



# INCLUSIONARY HOUSING WORKSHOP

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**Community & Economic Development Department**

**Planning Commission**

**Agenda Item: 8**

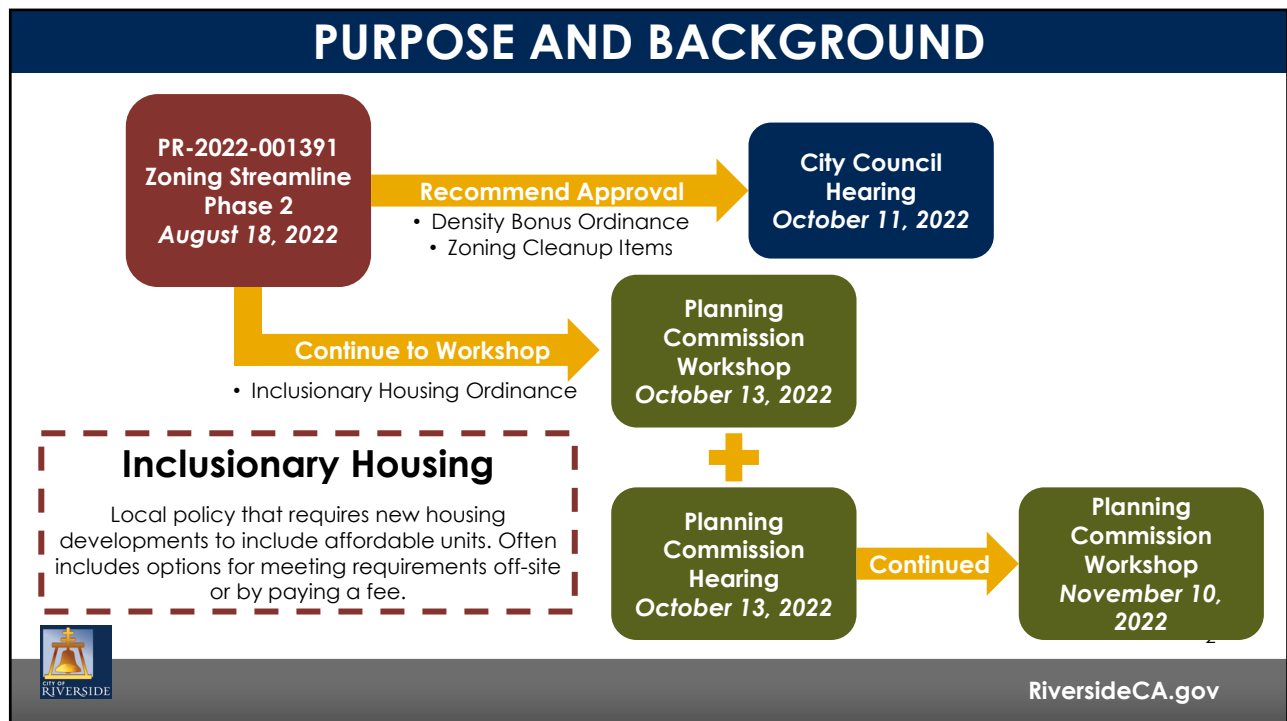
**November 10, 2022**



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## WORKSHOP TOPICS

Housing & Homelessness Committee Policy Direction and related provisions in draft Ordinance:

- Inclusionary requirements
- Exemptions
- Affordability terms
- Unit characteristics
- Off-site requirements
- In-lieu fee option

Discussion of the Planning Commission's role and options for a recommendation to City Council on the Proposed Title 19 Amendments

**PLUS:** Review of academic literature on inclusionary policies and survey of housing production in cities with IH policies



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## INCLUSIONARY REQUIREMENTS

### COMMITTEE DIRECTION

- Adopt a blend of demand-based and nexus-based inclusionary requirements
- Establish three tiers:
  - low-density for-sale;
  - high-density for-sale;
  - rental
- Set income limits slightly lower than HUD limits to increase affordability

