

CITY OF RIVERSIDE INCLUSIONARY HOUSING PROGRAM FEASIBILITY STUDY UPDATE

Housing and Homelessness
Committee Meeting October
23, 2023



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The Economics of Land Use

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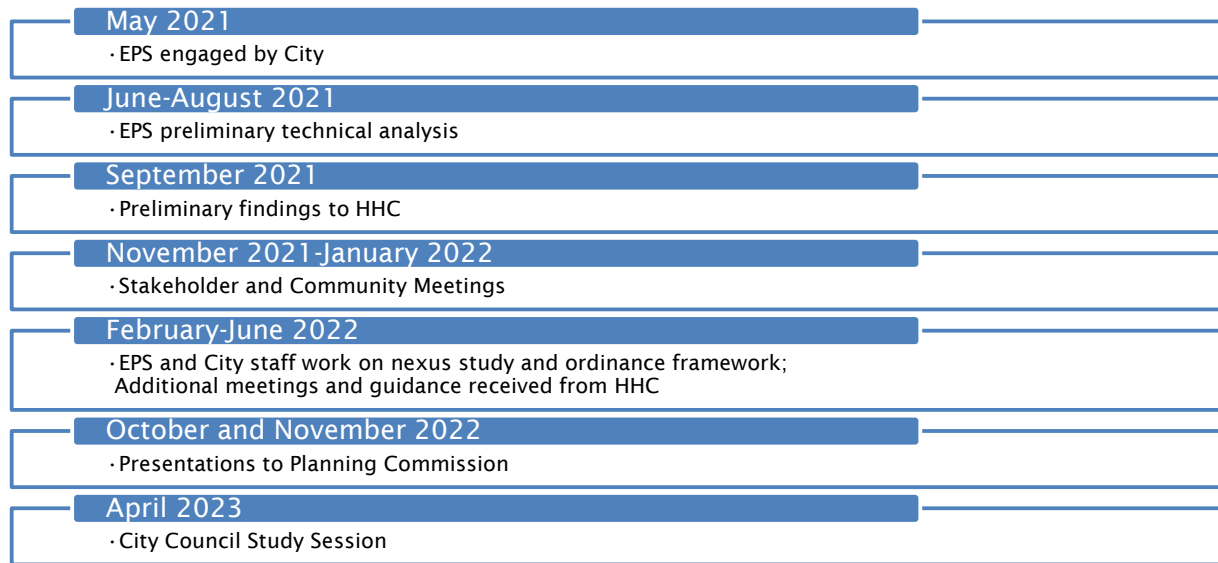
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AGENDA

- Overview of Study Process
- Review of Previous Feasibility Findings
- Updated Feasibility Findings
- In-Lieu Fee Calculation Overview
- Next Steps

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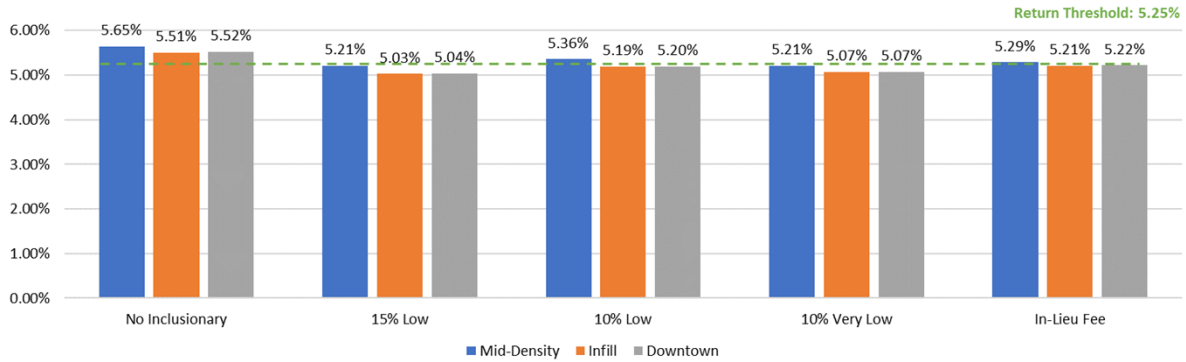
OVERVIEW OF STUDY PROCESS



