



DATE: January 25, 2022

CATEGORY: Consent

DEPT.: Community Development

TITLE: **Housing Element Update Scope Amendment**

RECOMMENDATION

1. Approve the revised scope of work for the Housing Element Update project (Attachment 1 to the Council report).
2. Authorize the City Manager or designee to execute an amendment to the existing professional services agreement with Bay Area Economics, increasing compensation by \$593,795 for an amount not to exceed \$874,386, for additional tasks supporting the Housing Element Update.
3. Appropriate and transfer \$704,000 from Land Use Development Fees collected in the Development Services Fund to the Housing Element Update, CIP Project 21-58. (Five votes required)

BACKGROUND

The City is required to update its Housing Element (a chapter of the General Plan) every eight years. The update includes identifying sites to accommodate the City's "fair share" of housing within the region and developing policies and programs to achieve those goals. The Sixth Cycle Housing Element Updates, which cover the years 2023 through 2031, are due to the State by January 31, 2023.

On December 8, 2020, Council approved the original Housing Element Update scope of work and Bay Area Economics (BAE) as the lead consultant. Plan to Place has been serving as subconsultant for the public outreach component and ESA as subconsultant for a sites inventory and California Environmental Quality Act (CEQA) compliance. The City Council had approved a \$300,000 midyear Capital Improvement Project (CIP), 2023-2031 Housing Element, and authorized a consultant agreement not to exceed \$280,591 with the remaining budget allocated for administrative costs (approximately \$20,000). The CIP included all tasks related to the Housing Element update, including a roughly

5% contingency, and the City’s administrative charge (see Attachment 2—Original Consultant Scope of Work, for a breakdown of consultant tasks and costs).

ANALYSIS

In order to meet Housing Element requirements, it is necessary to modify the original consultant scope of work for several key reasons, which are described below. A contract amendment in the amount of \$593,795 is requested as follows:

Sites Inventory Analysis	\$ 77,448
Environmental Impact Report	371,558
Housing Constraints Analysis	36,726
Public Meetings	14,394
Expenses and Contract Administration	18,597
Contingency	<u>75,072</u>
 CONTRACT AMENDMENT TOTAL	 <u>\$593,795</u>

- **Additional Sites Inventory Analysis.** At the time the original scope was prepared, it was assumed that the ongoing R3 Zoning District update project would accommodate more of the anticipated Regional Housing Needs Allocation (RHNA). However, during the April 13, 2021 R3 Study Session, Council requested that additional community outreach be conducted as part of the process. The R3 Zoning District update schedule was extended to include additional outreach and cannot be used for the Housing Element Update.

Additionally, the original scope assumed that the recent North Bayshore and East Whisman Precise Plans would also accommodate more of the anticipated RHNA. However, the Master Plan applications submitted in North Bayshore and East Whisman propose market-rate units with limited applicability to lower-income categories; therefore, the original assumption about the sites’ ability to accommodate those income categories would not apply, and other sites would need to be identified if those market-rate units are built.

In light of this, during the November 16, 2021 Housing Element Study Session, Council directed the project team to evaluate other parts of the City, such as sites with existing residential capacity or in other Precise Plan areas for which there had been previous community input.

With this broader approach, the project team's scope will include identifying existing sites throughout the City and, if additional capacity is needed beyond existing zoning, identify opportunity sites for targeted rezonings.

- **Expanded Environmental Review.** With the significant increase in RHNA from previous cycles, plus the potential for identified rezonings, the City has determined that a program Environmental Impact Report will provide necessary CEQA analysis, instead of the previously scoped Initial Study/Mitigated Negative Declaration. This modification requires additional quantitative analysis and requires an extension in the project schedule to accommodate the required CEQA process, including preparation and public review periods.
- **Additional Economic Constraint Analysis.** State law requires that the Housing Element include an analysis on economic constraints to housing production. However, with new requirements, financial challenges for development, and potential impact fees, additional economic constraint analysis is necessary. The additional analysis will evaluate public policies and fees, including a potential community facilities district (CFD) which is being explored by the Mountain View Whisman School District, that may constrain multi-family housing development.
- **Additional Consultant Meeting Attendance and Outreach.** The project was scheduled for two sets of Study Sessions, but additional funds are required for consultant preparation and attendance at another set of Environmental Planning Commission and Council Study Sessions for review of a draft sites inventory and goals and policies. In addition, the project team is conducting additional targeted outreach based on Council direction.
- **Santa Clara County Planning Collaborative and ABAG Coordination.** The Housing Element project team anticipated utilizing the Housing Element Site Selection (HESS) tool from the Santa Clara County Planning Collaborative ("Collaborative") and the Association of Bay Area Governments (ABAG), but the beta tool lacked capabilities the project team determined necessary to map and identify sites within the project schedule. The additional work included compiling and integrating City and County data in a mapping platform and applying methodologies to refine the inventory based on historical data and trends. The project team continues to evaluate regional products as they become available and will incorporate as appropriate.

The total budget request of \$704,000 includes the consultant contract amendment (\$593,795), plus costs for implementation action, noticing and advertising, legal support, or other contingency funds (about \$70,000) and City administrative costs (about \$40,000).

Contract Amendment Total	\$ 593,795
Additional Costs	70,000
City Administrative Fee	<u>40,000</u>
BUDGET REQUEST TOTAL	\$ 704,000
PREVIOUS BUDGET TOTAL	<u>300,000</u>
TOTAL BUDGET IF APPROVED	<u>\$1,004,000</u>

FISCAL IMPACT

This project will be funded with an additional \$704,000 (total \$1,004,000) from Land Use Document Fees collected in the Development Services Fund, which are intended to be used for updates of the City’s long-range planning documents, including the Housing Element and General Plan. The current amount available from the collection of Land Use Document Fees is sufficient for the proposed additional funding to update the Housing Element for the additional scope of work.

ALTERNATIVES

1. Do not authorize the City Manager to amend the contract with BAE for additional analysis and EIR in support of the Housing Element Update, or appropriate funds to the Housing Element CIP.
2. Provide other direction.

PUBLIC NOTICING – Agenda posting.

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- Attachments: 1. Proposed Consultant Scope of Work
2. Original Consultant Scope of Work