

INCLUSIONARY HOUSING WORKSHOP

City Manager's Office
Community & Economic Development Department

City Council
April 11, 2023



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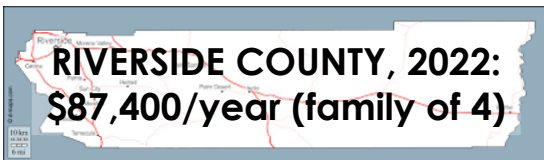
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PURPOSE AND BACKGROUND

WHAT IS AFFORDABLE AND TO WHOM?

- If you spend no more than **30% of your gross income** on your housing (rent, mortgage, taxes, utilities, etc.), you can afford your housing.
- *Income limits* are set by Federal and State standards, based on **Area Median Income** (typically by county).



| INCOME LIMIT | INCOME |
|---------------------|-----------|
| Very Low (50% AMI) | \$44,000 |
| Low (80% AMI) | \$70,400 |
| Moderate (120% AMI) | \$104,900 |

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PURPOSE AND BACKGROUND

WHY DOES THIS MATTER NOW?

| INCOME LIMIT | INCOME | AFFORDABLE HOUSING COST |
|---------------------|-----------|-------------------------|
| Very Low (50% AMI) | \$44,000 | \$1,100/month |
| Low (80% AMI) | \$70,400 | \$1,760/month |
| Moderate (120% AMI) | \$104,900 | \$2,622/month |

| APARTMENT TYPE | AVERAGE RENT | ANNUAL CHANGE |
|----------------|--------------|---------------|
| Studio | \$1,705 | +13% |
| 1 Bed | \$1,945 | +9% |
| 2 Beds | \$2,245 | +9% |

Median Sold Price ?

\$590,441

\$367/sqft

Based on all homes sold in the last 12 months.

Difference Since February 2022
+\$50,441 (+9.3%) ↑

Key Takeaway

Homes in Riverside have sold for **9.3% more** than they did a year ago.

Source: [Rent.com](#) Last updated: 3/27/2023

Source: [RocketHomes](#) Last updated: 02/2023

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PURPOSE AND BACKGROUND

RIVERSIDE'S HOUSING AFFORDABILITY TOOLBOX

Federal

- Grants and funding allocations
- Tax credits
- Vouchers and assistance programs

State

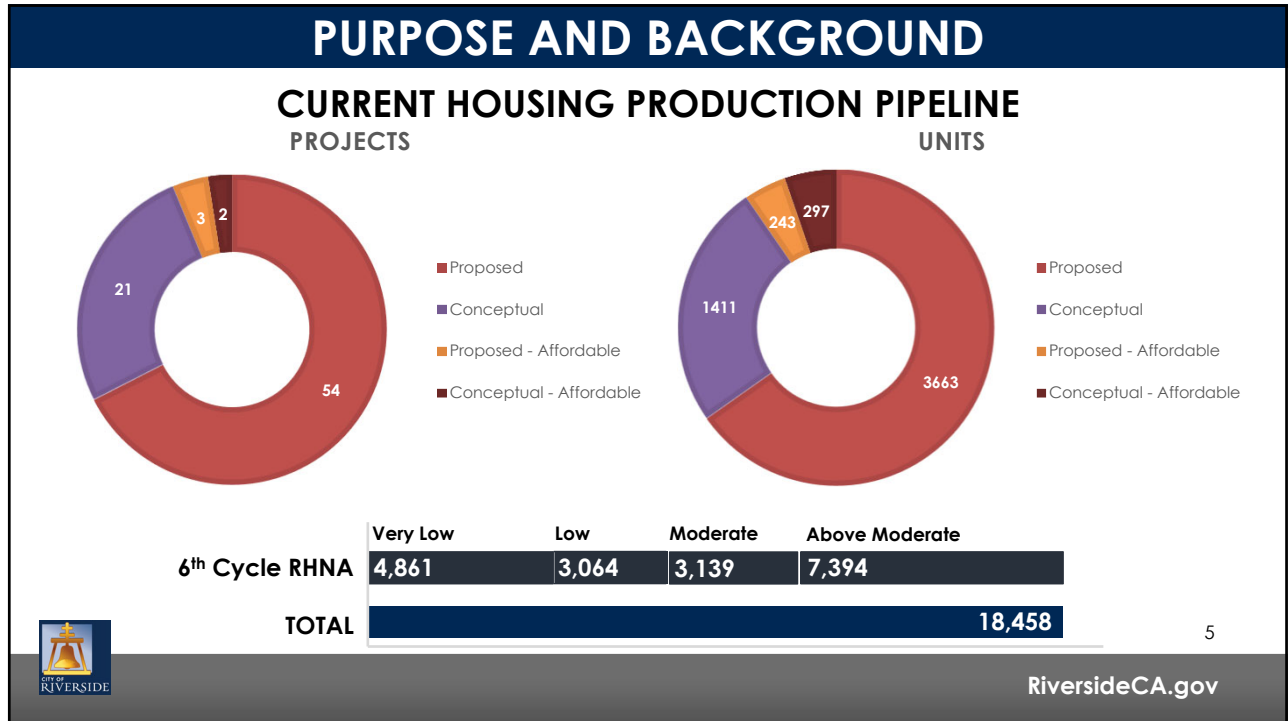
- Grants and funding allocations
- Tax credits
- RHNA allocation
- Surplus Land Act
- State-owned property
- Density bonus
- SB 35 streamlining
- Housing Accountability and Housing Crisis Acts