REVIEW OF 2022 FEASIBILITY FINDINGS

INCLUSIONARY SCENARIOS – RENTAL

- Scenarios for multifamily rental include:
 - 15% and 10% of units for low-income households
 - 10% of units for very low-income households
 - In-lieu fee on 15% low-income requirement (~\$22,300 per market rate unit)
- **Recommended requirement: 10% Low on-site, 15% Low off-site**



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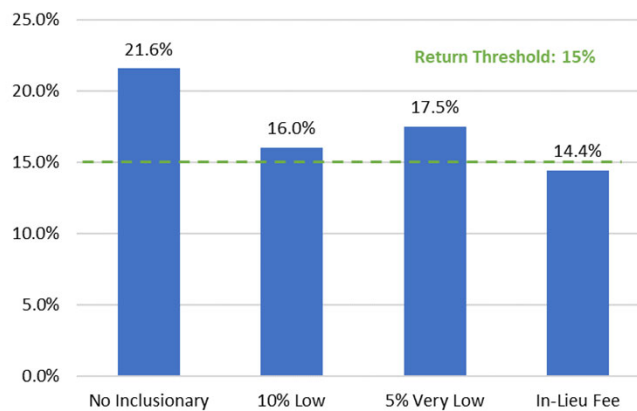
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INCLUSIONARY SCENARIOS – FOR SALE TOWNHOMES

- Scenarios for for-sale townhomes include:
 - 10% of units for low-income households
 - 5% of units for very low-income households
 - In-lieu fee on 15% low-income requirement (~\$23,500 per market rate unit)

Recommended requirement: 10% Low on-site, 15% Low off-site



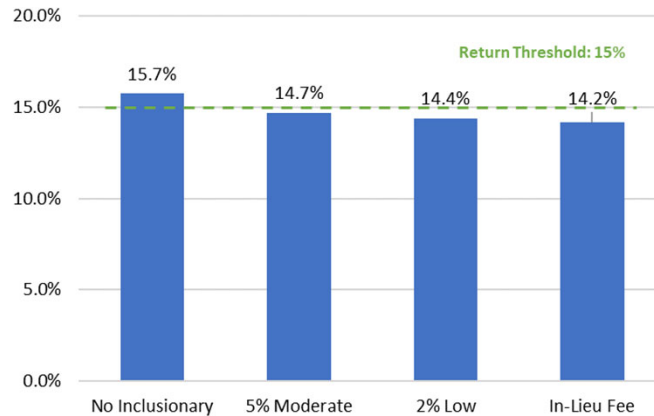
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INCLUSIONARY SCENARIOS – FOR SALE SINGLE-FAMILY

- Scenarios for single-family detached homes include:
 - 5% of units for moderate-income households
 - 2% of units for very low-income households
 - In-lieu fee on 8% moderate-income requirement (~\$8,400 per market rate unit)
- **Recommended requirement:** 5% Moderate on-site, 8% Moderate off-site



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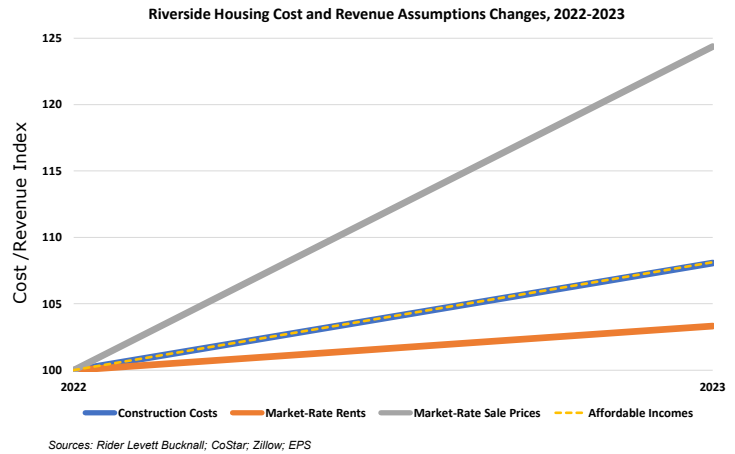
2023 FEASIBILITY FINDINGS

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CHANGES TO ANALYTICAL ASSUMPTIONS

- **Costs:**
 - Construction costs increased by approximately 8%

- **Revenues:**
 - Market-Rate Apartment Rents increased by 3%
 - Sale prices increased by 25%
 - Affordable incomes increased by 8%

