

Inclusionary Housing Program Update

Office of Homeless Solutions

Housing and Homelessness Committee

September 27, 2021

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BACKGROUND

1. May 18, 2021, the City Council and Housing Authority Boards authorized an Agreement with Economic and Planning Systems, Inc., (EPS) to explore the possibility of implementing an inclusionary housing policy in the city of Riverside.
2. Inclusionary housing are local policies that could require developers to sell or rent a percentage of new residential units to lower-income residents or pay an in-lieu fee to support such projects. To offset the cost of providing affordable housing in all new projects, an Inclusionary Housing Program can offer incentives to developers in the form of zoning concessions such as reduced parking, density bonuses, or tax abatements.



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INVESTIGATION

1. EPS participated in a virtual project initiation kick-off meeting with City staff to discuss the overall context of the Project, the City's specific objectives, and key opportunities and challenges for affordable housing development in Riverside.
2. EPS began its investigations by studying a targeted set of cities in California with approved inclusionary housing programs, including Temecula, Montclair, Highland, Irvine, and San Luis Obispo.



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INVESTIGATION

3. EPS assembled a tentative set of "static" pro forma financial models representing a range of rental and for sale housing prototypes and are using these models to assess the development feasibility of these prototypes under a set of identified inclusionary policy alternatives.
4. Selected communities have requirements that range from 3% to 15% affordable units for rental and for-sale developments. The income levels at which the units are required to be affordable also vary by community, ranging from Very Low-Income units (under 50% of Area Median Income; \$39,500 for a family of 4 in 2021) to Moderate Income Units (up to 120% of AMI; \$93,000 for a family of 4 in 2021).



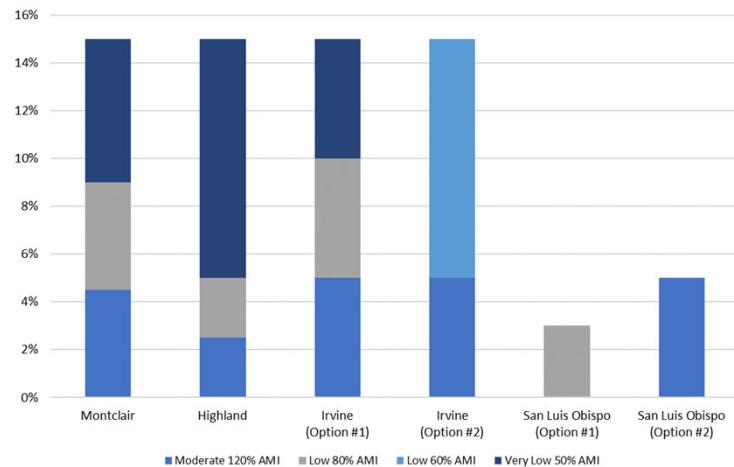
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INCLUSIONARY STANDARDS FOR RENTAL PROJECTS

Figure 1 Comparable Jurisdictions



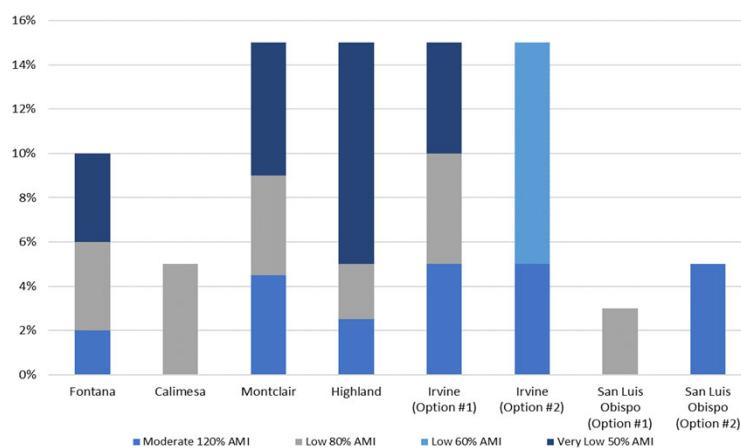
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INCLUSIONARY STANDARDS FOR FOR-SELL PROJECTS

Figure 2 Comparable Jurisdictions



Note: Fontana and Calimesa do not have inclusionary requirements for rental residential projects.



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HOUSING TYPES

- There is significant variation in inclusionary standards at a basic level – how much and at what income levels – and there is also variation among jurisdictions regarding the sizes of projects subject to the requirements, whether fees can be paid in lieu of providing units, and other aspects of the programs.
- EPS worked with City staff to identify five different types of housing development that might be foreseen in Riverside. These include for-sale single-family detached homes (10 units per acre) and attached townhomes (15 units per acre), as well as rental apartments at different densities reflecting their locations in the Downtown (100 units per acre), transit-adjacent areas (60 units per acre), or other neighborhoods of the City (30 units per acre).



