



CITY OF MILPITAS AGENDA REPORT (AR)

Item Title:	Receive the 2023 Housing Element Annual Progress Report and Housing Successor Agency Annual Report and Authorize the Submittal of Both Reports to California Department of Housing and Community Development (HCD) and Governor's Office of Planning and Research (OPR) (Staff Contact: Alex Andrade, Economic Development Director, 408-586-3046; and Robert Musallam, Housing and Neighborhood Services Administrator, 408-586-3275)
Category:	Consent Calendar-Community Development
Meeting Date:	3/19/2024
Recommendation:	Receive the 2023 Housing Element Annual Progress Report and Housing Successor Agency Annual Report and authorize the submittal of both reports to California Department of Housing and Community Development (HCD) and Governor's Office of Planning and Research (OPR).

BACKGROUND:

Government Code Section 65400 mandates that all cities and counties provide by April 1 of each year an Annual Progress Report of the Housing Element to the legislative body, the California Department of Housing and Community Development (HCD), and the Governor's Office of Planning and Research (OPR) on the status of the City's Housing Element and housing permit activity. More specifically, the State requests a report describing the community's progress in meeting its Regional Housing Needs Allocation (RHNA) goals to maintain, improve, and develop housing through permitting and housing related programs. The City's Housing Element was certified by the State when it demonstrated that adequate sites have been identified to accommodate the City's RHNA housing growth, whereas the Annual Progress Report tracks the actual progress of permitting and constructing new housing. The reporting timeframe covers the RHNA cycle of 2013-2031.

In March 2015, a new State reporting requirement was established, which mandates that jurisdictions also submit a Housing Successor Agency Annual Report with the Annual Progress Report. The Housing Successor Agency Report details activities the Milpitas Housing Authority has undertaken over the 2022-2023 fiscal year relating to the Low and Moderate-Income Housing Asset Fund (LMIHAF). The format of the report is prepared in accordance with the forms adopted by HCD. Both reports are attached for reference.

ANALYSIS:

The information that follows provides a summary of the City's housing production for calendar year 2023. The attachments include the full report to the HDC and OPR. The entire progress report is available as attachment 1. Some of the tables in attachment 1 have been left blank because they do not apply.

Housing Element Annual Progress Report

Following recent changes in state law, this report tracks the entire development process from application through certificate of occupancy. The following table provides an overview which is followed by a breakdown for each of these development milestones. Some projects are recorded in several categories. For instance, applications for certain projects were submitted and entitled in 2023, and other projects were issued building permits and/or certificates of occupancy in 2023.

Housing Progress in 2023	
Type	Housing Units
Applications	236
Entitlements	405
Building Permits	64
Occupancy	161

Housing Applications

Attachment 1, Table A lists the housing development applications submitted to the Planning Department. In 2023, the City received applications to develop a total of 236 units. The below table summarizes this data. For full details, see Attachment 1, Table A.

Housing Applications Submitted in 2023					
Unit Type	Extremely Low / Very Low	Low	Moderate	Above Moderate	Total Units
Multifamily	0	94	22	2	118
ADU	25	23	8	2	58
Single Family	0	0	7	53	60
Two to Four Unit	0	0	0	0	0
Total	25	117	37	57	236

Housing Entitlements, Building Permits, and Occupancy

Attachment 1, Table A2 lists the projects that have completed the entitlement process, have been issued building permits, or have passed the final inspection conducted by the Building Safety and Housing Department. A few units in Table A were also entitled by the City in 2023 so they also appear on the Completed Entitlement section of Table A2.

In 2023, the City issued planning entitlements for 405 units. Fifty-eight (58) of the units are non-deed restricted additional dwelling units (ADUs). Of note, the City entitled thirty-one (31) below market rate housing units deed restricted at low-income and sixty-five (65) below market rate housing units deed restricted at moderate-income. The below table summarizes entitlement data. For full details, see Attachment 1, Table A2.

Housing Entitlements Approved in 2023					
Unit Type	Extremely Low / Very Low	Low	Moderate	Above Moderate	Total Units
Multifamily	0	31	44	0	75
ADU	27	26	3	2	58
Single Family	0	0	21	251	272
Two to Four Unit	0	0	0	0	0
Total	27	57	68	253	405

Building permits are what the State uses to measure progress toward the City's RHNA goals. In 2023, the City issued building permits for a total of 64 units. The below table summarizes building permit data. For full details, see Attachment 1, Table A2.

Housing Building Permits Issued in 2023					
Unit Type	Extremely Low / Very Low	Low	Moderate	Above Moderate	Total Units
Multifamily	0	0	0	0	0
ADU	13	4	15	0	32
Single Family	0	0	0	32	32
Two to Four Unit	0	0	0	0	0
Total	13	4	15	32	64

In 2023, the City conducted final inspection and issued occupancy for 161 housing units, 102 of which are for 355 Sango Court. For full details, see Attachment 1, Table A2.

Housing Occupancy Issued in 2023					
Unit Type	Extremely Low / Very Low	Low	Moderate	Above Moderate	Total Units
Multifamily	93	8	0	1	102
ADU	6	2	13	6	27
Single Family	0	0	0	32	32
Two to Four Unit	0	0	0	0	0
Total	99	10	13	39	161

Overall Progress on RHNA Goals

While this report tracks all steps in the development cycle, RHNA production goals are measured by building permits issued. For the 2023-2031 RHNA cycle, the total housing production goal for the City of Milpitas is 6,713 housing units. Historically, the City has far exceeded its goal for above moderate-income housing units. However, with projects subject to the Affordable Housing Ordinance now beginning to apply for building permits, the City will begin to see more units added to the low and moderate categories of this report. In 2023, the City issued building permits for 32 above moderate-income units, 15 moderate-income, 4 low-income, and 13 extremely/very low-income units.