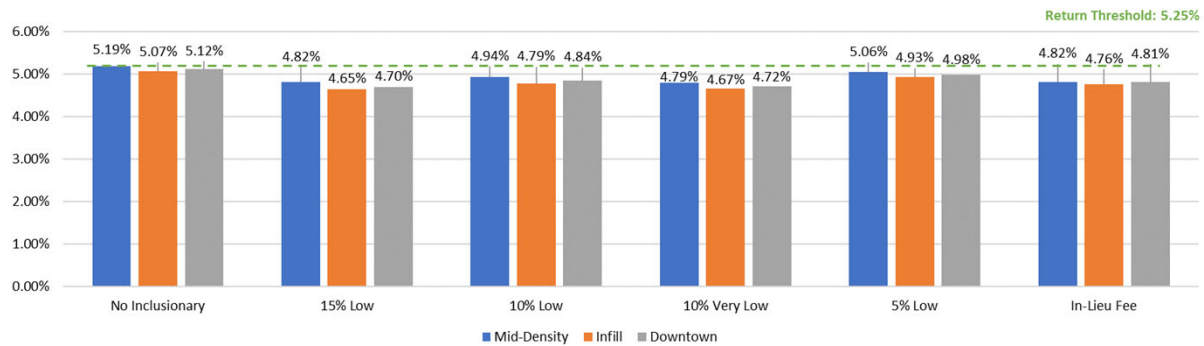


AFFORDABLE RATES BY INCOME CATEGORY (2023)

Income Category	Multifamily Rental Units		For-Sale Moderate/High-Density Single Family Units		For-Sale Low-Density Single-Family Units	
	Max Income (3 person HH)	Max Monthly Rent (2-bedroom unit)	Max Income (4 person HH)	Maximum Sale Price (3-bedroom unit)	Max Income (5 person HH)	Maximum Sale Price (4-bedroom unit)
Low Income (70% AMI)	\$60,726	\$1,518	\$67,473	\$246,005	\$72,864	\$280,942
Moderate Income (110% AMI)	\$93,555	\$2,729	\$103,950	\$500,393	\$112,255	\$557,419
Market Rates		\$2,650		\$515,000		\$750,000

INCLUSIONARY SCENARIOS – RENTAL

- Scenarios for multifamily rental include:
 - 15%, 10%, and 5% of units for low-income households
 - 10% of units for very low-income households
 - In-lieu fee on 15% low-income requirement (~\$28,000 per market rate unit)
- **Multifamily development is challenging in current economic environment; unlikely to support inclusionary requirement in near term**



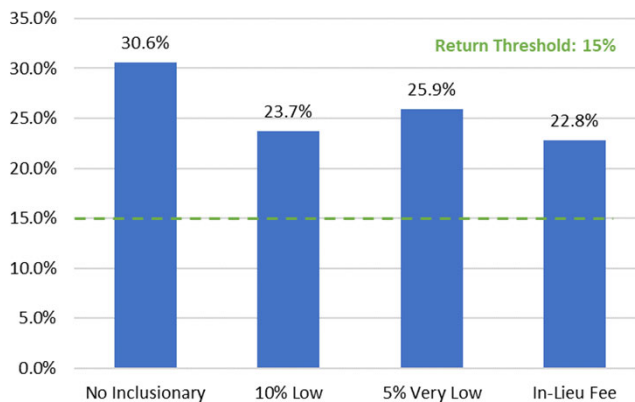
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INCLUSIONARY SCENARIOS – FOR-SALE TOWNHOMES

- Scenarios for for-sale townhomes include:
 - 10% of units for low-income households
 - 5% of units for very low-income households
 - In-lieu fee on 15% low-income requirement (~\$30,500 per market rate unit)
- **Current recommended requirement still feasible**



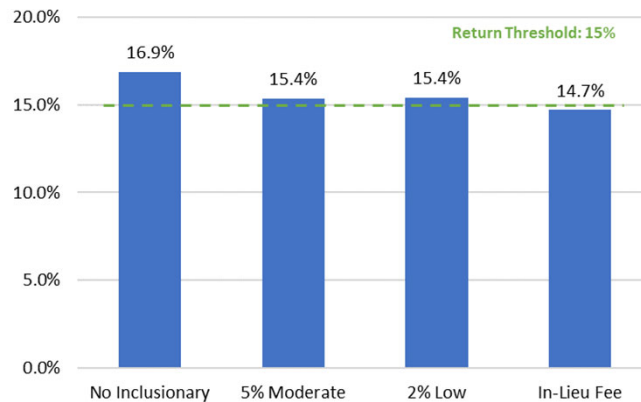
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INCLUSIONARY SCENARIOS – FOR-SALE SINGLE-FAMILY