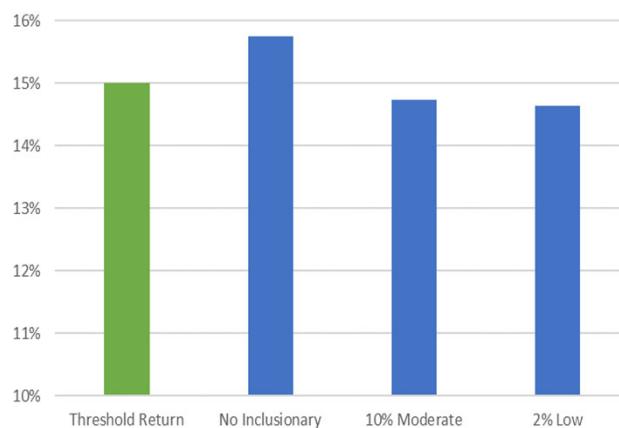
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INCLUSIONARY SCENARIOS FOR SINGLE FAMILY FOR-SALE PRODUCTS

Figure 3 Feasibility



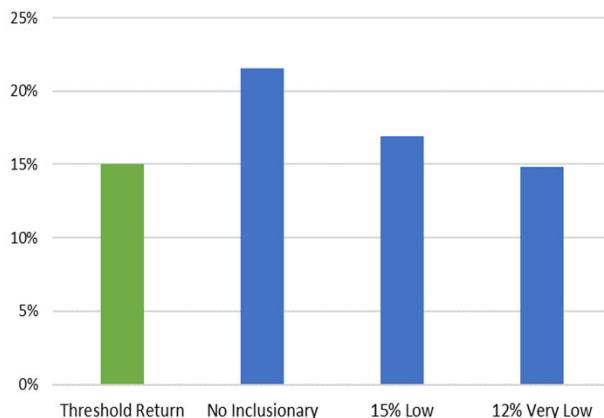
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FEASIBILITY OF INCLUSIONARY SCENARIOS FOR TOWNHOME FOR-SELL PRODUCTS

Figure 4



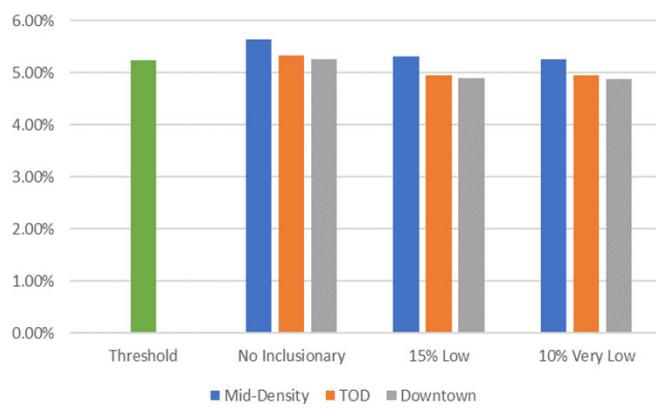
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FEASIBILITY OF INCLUSIONARY SCENARIOS FOR MULTIFAMILY RENTAL PRODUCTS

Figure 5



It may be possible to impose an inclusionary requirement on mid-density multifamily projects without rendering them infeasible, but it is unlikely that higher density infill projects will be able to support similar requirements.



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AFFORDABILITY

Table 6 Affordable Rents/Sale Prices for Riverside County (as compared to market rates)

Affordability Category	6th Cycle RHNA Allocation	Multifamily Rental Units		For-Sale Townhome Units		Single Family For-Sale Units	
		2021 Max Income (3 person household) ¹	Maximum Rent (2-bedroom unit) ²	2021 Max Income (4 person household) ¹	Maximum Sale Price (3-bedroom home) ³	2021 Max Income (5 person household) ¹	Maximum Sale Price (4-bedroom home) ³
Extremely Low Income (ELI) - 30% AMI	2,431	\$21,960	\$549	[5]	[5]	[5]	[5]
Very Low Income (VLI) - 50% AMI	2,430	\$35,550	\$889	\$39,500	\$176,300	\$42,700	\$191,147
Low Income (LI) - 80% AMI	2,064	\$56,900	\$1,423	\$63,200	\$298,164	\$68,300	\$323,526
Moderate Income (MOD) - 120% AMI	3,139	\$83,700	\$2,441	\$93,000	\$528,901	\$100,450	\$570,295
Above Moderate Income - >120% AMI	7,394	N/A	N/A	N/A	N/A	N/A	N/A
<i>Typical Market Rates [4]</i>			\$2,571		\$400,000		\$625,000

[1] Income levels are for Riverside County, as reported by CA HCD.

[2] Maximum rent for each income level is based on 30% of maximum income for ELI, VLI, and LI; and 35% of maximum income for MOD.

[3] Maximum sale price for each income level assumes mortgage payment equal to 30% of maximum monthly income for ELI, VLI, and LI, and 35% of maximum monthly income for MOD (minus taxes and insurance), on a 30-year mortgage with a 3.5% annual interest rate and 10% down payment.

[4] Based on EPS market research. Estimated rates are for 2-bedroom, 850 sq. ft. rental unit; 3-bedroom, 1,500 sq. ft. for-sale townhome; and 4-bedroom, 2,500 sq. ft. single family home.

[5] Inclusionary programs do not typically include ELI requirements for-sale housing.

Sources: State of CA HCD; City of Riverside; CoStar; Zillow; EPS



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NEXT STEPS

If viable as a continuing policy project, continue outreach to community and industry representatives, test the feasibility of additional inclusionary alternatives, and prepare recommendations for program standards with community participation to begin in late October of this year.



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STRATEGIC PLAN ALIGNMENT

Envision Riverside 2025 Strategic Plan Priorities



#2 Community Well-Being, Goal 2.1, Action 2.1.4

Cross-Cutting Threads



Community Trust



Fiscal Responsibility



Sustainability & Resiliency



Equity



Innovation



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RECOMMENDATIONS

That the Housing and Homelessness Committee:

1. Receive an update on the feasibility and economic impacts of an Inclusionary Housing Program for the city of Riverside; and
2. Provide direction to staff on how to proceed with the Inclusionary Housing Program.



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