The remaining RHNA goal is to permit 6,642 affordable units. This is summarized in the table below. For details on the City's yearly progress since 2023, see Attachment 1, Table B.

Milpitas RHNA by Income Level					
	Extremely Low / Very Low	Low	Moderate	Above Moderate	Total Units
RHNA Goals for 2023-2031	1,685	970	1,131	2,927	6,713
Building Permits 2023-2031	27	11	25	108	171
Remaining Balance of RHNA	1,658	959	1,106	2,819	6,542

Most jurisdictions throughout California have challenges meeting their RHNA goals, including those in the Bay Area. As housing production is a regional issue that transcends city boundaries and barriers, shared housing strategies can benefit all communities in the area. Toward this end, Housing and Planning staff regularly attend regional meetings and will continue to exchange best practices and lessons learned.

Housing Programs

The annual submittal also reports on the City's progress on implementing housing related policies and programs. The following highlights programs where the City made progress in 2023:

- The City anticipates the construction of over 300 new affordable units in the next few years. These will be built as stand-alone affordable housing and mixed-income housing in compliance with the City's Affordable Housing Ordinance.
- The City Council has approved the Milpitas Metro Specific Plan (formerly known as the Transit Area Specific Plan) and staff is making progress on the Gateway/Main St. Specific Plan (formerly known as the Midtown Specific Plan) with new design guidelines, densities, and land use designations. The City is also preparing Objective Design Standards for residential and mixed-use developments to establish clear and implementable design criteria which will help ensure that new projects are attractive and meet the intent of the City's General Plan Update.
- The City is implementing Housing Opportunity Zones and utilizing incentive-based zoning in its specific plan updates to provide incentives (permit streamlining, CEQA streamlining, objective design standards, and financial incentives) for affordable developers and mixed-income housing.
- The City prepared a Development Handbook and Accessory Dwelling Unit (ADU) Toolkit to clarify the City's development review process and ADU regulations. The City is also implementing an ADU

Incentive Program and Safe ADU Legalization Program to encourage residents to obtain ADU permits to ensure that new ADUs, and existing but unpermitted ADUs, meet building codes and health and safety standards. These efforts are expected to improve customer service, reduce permit processing times, and streamline ADU production.

- The City Council authorized \$950,000 in American Rescue Plan Act funding to be directed towards the City's Rent and Mortgage Relief Program. The rent relief program launched in December 2022. The program also provides mortgage relief which launched on March 6, 2023. The rent relief funding program provides assistance to Milpitas residents and families that have emergency housing needs such as rent, deposit relief, emergency hardship, eviction prevention, domestic violence relocation, child homelessness relief, and Section 8 Good Faith Deposit assistance. The mortgage relief funding provides mortgage assistance to homeowners struggling to stay current on their primary residence mortgage.
- In fiscal year 2022-23, the City awarded Project Sentinel CDBG funds for Fair Housing assistance and for COVID-19 related rent relief/reduction services through negotiations with tenants, property owners, mortgage holders, and mediators. Project Sentinel also hosted one educational workshop on fair housing laws and the local eviction moratorium.
- The City Council authorized \$1,017,554 in Permanent Local Housing Allocation funds to a Workforce Housing Rental Assistance Program (WHRAP) and a continuation of the City's homeless outreach program. WHRAP will provide up to 50 families at or below 30% of the median income with a rental subsidy for 24 months.

Housing Successor Agency Annual Report

The Housing Successor Annual Report (Attachment 2) addresses the requirements of California Health and Safety Code Section 34176.1(f) regarding the Low- and Moderate-Income Housing Asset Fund (LMIHAF). This report outlines the financial and housing covenant details of the Milpitas Housing Authority (Housing Successor) for 2022-23 (Fiscal Year). The purpose of this report is to provide the governing body of the Housing Successor an annual report on the housing assets and activities of the Housing Successor under Part 1.85, Division 24 of the California Health and Safety Code, in particular sections 34176 and 34176.1 (Dissolution Law).

This report includes discussion on the deposits, ending balance, and expenditures from the LMIHAF, as well as a description of the Housing Successor's assets. The report also discusses the Housing Successor's current projects, acquisitions of any real property since February 1, 2012, or any outstanding obligations. Finally, as required by law, three separate tests are discussed – the income test, senior housing test, and excess surplus test. The results of these tests are discussed in Attachment 2.

POLICY ALTERNATIVE(S):

Alternative: Do not accept or authorize the submittal of the Housing Element Annual Progress Report and Housing Successor Agency Annual Report to HCD and OPR.

Pros: None.

Cons: If the City does not submit the reports to HCD and OPR, the City would not be in compliance with Government Code Section 65400.

Reason not recommended: Per Government Code Section 65400, failure to submit the reports will result in a court order or judgment compelling compliance.

FISCAL IMPACT:

Receiving and submitting the Housing Element Annual Progress Report and Housing Successor Agency Annual Report to HCD and OPR will result in no fiscal impact to the City.

California Environmental Quality Act (CEQA):

The action being considered has no potential for causing a significant effect on the environment and is exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15061(b)(3).

RECOMMENDATION:

Receive the 2023 Housing Element Annual Progress Report and Housing Successor Agency Annual Report and authorize the submittal of both reports to California Department of Housing and Community Development (HCD) and Governor's Office of Planning and Research (OPR).

Attachment(s):

- (a) Housing Element Annual Progress Report
- (b) Housing Successor Agency Annual Report