- Scenarios for single family detached homes include:
 - 5% of units for moderate-income households
 - 2% of units for low-income households
 - In-lieu fee on 8% moderate-income requirement (~\$14,000 per market rate unit)
- **Current recommended requirement still feasible**



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RECOMMENDATIONS FOR ORDINANCE

- **Multifamily Rental Apartments** – No inclusionary requirement until market conditions improve
- **High-Density For-Sale Single Family (e.g. Townhome)**
 - 10% of units affordable to low-income households (70% AMI)* if provided on-site,
 - 15% of units affordable to low-income households if provided off-site, or
 - Payment of an in-lieu fee
- **Low-Density For-Sale Single Family**
 - 5% of units affordable to moderate-income households (110% AMI) if provided on-site,
 - 8% of units affordable to moderate-income households if provided off-site, or
 - Payment of an in-lieu fee
- **Review program and conduct updated feasibility analysis within two years**

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IN-LIEU FEE METHODOLOGY

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IN-LIEU FEES

- In-lieu fee serves as an alternative means of compliance with inclusionary requirement, as required by State law
- Fee level is commonly calculated as financial subsidy (or “gap”) needed to finance construction of the affordable units that the development is not providing on-site

Financing Gap = Cost to Build Unit – Value of Unit (at affordable rents/prices)

- Fee revenues are collected in a dedicated fund used to support production and preservation of affordable housing units in the City

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ESTIMATED IN-LIEU FEE CALCULATION

Item	Formula	Unit Type	
		High-Density Single Family For-Sale	Low Density Single Family For-Sale
Affordability Level		Low-Income	Moderate-Income
Value Per Unit	<i>a</i>	\$246,005	\$557,419
Cost Per Unit	<i>b</i>	\$449,661	\$731,626
Subsidy Per Unit	<i>c = a - b</i>	(\$203,655)	(\$174,208)
Fee Per Affordable Unit	<i>c</i>	\$203,655	\$174,208
Inclusionary Percentage for In-Lieu Fees	<i>d</i>	15%	8%
Fee Per Market Rate Unit	<i>e = c * d</i>	\$30,548	\$13,937
Average Unit Size	<i>f</i>	1500	2500
Fee Per Affordable Sq. Ft.	<i>g = c / f</i>	\$135.77	\$69.68
Fee Per Market Rate Sq. Ft.	<i>h = g * d</i>	\$20.37	\$5.57

Committee's previous guidance was to base fee on inclusionary requirements for building off-site units:

- 15% of units affordable to low-income households for high-density single family
- 8% of units affordable to moderate-income households for low-density single family

IN-LIEU FEE COMPARISON

City	Single-Family For-Sale		Townhome/ Condo For-Sale		Multifamily Rental		Notes
	Per Market-Rate Unit	Per Market Rate Sq. Ft.	Per Market-Rate Unit	Per Market Rate Sq. Ft.	Per Market-Rate Unit	Per Market Rate Sq. Ft.	
Fontana	\$1,350	N/A	\$1,350	N/A	N/A	N/A	No inclusionary requirement on rental projects
Highland	\$3,750	N/A	\$3,750	N/A	\$3,750	N/A	
Irvine	\$17,000	N/A	\$17,000	N/A	\$17,000	N/A	

IN-LIEU FEE COMPARISON

City	Single-Family For-Sale		Townhome/ Condo For-Sale		Multifamily Rental		Notes
	Per Market-Rate Unit	Per Market Rate Sq. Ft.	Per Market-Rate Unit	Per Market Rate Sq. Ft.	Per Market-Rate Unit	Per Market Rate Sq. Ft.	
Pomona	N/A	\$0.41-\$11.40	N/A	\$0.33-\$9.30	N/A	\$0.33-\$0.92	Fee charged based on size of project
Jurupa Valley	\$5,000	\$2.00	\$2,400	\$2.00	\$1,900	\$2.00	Per unit fees are only illustrative; fee charged per sq. ft.

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RECOMMENDATIONS

That the Housing and Homelessness Committee:

1. Receive an update on the Inclusionary Housing Program study for the City of Riverside, including preliminary recommendations on elements of a potential inclusionary housing ordinance;
2. Provide direction on the draft Inclusionary Housing Ordinance.

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