

## **Housing Planning and Production Grants Draft Trailer Bill Language**

Section 1. Chapter X (commencing with Section XXXXX) is added to Part X of Division XX of the Health and Safety Code, to read:

### **CHAPTER X. Housing Planning and Progress Grants**

**XXXXX.** Definitions. For purposes of this chapter:

- (a) "Council of governments" means a single or multicounty council created by a joint powers agreement pursuant to Chapter 5 (commencing with Section 6500) of Division 1 of Title 1.
- (b) "Department" means the California Department of Housing and Community Development.
- (c) "Completed Entitlement" means a housing development or project which has received all the required land use approvals or entitlements necessary for the issuance of a building permit. This means that there is no additional action, including environmental review or appeals, required to be eligible to apply and obtain a building permit.
- (d) "Housing element" or "element" means the housing element of the community's general plan, as required pursuant to this article and subdivision (c) of Section 65302.
- (e) "Jurisdiction" means a city, county, or city and county.
- (f) "Low-income unit" means units restricted to low-income households, as defined by 80 percent of the county area median income.
- (g) "Market rate unit" means units not restricted to low-income households, as defined by 80 percent of the county area median income.
- (h) "Program" means the Housing Planning and Progress Grants program.
- (i) "Regional housing needs allocation" means the housing goals identified for each locality pursuant to Article 10.6 of Chapter 3 of Division 1 of Title 7 of the Government Code.
- (j) "Annual Progress Report" means reports required to be submitted to the Department under Section 65400.

**XXXXX.1.** Program framework.

- (a) The Local Government Planning Support Grants program is hereby established for the purpose of providing regions and jurisdictions with one-time funding, including grants for planning activities to enable jurisdictions to meet new short-term housing goals and grants to reward those jurisdictions that meet certain milestones.

- (b) The Department shall administer the program.
- (c) The Department's decision to approve or deny an application and the determination of the amount of funding to be provided shall be final.
- (d) The Department shall maintain records of the following:
  - (1) The number of applications for program funding received by the Department.
  - (2) The number of applications for program funding denied by the Department.
  - (3) The name of each recipient of program funds.
- (e) The Department may carry out the program through the issuance of forms, guidelines, and one or more notices of funding availability as necessary to exercise the powers and perform the duties conferred or imposed on it by this chapter. Any forms, guidelines and notice of funding availability issued pursuant to this section shall not be subject to the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code).

**XXXXX.2.** Short-term goals.

- (a) The Department shall identify short-term statewide goals for new housing production across all regions and jurisdictions. Targets will be based on the sum of three years of a county's current annualized regional housing needs allocation to be achieved in calendar years 2020 and 2021. These targets will build on the existing goals identified in the regional housing needs allocation for each region, and the Department will allocate the increased targets to the jurisdictions within the county according to the following:
  - (1) Each jurisdiction's share of households within a county.
  - (2) Each jurisdiction's share of the county's low-income households paying more than 50 percent of income towards housing costs.
  - (3) Each jurisdiction's share of the current number of jobs available in the county.
- (b) These goals will include a target for low-income units, as well as a target for market-rate units.
- (c) No region or jurisdiction shall have an annual target lower than its existing annualized regional housing needs allocation

**XXXXX.3.** Planning grants.

- (a) Upon appropriation by the Legislature, the Department shall allocate two hundred and fifty million dollars (\$250,000,000) to regions and jurisdictions for technical assistance and staffing to

develop plans and implement housing-related activities pursuant to subdivision (d) to reach short-term goals identified the Department, in accordance with section XXXXX.2.

(b) (1) Of the amount described in paragraph (a), one hundred and twenty-five million (\$125,000,000) shall be available to regions. These funds support regional coordination to assist jurisdictions in meeting short- and long-term housing goals, as well as, encourage planning at the regional level, and intra-regional collaboration in areas that are made up of several single counties or single-county council of governments; these counties and single-county councils of governments, will be encouraged to jointly apply for funds.

(2) Allocations pursuant to this subdivision shall be made to these regions on behalf of all the jurisdictions they represent. The amount of these allocations shall be calculated according to the methodology identified in subdivision (c) and provided in total to each region. Each region may determine appropriate use of funds or sub-allocations within its boundaries to appropriately address its unique housing and planning priorities.

(3) To receive funds available pursuant to this subdivision, a region compiled of all the counties in the regions specified in subsection (A-I), must jointly apply unless the counties are jointly represented by a single and existing council of governments, in which case the existing council of government would apply for the funds.