### PROPOSED ORDINANCE

#### 19.535.030 – Inclusionary Requirements

- **For-sale single-family:** (up to 10.9 units/acre): 5% affordable to Moderate-Income (110% area median income)
- **For-sale condo and townhome:** (10.9-14.5 units/acre): 10% affordable to Lower Income (70% AMI)
- **All rental projects:** 10% affordable to Lower-Income (70% AMI)

### PLANNING COMMISSION INPUT

- Minimum inclusionary requirements – lower or higher?
- Affordability levels and income limits? Mix of affordability levels?
- Breakdown of project types or densities?
- Overall method for determining required inclusionary units?



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## EXEMPTIONS

### COMMITTEE DIRECTION

- Exempt small development and individual single-family homes
- Grandfather ongoing projects and future projects with financial expectations in place

### PROPOSED ORDINANCE

#### 19.535.020 – Exemptions

Requirements do not apply to:

- Projects of fewer than three units
- Properties destroyed by disaster and reconstructed
- Additions and alterations
- Projects that have submitted an application for processing by effective date of Ordinance

### PLANNING COMMISSION INPUT

- Applicability and exemption criteria (number of units, size of site, etc.)?
- Implementation – phase-in over time? Gradually increase % requirement?
- Other projects that should be exempt?



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## AFFORDABILITY TERM

### COMMITTEE DIRECTION

- Ensure long-term availability of affordable units
- Leverage City/Housing Authority assets to maximize affordable housing stock
- Ensure that capital gains from increased values are recaptured

### PROPOSED ORDINANCE

#### 19.535.040 – Duration of Affordability

- For-sale units
  - 45-year affordability term
  - Must be resold to income-qualified households
- Rental units
  - 55-year affordability term

#### 19.535.090 – Requirements for Selling For-Sale Inclusionary Units

- Owner-occupant only, recertified annually
- The units:
  - May be resold to income-qualified households; or
  - Shall be subject to an equity reimbursement provision

### PLANNING COMMISSION INPUT

- Different minimum affordability terms?
- Different resale restrictions? Or no resale restrictions?



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## UNIT CHARACTERISTICS

### COMMITTEE DIRECTION

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

### PROPOSED ORDINANCE

#### 19.535.050 – Development Standards

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

### PLANNING COMMISSION INPUT

- **More or less size differentiation between inclusionary and market-rate units?**
- **Allow substitution of unit types provided the overall number of bedrooms is equitable?**
- **IMPORTANT: Substantial differentiation between inclusionary and market rate units is not recommended due to State and Federal Fair Housing Laws!**



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## OFF-SITE REQUIREMENTS

### COMMITTEE DIRECTION

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

### PROPOSED ORDINANCE

#### 19.535.050 – Development Standards

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

### PLANNING COMMISSION INPUT

- **Higher or lower inclusionary requirements for off-site units?**
- **Changes to distance limits or other approaches to avoid overconcentration?**
- **Disallow off-site units?**



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## IN-LIEU FEES

### COMMITTEE DIRECTION

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

### PROPOSED ORDINANCE

#### 19.535.080 – In-Lieu Fee Alternative

- Inclusionary requirement may be satisfied by payment of in-lieu fee
- 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)
- Fees due at issuance of first building permit
- All fees collected to be deposited in an Inclusionary Housing Fund and used to further affordability