Local

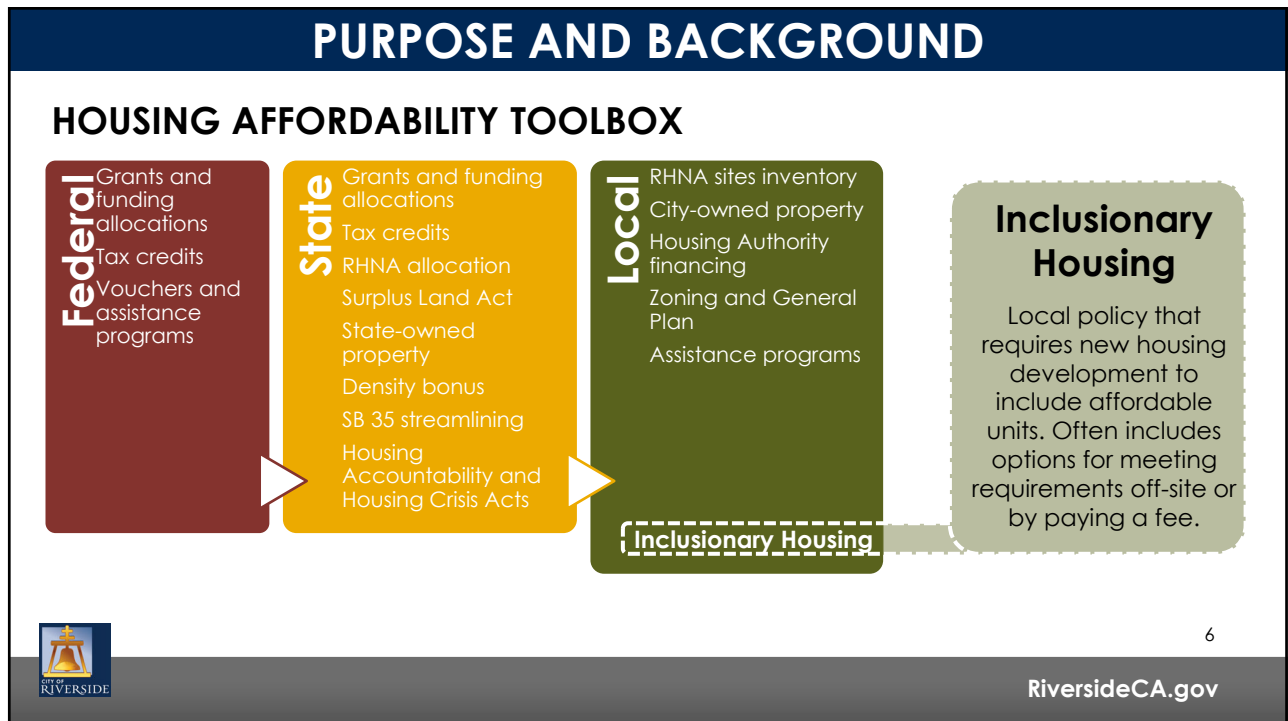
- RHNA sites inventory
- City-owned property
- Housing Authority financing
- Zoning and General Plan
- Assistance programs