(4) If the counties desire to apply jointly with a regional construct that differs from what is listed in subsection (A-I) they can request an exception from the Department and the Department has the discretion to approve a modified regional construct.

(A) Del Norte, Humboldt, Lake, Mendocino, Siskiyou, Trinity

(B) Butte, Colusa, Glenn, Lassen, Modoc, Nevada, Plumas, Shasta, Sierra, and Tehama.

(C) Sacramento Area Council of Governments: El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba.

(D) Association of Bay Area Governments: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma.

(E) Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus, and Tulare.

(F) Alpine, Amador, Calaveras, Inyo, Mariposa, Mono, and Tuolumne.

(G) Monterey, San Benito, San Luis Obispo, Santa Barbara, and Santa Cruz.

(H) Southern California Association of Governments: Imperial, Los Angeles, Orange, Riverside, San Bernardino, and Ventura.

(I) San Diego Association of Governments: San Diego.

(5) A county identified in subsection (A), (B), (F), or (G) may also request that it receive its allocation directly from the Department.

(6) Beginning August 15, 2019 and by no later than December 31, 2019, regions, or counties pursuant to paragraph (5), may request funds pursuant to paragraph (1) to organize pursuant to subsections (A-I) of paragraph (4) and partner with and make suballocations to jurisdictions to promote sufficient housing supply, including but not limited to implementing paragraph (7) of this subdivision. The Department shall have 30 days to review a request for funds pursuant to this paragraph, and following approval disburse corresponding funds, provided that no more than 50% of the allocation of a region shall be awarded before the Department receives and reviews the region's action plan pursuant to paragraph (7) of this subdivision.

(7) By December 31, 2020, the regions, or counties pursuant to paragraph (5), must submit an action plan to the Department that identifies specific strategies that jurisdictions within the region have implemented or plan to implement to meet their short-term targets and strategies for how these jurisdictions are preparing to meet their long-term housing goals, and a framework to evaluate progress towards these goals. The action plan must include the following components:

(i) an engagement process with jurisdictions within the region,

(ii) an analysis of local policies and practices

(iii) specific process improvement recommendations that have been shown to promote sufficient supply of a range of housing types affordable to a variety of incomes, including policies and programs that create additional development certainty, reduce regulatory barriers, and other strategies that have been shown to increase housing development.

(iv) yearly action plan goals for each jurisdiction, which shall be a combination of a jurisdiction's short-term targets, as measured by the number of units with completed entitlements and reported through the annual progress report for the 2020 and 2021 calendar years, and the documented completion or adoption of the specific process improvements listed in subparagraph (iii).

(v) a mechanism for the region to evaluate the progress of jurisdictions in meeting yearly action plan goals pursuant to subparagraph (iv).

(vi) the methodology to distribute Production and Process Improvement Reward program allocations pursuant to section XXXXX.4

(vii) specific actions that the region will take to support jurisdictions in attaining goals pursuant to subparagraph (iv).

(viii) the amounts retained by the region, or county pursuant to paragraph (5), and any sub-allocations to jurisdictions.

(8) The Department shall have 30 days to review action plans submitted by regions and will disburse any remaining funds pursuant to paragraph (1) to regions, following receipt and approval of their action plan pursuant to paragraph (7) of this subdivision.

(9) Expenditures shall be limited to housing-related planning activities. These activities include but are not limited to:

(i) Technical assistance in improving housing permitting processes, tracking systems, and planning tools

(ii) Facilitating technical assistance between jurisdictions

(iii) Establishing regional housing trust funds

(iv) Developing local or regional policies to link transportation funds to housing outcomes

(v) Performing infrastructure planning, including for sewers, water systems, transit, roads, or other public facilities necessary to support new housing and new residents.

(vi) Performing feasibility studies to determine the most efficient locations to site housing, consistent with section 65041.1 of the Government Code.

(c) Of this amount, one hundred and twenty-five million (\$125,000,000) shall be available directly for jurisdictions to assist in planning or other activities related to meeting short and long-term housing goals.

(1) Jurisdictions are eligible for funds under this paragraph if they demonstrate a commitment to participate in the development of their regional action plan. By December 31, 2019, the Department shall disburse funds to jurisdictions pursuant to paragraph (2). If the jurisdiction is in a region that does not submit a plan pursuant to paragraph (7) of subdivision (b) by the December 31, 2020 deadline, the jurisdiction must submit a plan to the Department that identifies specific strategies to meet their short-term targets and prepare to be effective at meeting their long-term housing goals, as well as promote sufficient supply of a range of housing types affordable to a variety of incomes.

