



Community & Economic Development Department
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Planning Division

**CITY PLANNING COMMISSION MEETING: NOVEMBER 10, 2022
AGENDA ITEM NO.: 8**

DISCUSSION ITEM

Case Number	PR-2021-001391 (Zoning Text Amendment)
Request	Workshop – Proposed Amendments to Title 19 (Zoning) to implement the Inclusionary Housing Policy
Project Location	Citywide
Wards	All
Staff Planner	Matthew Taylor, Acting Principal Planner mtaylor@riversideca.gov 951-826-5944

RECOMMENDATION

Conduct a workshop to discuss Proposed Amendments to Title 19 that implement the Inclusionary Housing Policy as directed by the City Council Housing & Homelessness Committee.

BACKGROUND

On August 18, 2022, the Planning Commission held a public hearing on the Proposed Amendments to Title 19 (Zoning) of the Riverside Municipal Code to implement an inclusionary housing program, update the Density Bonus Ordinance and consider clean-up items. Following discussion, the Planning Commission voted to bifurcate the item, continuing discussion of the Proposed Amendments related to inclusionary housing to a workshop (Exhibit 1). Additional information related to a proposed in-lieu fee component was specifically requested.

A workshop was requested and held on October 13, 2022 to focus on the relationship between the policy direction provided by the Housing & Homelessness Committee (HHC) and the Title 19 Proposed Amendments. Information on the proposed in-lieu fees was also presented to the Planning Commission.

Following the workshop on October 13, 2022, a public hearing was held on the Proposed Amendments and continued by the Planning Commission to the meeting of November 10, 2022 (Exhibit 2). Planning Commission requested additional information about the effect of inclusionary policies on local housing markets and housing production.

As a matter of information, staff requested a continuance of the public hearing as a separate item on the November 10 Planning Commission agenda.

DISCUSSION

In recent years, the State of California has identified the shortage of housing, particularly affordable housing, as a legislative priority. A housing shortage negatively impacts the State's economic competitiveness, contributes to homelessness, and results in long commutes, increasing production of greenhouse gas emissions, air pollution, and poor public health.

A household is considered able to afford its housing if its total housing-related expenses do not exceed 30-35% of its gross income. Affordable housing frequently refers to housing that is priced so that it does not exceed this threshold for households who earn at or below 80% of the Area Median Income (AMI), which in Riverside is \$87,400 (2022) for a family of four.

Given the existing housing conditions, on May 18, 2021, the City Council authorized hiring a consultant to explore the feasibility of implementing an inclusionary housing policy in the City of Riverside. Inclusionary housing policies typically require a portion of newly constructed residential units to be set aside, for sale or rent, to lower- or moderate-income households to increase the availability of affordable housing for all income levels.

Over the past year, City staff and the consultant prepared a study of the feasibility of implementing such a policy in Riverside, with input and direction from the City Council HHC. On May 23, 2022, the HHC reviewed a draft policy and feasibility analysis (Exhibit 3) and directed staff to develop an ordinance to implement the policy for Planning Commission and City Council consideration (Exhibit 4).

PROPOSED AMENDMENTS

To facilitate the Planning Commission's review of the Proposed Amendments, staff has summarized the policy direction provided by the HHC. Staff provided the Planning Commission with a summary of the Proposed Amendments (Exhibit 5). Staff also provided a summary of potential Planning Commission input that could be considered during the workshop.

INCLUSIONARY REQUIREMENTS

1. Committee Direction

- a. Adopt a blend of demand-based and nexus-based inclusionary requirements.
- b. Establish specific requirements three different development types:
 - i. Low-density for-sale;
 - ii. High-density for-sale; and
 - iii. All rental projects.
- c. Set income limits slightly lower than HUD limits to provide additional affordability.

2. Proposed Zoning Code Amendments

- a. For-sale single-family: (up to 10.9 units/acre) – 5% affordable to Moderate-Income households (up to 110% area median income)

- b. For-sale condo and townhome (10.9-14.5 units/acre) – 10% affordable to Lower-Income households (up to 70% AMI)
- c. All rental projects – 10% affordable to Lower-Income households (up to 70% AMI)

3. Planning Commission Input

The Planning Commission could consider and/or recommend:

- a. Different percentage requirements (lower or higher);
- b. Different affordability levels or income limits, or a mixture of affordability levels and income limits within any or all project types;
- c. Different breakdown of project types or densities; and/or
- d. Different method for determining inclusionary requirement (for example, a set number of units based on project size, instead of a percentage).

EXEMPTIONS

1. Committee Direction

- a. Exempt small development and individual single-family homes.
- b. Grandfather ongoing projects and future projects that already have financial expectations or commitments.