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PURPOSE AND BACKGROUND

Inclusionary programs exist in:

- 1,000+ jurisdictions nationwide
- 158 cities and counties in California
- Produce about 110,000 affordable units

Source: [Grounded Solutions Network](#) Last updated: 3/27/2023

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PURPOSE AND BACKGROUND

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            graph TD
            A["July 27, 2020  
Housing & Homelessness Committee (HHC)  
Inclusionary Housing overview"] --> B["Sept. 15, 2020  
City Council  
IH Feasibility Study RFP"]
            B --> C["Nov. 12, 2020  
City Council  
Award feasibility bid to EPS"]
            C --> D["HHC Inclusionary Housing Updates  
March 22, 2021  
Sept. 27, 2021  
Feb. 28, 2022  
May 23, 2022"]
            D --> E["Aug. 18, 2022  
Planning Commission  
Draft Ordinance amendments"]
            E --> F["Oct. 24, 2022  
HHC  
Inclusionary Housing Update – Final Direction"]
            F --> G["Planning Commission Workshops  
Oct. 13, 2022  
Nov. 10, 2022"]
            G --> H["April 11, 2023  
City Council Workshop"]
            H --> I["TODAY"]
            
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COMMUNITY/STAKEHOLDER OUTREACH

- Two **stakeholder workshops** in November 2021
 - **Workshop #1** included housing advocates and developers of affordable housing projects. Seven stakeholders attended the meeting.
 - **Workshop #2** included developers of market-rate residential projects. Sixteen stakeholders attended the meeting.
- Presented to the **Greater Riverside Chamber of Commerce's Economic Development Council** in January 2022, June 2022 and March 2023
- **Community webinar** held on January 12, 2022. Approximately 50 individuals signed on to meeting.



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DISCUSSION



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INCLUSIONARY HOUSING FRAMEWORK

Housing & Homelessness Committee Policy Direction (October 2022):

- Inclusionary requirements
- Exemptions
- Affordability terms
- Unit characteristics
- Off-site requirements
- In-lieu fee analysis and recommended amounts



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INCLUSIONARY REQUIREMENTS

COMMITTEE RECOMMENDATION

- 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

- **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)



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EXEMPTIONS

COMMITTEE
RECOMMENDATION

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

Requirements would 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


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AFFORDABILITY TERM

COMMITTEE
RECOMMENDATION


- 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

Duration of Affordability

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

Requirements for Selling For-Sale Inclusionary Units

- Owner-occupant only, recertified annually
- The units:
 - May be sold and resold to households of the income levels for which the units were designated at an affordable sales price for those households; or
 - Shall be subject to an equity reimbursement requirement pursuant to this Chapter


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UNIT CHARACTERISTICS

COMMITTEE RECOMMENDATION

- 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

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


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OFF-SITE REQUIREMENTS

COMMITTEE RECOMMENDATION

- 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

- 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


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IN-LIEU FEES

COMMITTEE RECOMMENDATION

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

- Inclusionary requirement may be satisfied by payment of in-lieu fee
- In-lieu fees are equivalent to 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


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NEXT STEPS

HOW SHOULD THE CITY CONTINUE TO EXPLORE INCLUSIONARY HOUSING AS A TOOL TO IMPROVE HOUSING AFFORDABILITY?