(2) Maximum grant amounts shall be set as follows, according to population estimates as of January 1, 2019 posted on the Department of Finance Internet Web site:

(A) Seven hundred and fifty thousand dollars (\$750,000) to large localities (with populations over 200,000).

(B) Two hundred and seventy-five thousand dollars (\$275,000) to medium localities (with populations between 60,000 and 200,000, inclusive).

(C) One hundred and fifty thousand dollars (\$150,000) to small localities (with populations under 60,000).

(3) Expenditures shall be limited to housing-related planning activities to promote and streamline development, including staffing or contracts. These activities include but are not limited to:

(A) Any other uses eligible under paragraph (9) of subsection (b).

(B) Rezoning and encouraging development by updating planning documents and zoning ordinances, such as general plans, community plans, specific plans, sustainable communities' strategies, and local coastal programs.

(C) Completing environmental clearance to eliminate the need for project-specific review.

(D) Establishing Workforce Housing Opportunity Zones pursuant to Article 10.10 (commencing with Section 65620) of Chapter 3 of Division 1 of Title 7 of the Government Code or Housing Sustainability Districts pursuant to Chapter 11 (commencing with Section 66200) of Division 1 of Title 7 of the Government Code.

(E) Revamping local planning processes to speed up production.

(F) Creation or improvement of accessory dwelling unit ordinances.

(G) Any other process improvements identified by the Department pursuant to paragraph (2) of subdivision (d) of section XXXXX.4.

(e) (1) Five percent of the funds available pursuant to this section shall be set aside for program administration, including state operations expenditures and technical assistance, as well as expenditures by councils of government and the regional entities receiving funding pursuant to subdivision (c).

**XXXXX.4. Production and Process Improvement Reward program.**

(a) Upon appropriation by the Legislature, five hundred million dollars (\$500,000,000) shall be available to the Department for allocation to regions, or counties pursuant to paragraph (5) of subdivision (b) of section XXXXX.3, that have demonstrated progress towards increased housing production pursuant to this section. These funds may be used for general purposes.

(b) Regional allocations shall be based upon the region's, or county pursuant to paragraph (5) of subdivision (b) of section XXXXX.3, proportionate share of the annual housing targets pursuant to subdivision (a) of section XXXXX.2.

(c) Each region, or county pursuant to paragraph (5) of subdivision (b) of section XXXXX.3, shall determine an award methodology for distribution of its share of the allocation pursuant to subdivision (a) to its jurisdictions based an evaluation of the progress made by jurisdictions in meeting yearly region-specific action plan goals pursuant to subparagraph (v) of paragraph (7) of subdivision (a) section XXXXX.3

(1) To be eligible for these funds, jurisdictions within regions must complete the following threshold requirements:

(A) The jurisdiction must have a compliant housing element.

(B) The jurisdiction must have submitted annual progress reports for 2018 through the most recently required annual progress report at time of application.

(C) The jurisdiction must, at the time of application for award, demonstrate that it has enough land zoned to meet its housing needs identified in its housing element.

(2) In making these awards, the region, or county pursuant to paragraph (5) of subdivision (b) of section XXXXX.3, shall consider whether a jurisdiction has taken actions identified in their region's action plan, pursuant to XXXXX.3.

(3) Reward methodologies must be submitted and approved as part of the regional action plan pursuant to XXXXX.3.

(d) If a jurisdiction is in a region that does not submit an approved plan pursuant to paragraph (7) of subdivision (b), it can apply to the Department for Production and Process Improvement Rewards.

(1) In awarding Production and Process Improvement Rewards for these jurisdictions, the Department shall evaluate progress made towards the short-term goals in the 2020 and 2021 calendar years for each jurisdiction that applies for funding, as well as process improvements made by the jurisdiction.

(2) By December 31, 2020, the Department shall identify three levels of impactful process improvements a jurisdiction can take to promote housing with award amounts varying depending on which level of process improvements are completed. These actions will include, but are not limited to, policies and programs that create additional development certainty, reduce regulatory barriers, and other strategies that have been shown to increase housing development.

(3) To be eligible for these funds, a jurisdiction must complete the following threshold requirements:

(A) The jurisdiction must have a compliant housing element.

(B) The jurisdiction must have submitted annual progress reports for 2018 through the most recently required annual progress report at time of application.

(C) The jurisdiction must, at the time of application for award, demonstrate that it has enough land zoned to meet its housing needs identified in its housing element.