2. Proposed Zoning Code Amendments

Requirements do not apply to:

- a. Projects of fewer than three units;
- b. Properties destroyed and reconstructed due to disaster;
- c. Additions and alterations; and
- d. Projects that have submitted an application for processing by effective date of Ordinance.

3. Planning Commission Input

The Planning Commission could consider and/or recommend:

- a. Different applicability or exemption criteria (e.g., number of units, size of site, etc.).
- b. Phased implementation of inclusionary requirements (for example, by project type or size).
- c. Graduated implementation of inclusionary requirements (i.e., proportion of required inclusionary units increases with time).
- d. Other exemptions not listed.

AFFORDABILITY TERMS

1. Committee Direction

- a. Ensure long-term availability of affordable units.

- b. Leverage City/Housing Authority assets to maximize affordable housing stock.
- c. Ensure that capital gains from increased values are recaptured from resale of inclusionary units.

2. Proposed Zoning Code Amendments

- a. Duration of affordability:
 - i. For-sale units – 45 years.
 - ii. Rental units – 55 years.
 - iii. Enforced through deed restriction recorded on title.
- b. Resale of for-sale inclusionary units:
 - i. May be sold to owner-occupants only, with annual recertification.
 - ii. Must be sold to income-qualified households; or
 - iii. If sold to a non-income qualified household, a portion of the equity proceeds must be reimbursed to the Affordable Housing Fund (equity share requirement decreases over time).

3. Planning Commission Input

The Planning Commission could consider and/or recommend:

- a. Different minimum affordability terms (length of time, applicable project types, etc.).
- b. Different resale restrictions, or no resale restrictions.

UNIT CHARACTERISTICS

1. Committee Direction

- a. Promote a diverse mix of affordable units of all types and sizes.
- b. Ensure equity in the provision of amenities, finishes and fixtures.
- c. Create some allowance for flexibility in size and appointment in view of cost constraints.

2. Proposed Zoning Code Amendments

- a. Units must be distributed throughout the project.
- b. Mix of units (beds, baths) must be similar to market-rate units.
- c. Similar finishes, fixtures and appliances to market-rate units.
- d. Equal access to amenities and common areas.
- e. Floor plans can be up to 10% smaller than average market-rate units.

3. Planning Commission Input

The Planning Commission could consider and/or recommend:

- a. Larger or smaller allowance for unit size differentiation between inclusionary and market-rate units.
- b. Allowing substitution of unit mix (e.g., three one-bedroom inclusionary units for every three-bedroom market-rate unit, or similar).
- c. Substantial differentiation in unit sizes, characteristics and appointments is not recommended and may violate State or Federal fair housing law.

OFF-SITE REQUIREMENTS

1. Committee Direction

- a. Allow inclusionary requirements to be met off-site.
- b. Avoid creating an over-concentration of affordable units in a particular area.
- c. Require a greater proportion of affordable units for off-site than on-site to encourage the construction of on-site units.

2. Proposed Zoning Code Amendments

- a. Off-site units subject to higher inclusionary requirements (8% single family and 15% condo/townhome and rental).
- b. Off-site project must be in the same Council ward as the primary project.
- c. To avoid overconcentration, maximum 100 affordable housing units within 500 feet, and maximum 400 units within 1,500 feet.
- d. Unit sizes, types, fixtures, finishes and appliances must be roughly equivalent to primary project.

3. Planning Commission Input

The Planning Commission could consider and/or recommend:

- a. Higher or lower percentage inclusionary requirement for off-site units, for any or all project types.
- b. Different overconcentration protections (e.g., distances, number of units, or other criteria as desired).
- c. Disallow off-site units altogether.

IN-LIEU FEE OPTION

1. Committee Direction

- a. Allow inclusionary requirements to be met with in-lieu fee payment.
- b. Set in-lieu fees at higher percentage to encourage construction of on-site units.

2. Proposed Zoning Code Amendments

- a. All or a portion of inclusionary requirement may be satisfied by payment of in-lieu fee.

- b. In-lieu fees are equivalent to the same higher percentage inclusionary requirement as off-site units (8% single-family and 15% condo/townhome and rental projects).
- c. Fees due at issuance of first building permit.
- d. All fees collected to be deposited in an Inclusionary Housing Fund managed by the Housing Authority and used to fund affordable housing construction, acquisition and preservation.

3. Planning Commission Input

The Planning Commission could consider and/or recommend (please note that fee amounts may only be set by resolution of the City Council):

- a. Higher or lower equivalent percentage inclusionary requirement on which fees are based, for any or all project types.
- b. Allow deferral of fee payments to final occupancy, rather than building permit issuance, or some other point in time.
- c. Disallow the in-lieu fee option altogether.