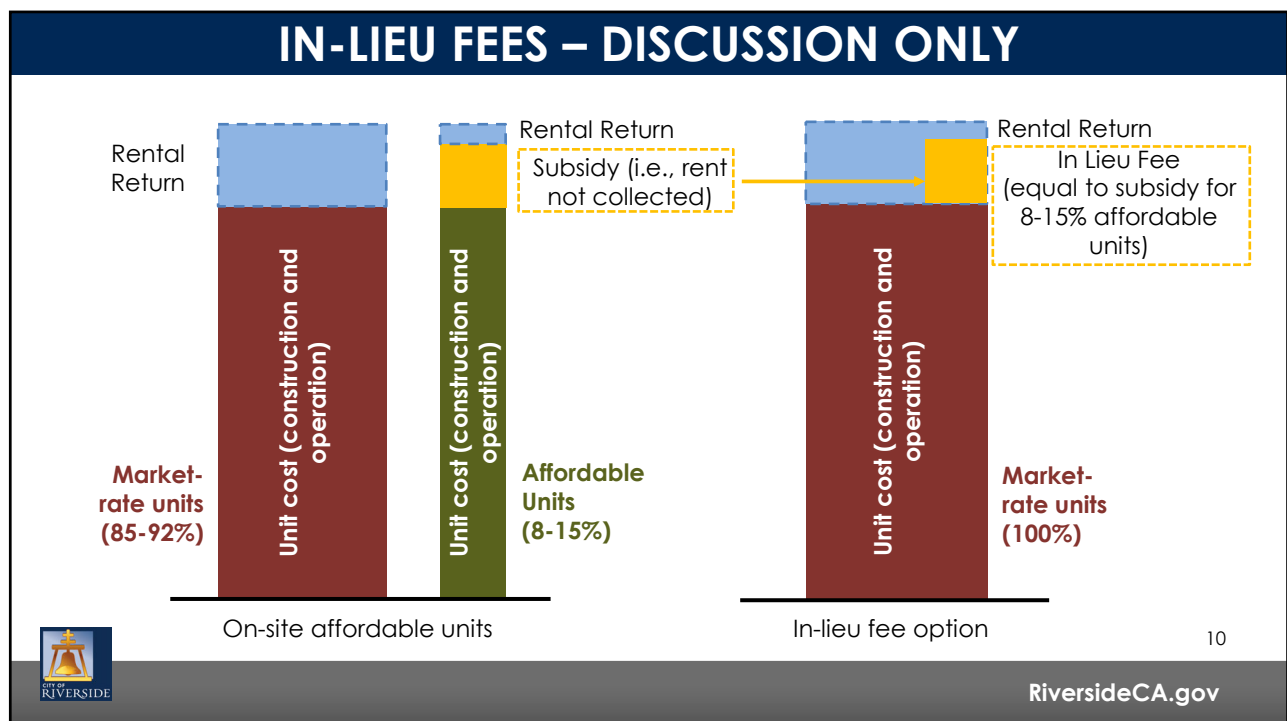
### PLANNING COMMISSION INPUT

- Higher or lower proportion of equivalent units for determining in-lieu fees?
- Allow deferral of payment? What time frame?
- Disallow the in-lieu fee option altogether?
- **IMPORTANT:** In-lieu fee amounts can only be set by City Council Resolution!

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## IN-LIEU FEES – DISCUSSION ONLY

Project type	In-lieu % (total units)	Savings to project per affordable unit not built	In-lieu fee per market-rate unit	In-lieu fee per square foot (typical)
For-Sale Single Family	8%	\$104,860	<b>\$8,389</b>	\$3.36
For-Sale Townhome/Condo	15%	\$156,862	<b>\$23,534</b>	\$15.69
Rental (all types)	15%	\$81,784	<b>\$12,268</b>	\$14.43

**DRAFT FEES ARE PRESENTED FOR INFORMATION ONLY. Final in-lieu fee amounts will be set at the discretion of the City Council and may differ significantly from the consultant's recommendations**



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## LITERATURE REVIEW – DISCUSSION ONLY

**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

SOURCE: National Housing Conference Center for Housing Policy, 2016



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## HOUSING PRODUCTION DATA – DISCUSSION ONLY

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

SOURCE: California Department of Housing and Community Development Annual Progress Report Dashboard



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## STRATEGIC PLAN ALIGNMENT



### Strategic Priority No. 2 – Community Well Being

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.

### Cross-Cutting Threads



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## RECOMMENDATIONS

Staff recommends that the Planning Commission:

**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.**



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