#### **XXXXX.5. Timelines.**

- (a) (1) The Department shall make award determinations and issue a notice of funding availability for the planning grants available pursuant to section XXXXX.3 no later than August 15, 2019.
- (2) Regions can apply for planning grants pursuant to section XXXXX.3 no later than December 31, 2020, and the Department will have 30 days to review applications before issuing awards.
- (3) Jurisdictions can apply for planning grants pursuant to section XXXXX.3 no later than December 31, 2019.
- (4) Regions shall submit their action plans pursuant to section XXXXX.4 no later than December 31, 2020, and make such action plans available publicly on an internet website.
- (5) By March 1<sup>st</sup>, 2022, and every year thereafter regions shall complete an evaluation of progress made by jurisdictions in implementing yearly action plan goals pursuant to subparagraph (v) of paragraph (7) of subdivision (a) section XXXXX.3 and make these evaluations available publicly on an internet website.
- (5) Jurisdictions and regions shall expend planning grant allocations no later than January 1, 2022.
- (6) Regions shall report status of their action plans and all uses of planning grant funds to the Department no later than December 31, 2022. Status of the action plan must include an evaluation of jurisdiction actions taken in support of the plan, including which actions had greatest impact on housing production.
- (7) Jurisdictions shall report all uses of planning grant funds to the Department no later than March 1, 2022.
- (b) (1) The Department shall allocate funds pursuant to the approved reward methodology pursuant to paragraph (3) of subdivision (c) of section XXXXX.4 beginning January 1, 2021, upon notification by the region, or county pursuant to paragraph (5) of subdivision (b) of section XXXXX.3.
- (2) All Production and Process Improvement Reward grants must be allocated by the Department no later than June 30, 2023.
- (d) The Department may request additional information, as needed, to meet other applicable reporting or audit requirements.
- (e) The Department may monitor expenditures and activities of an applicant, as the Department deems necessary, to ensure compliance with program requirements.
- (f) The Department may, as it deems appropriate or necessary, request the repayment of funds from an applicant, or pursue any other remedies available to it by law for failure to comply with program requirements.

**XXXXX.6.** Long-term reform.

(a) It is the intent of the Legislature to revamp the existing regional housing needs allocation process pursuant to section 65584 of the Government Code, to accomplish the following objectives:

(1) Creating a fair, transparent, and objective process for identifying housing needs across the state.

(2) Strategically planning for housing growth according to statewide priorities consistent with section 65041.1 of the Government Code, and expected future need for housing at all income levels.

(3) Encouraging increased development to address the state's housing affordability issues.

(4) Improving compliance and outcomes through incentives and enforcement.

(b) By December 31, 2022, the Department, in collaboration with the Office of Planning and Research, shall propose, after engaging in stakeholder participation, an improved Regional Housing Needs Allocation process and methodology that promotes and streamlines housing development and substantially addresses California's housing shortage. The Department may appoint a third-party consultant to facilitate a comprehensive review of the current Regional Housing Needs Allocation process and methodology.

(c) (1) By December 31, 2022, the Department, in collaboration with the California State Transportation Agency and the Office of Planning and Research, shall propose, after engaging in stakeholder participation, opportunities to link transportation and other non-housing funding, including funds available pursuant to paragraph (2) of subdivision (h) of section 2032 of the Streets and Highways Code, with statutorily required housing goals, including but not limited to housing element and annual progress report compliance, and policies that support meeting of housing goals, and integrated housing and transportation planning. The recommendations proposed may be implemented administratively or proposed to the Legislature for statutory change, as applicable.

(2) To aid the implementation of paragraph (1), beginning July 1, 2023, funds available pursuant to paragraph (2) of subdivision (h) of section 2032 of the Streets and Highways Code may be withheld from any jurisdiction that does not have a compliant housing element and has not zoned or entitled for its annual housing goals, pursuant to its most-recent Regional Housing Needs Allocation. Any forms and guidelines issued pursuant to this subdivision shall not be

subject to the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) or Part 1 of Division 3 of Title 2 of the Government Code).

(3) By May 1, 2023, and annually thereafter, the Department shall report to the Controller a list of cities and counties with funds to be withheld from the following fiscal year's apportionment pursuant to paragraph (2). The Controller shall reapportion any withheld funds under paragraph (2) to all cities and counties that do not have funds withheld for that fiscal year, pursuant to the formula in clauses (i) and (ii) of subparagraph (C) of paragraph (3) of subdivision (a) of Section 2103 of the Streets and Highways Code.

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