LITERATURE REVIEW

In response to the Planning Commission's comments at the October 13, 2022 workshop, staff conducted a review of academic literature and reports from advocacy organizations on both sides of the issue on the topic inclusionary housing requirements and their impact on housing markets and housing production. A summary of the literature reviewed is included as Exhibit 6.

The literature surveyed provides both the positive and negative effects on housing, but there is no definitive position on its effectiveness. There are numerous variables that impact housing production. Any inclusionary housing policy cannot by itself be the determining factor when assessing housing production and impacts.

The National Housing Conference's Center for Housing Policy published a 2016 white paper (Exhibit 7) that summarizes several evaluation studies and distills their key conclusions related to the effects of inclusionary housing policies on housing supply and prices. The following table is excerpted from the white paper and is presented for context:

TABLE 2. Housing Market Impacts Associated with Local Inclusionary Housing Programs: Results from Key Evaluation Studies

Jurisdiction	Period	Impacts on Overall Housing Supply	Impacts on Home Prices/Rents	Source
California (28 programs)	1981–2001	No negative effect on housing starts	N/A	a
California (65 programs)	1988–2005	No decline in single-family starts; increase in multi-family starts	Increase of 2.2 percent in single-family prices	b
California (125 programs)	2007–2013	N/A	Stricter programs associated with 1.9-percent decline in rents	c
San Francisco, CA (55 programs)	1987–2004	No negative effect on housing starts	No effect on home prices	d
Los Angeles and Orange Counties, CA (17 programs)	1998–2005	No negative effect on housing starts	N/A	e
Boston, MA area (99 programs)	1987–2004	Up to a 10% decline in housing starts	Increase of 1 percent in single-family-home prices	d

(Please note that the National Housing Conference is an independent non-profit organization representing affordable housing developers and advocates.)

PRODUCTION DATA

In response to the Commission's request at the October 13, 2022 workshop, the following table summarizes the annual housing production figures (permits issued) of selected Southern California cities with adopted inclusionary housing policies as reported in those cities' Annual Progress Reports (APRs) to the California Department of Housing and Community Development. APRs are self-reported by cities and are only available from 2018 on. Please note that inclusionary policies are just one factor that potentially drives housing production in any given period of time.

Community	Program Adopted	2018		2019		2020		2021		Total	
		Market	Inclusionary	Market	Inclusionary	Market	Inclusionary	Market	Inclusionary	Market	Inclusionary
Calimesa	2012	86	0	286	0	342	0	93	1	807	1
Fontana	2005	413	0	835	0	No Data		1122	60	2370	60
Highland	2006	17	0	3	2	5	4	17	233	42	239
Irvine	2007	3455	0	2725	279	1963	22	2281	53	10424	354
Montclair	2005	221	0	No Data		11	0	24	0	256	0
Pomona	2021	240	0	144	61	531	3	455	56	1370	120
San Luis Obispo	2004	220	74	523	14	415	50	464	146	1622	284
Santa Ana	2015	769	577	538	163	863	609	662	330	2832	1679

STRATEGIC PLAN

The Inclusionary Housing workshop aligns with Strategic Priority No. 2 – Community Well-Being. The workshop aligns with Goal 2.1 – Facilitate the development of a quality and diverse housing supply that is available and affordable to a wide range of income levels. The workshop also aligns with Strategic Priority No. 5 – High Performing Government and Goal 5.3 Enhance communication and collaboration with community members to improve transparency, build public trust, and encourage shared decision-making.

In addition, the project aligns with the five Cross-Cutting Threads as follows:

1. **Community Trust** – The workshop allows for community input into the Title 19 Proposed Amendments that implement the policy direction from the HHC.
2. **Equity** – The workshop allows residents to understand the policy direction from the HHC and provisions for affordable housing.
3. **Fiscal Responsibility** – The workshop provides ways that the City and developers can work together to create new affordable housing.
4. **Innovation** – The workshop incorporates a summary of latest best practices for streamlining and promoting housing development and promote equitable communities.
5. **Sustainability & Resiliency** – The workshop identifies ways that the Code changes will promote infill development that will help reduce greenhouse gas emissions by reducing vehicle miles traveled, as well as providing an alternative to greenfield sprawl development.

EXHIBITS LIST

1. Planning Commission Minutes – August 18, 2022
2. Planning Commission Minutes – October 13, 2022
3. Inclusionary Housing Feasibility Analysis – February 28, 2022
4. Summary of Direction from Committee
5. Proposed Amendments – Title 19 (Zoning Code)
6. Literature Review Summary
7. Center for Housing Policy White Paper

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