et seq.); laws relating to the imposition of school facilities fees or other requirements (Gov. Code, § 65995 et seq.); Least Cost Zoning Law (Gov. Code, § 65913.1); the Housing Crisis Act of 2019 (Stats. 2019, ch. 654); and antidiscrimination law (Gov. Code, § 65008).

In addition to meeting the threshold requirements, a jurisdiction must meet a minimum score of 30 points by providing evidence of having enacted prohousing policies. The jurisdiction must provide evidence supporting at least one prohousing policy in each of these categories:

- Favorable zoning and land use
- Accelerating production timeframes
- Reducing construction and development costs
- Providing financial subsidies

Jurisdictions may increase their Prohousing Designation application score with Project Proposal Enhancement Factors. Submitted Prohousing Policies will receive extra points for enhancement factors such as:

- Policy that represents one element of a unified, multi-faceted strategy to promote multiple planning objectives, such as efficient land use, access to public transportation, affordable housing, climate change solutions, and/or hazard mitigation
 - Policies that promote development consistent with the state planning priorities pursuant to Government Code section 65041.1
 - Policies that diversify planning and target community and economic development investments (housing and non-housing) to improve lower opportunity areas. Such areas include, but are not limited to, Low Resource and High Segregation & Poverty areas designated in the most recently updated TCAC/HCD Opportunity Maps, and disadvantaged communities pursuant to California Senate Bill 535 (2012)
 - Policies that go beyond state law requirements in reducing displacement of lower income households and conserving existing housing stock that is affordable to lower income households
 - Rezoning and other policies that support high-density development in Location Efficient Communities
 - Rezoning and other policies that result in a net gain of housing capacity while concurrently mitigating development impacts on or from Environmentally Sensitive or Hazardous Areas
 - Zoning policies that increase housing choices and affordability in High Resource and Highest Resource areas, as designated in the most recently updated TCAC/HCD Opportunity Maps
 - Other policies that involve meaningful actions towards affirmatively furthering fair housing pursuant to Government Code section 8899.50, including, but not limited to, outreach campaigns, updated zoning codes, and expanded access to financing support
- Prohousing Designation applications are accepted on a rolling basis by HCD, and reviewed in the order they are received.
- **Prohousing Incentive Pilot (PIP) Requirements and Uses**

On December 15, 2022, HCD published a Notice of Funding Availability for the Prohousing Incentive Pilot (PIP) Program. The PIP Program is designed to encourage cities and counties to obtain Prohousing Designation.

Submission of a Prohousing Designation Application either prior to or simultaneous with submission of a PIP Program application is a threshold requirement to be considered for PIP Program funding. The current round of PIP Program funding provides awards for Eligible Applicants to use towards planning and implementation activities related to housing and community development.

Funds are made available to each of six geographic categories based upon 2030 population projections. The City of Petaluma is included in the Bay Area geographic category, which includes jurisdictions in the counties of Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma.

The PIP Program awards funds based on Eligible Applicant's Prohousing Designation Program score. Eligible Applicants receive a base award according to population size. Applicants may receive a bonus award up to \$500,000. The bonus award amount is calculated by multiplying an Eligible Applicant's Prohousing Designation score by \$10,000.

The maximum total possible PIP Program award for Petaluma is \$1,000,000 (\$500,000 base per population size, plus up to a maximum bonus award of \$500,000). PIP Program awards may fund the following eligible activities:

- The predevelopment, development, acquisition, rehabilitation, and preservation of multifamily, residential live-work, rental housing that is affordable to extremely low-, very low-, low-, and moderate-income households, including necessary operating subsidies.
- Affordable rental and ownership housing that meets the needs of a growing workforce earning up to 120 percent of area median income, or 150 percent of area median income in high-cost areas.
- Matching portions of funds placed into local or regional housing trust funds.
- Matching portions of funds available through the Low- and Moderate-Income Housing Asset Fund pursuant to subdivision (d) of Section 34176 of the Health and Safety Code.
- Capitalized reserves for services connected to the creation of new permanent supportive housing, including, but not limited to, developments funded through the Veterans Housing and Homelessness Prevention Bond Act of 2014.
- Assisting persons who are experiencing or at risk of homelessness, including providing rapid rehousing, rental assistance, navigation centers, emergency shelters, and the new construction, rehabilitation, and preservation of permanent and transitional housing.
- Accessibility modifications.
- Efforts to acquire and rehabilitate foreclosed or vacant homes.
- Homeownership opportunities, including, but not limited to, down payment assistance.
- Fiscal incentives or matching funds to local agencies that approve new housing for extremely low, very low, low-, and moderate-income households.

PIP Program Applications will be accepted on a rolling basis through March 15, 2023. To remain eligible for an award, applicants must also obtain Prohousing Designation by March 30, 2023. Eligible Applicants may submit a PIP Program application simultaneously with their Prohousing Designation Application.

PUBLIC OUTREACH

This agenda item appeared on the City's tentative agenda document on February 27, 2023, which was a publicly-noticed meeting.

ENVIRONMENTAL REVIEW

The proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with CEQA Guidelines Section 15378, in that applying for a designation or grant funds does not meet CEQA's definition of a "project," because the action does not commit the City to a definite course of action (See *City of Irvine v. County of Orange* (2013) 221 Cal 4th

846, 865 (County's decision to apply for state funding for potential jail expansion was not project approval). As there is no definite course of action, there is not the potential for resulting in either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment, and because the action constitutes an administrative and fiscal activity of the governments which does not involve any commitment to any specific project which that may result in direct or indirect physical changes in the environment, and furthermore any use of the funds will result in its own CEQA analysis.

FINANCIAL IMPACTS

Prohousing Designation Application Applying to HCD to establish the City's Prohousing Designation has no fiscal impact, but it will provide the City the ability to qualify for incentives in future funding applications for development of affordable housing.

Prohousing Incentive Pilot (PIP) Program Application to HCD has no immediate fiscal impact. If awarded, the City will receive up to \$1,000,000 in one-time funding to support homeless services and/or affordable housing development

ATTACHMENTS

1. Resolution to Approve Submission of Prohousing Designation Application with Exhibit
 - a. Prohousing Designation Application Form
2. Resolution to Approve Submission of Prohousing Incentive Pilot Program Application and to Execute Related Agreements Upon Award with Exhibit
 - a. Prohousing Incentive Pilot Program Notice of Funding Availability