Provide further information

Present a draft Ordinance

Topics for further discussion/input:

- Feasibility study results
- Inclusionary requirements
- Exemptions
- Affordability terms
- Unit characteristics
- Off-site requirements
- In-lieu fee analysis and recommended amounts

- Define applicability
- Determine required set-aside(s)
- Set desired income level(s)
- ALLOW OFF-SITE?
- No
Yes
- Set requirements
- ALLOW IN-LIEU FEES?
- No
Yes
- Determine Amount(s)


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STRATEGIC PLAN ALIGNMENT

ENVISION RIVERSIDE 2025

**METRICS
ACTIONS
GOALS**

This item contributes to **Strategic Priority 2: Community Well-Being** and **Goal No. 2.1** – Facilitate the development of a quality and diverse housing supply that is available and affordable to a wide range of income levels.

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RECOMMENDATIONS

That the City Council direct staff on next steps related to an Inclusionary Housing Policy.

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REFERENCE ONLY SLIDES

The following slides are included for reference only.



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COMPARISON CITY IHPS – IN-LIEU FEES

| 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 | - | \$1,350 | - | - | - | No inclusionary requirement on rental projects |
| Highland | \$3,750 | - | \$3,750 | - | \$3,750 | - | |
| Temecula | <i>No In-lieu fee option</i> | | | | | | Applies only to Affordable Housing Overlay Zone |
| Pomona | - | \$0.41 - \$11.40 | - | \$0.33 - \$9.30 | - | \$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. |
| Calimesa | <i>No In-lieu fee option</i> | | | | | | Land donation |
| Irvine | \$17,000 | - | \$17,000 | - | \$17,000 | - | |
| Santa Ana | - | \$6.00 - \$15.00 | - | \$6.00 - \$15.00 | - | \$6.00 - \$15.00 | Fee charged based on size of project |



CITIES IN WESTERN RIVERSIDE COUNTY THAT HAVE NOT ADOPTED AN INCLUSIONARY POLICY: Banning | Beaumont | Canyon Lake | Corona | Eastvale | Hemet | Lake Elsinore | Moreno Valley | Murietta | Norco | Perris | San Jacinto | Wildomar | Riverside County

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FEASIBILITY ANALYSIS

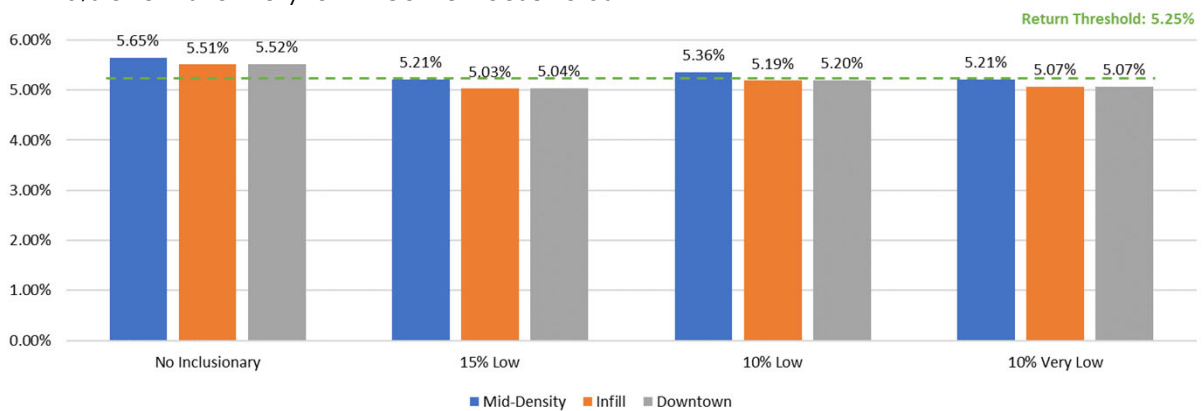
- EPS identified prototype rental and for-sale market-rate products that the City might see developed in the future
- Tested development feasibility of several scenarios of developing on-site affordable units, using typical return assumptions:
 - 5.25% return on cost for rental projects
 - 15% profit margin on for-sale projects

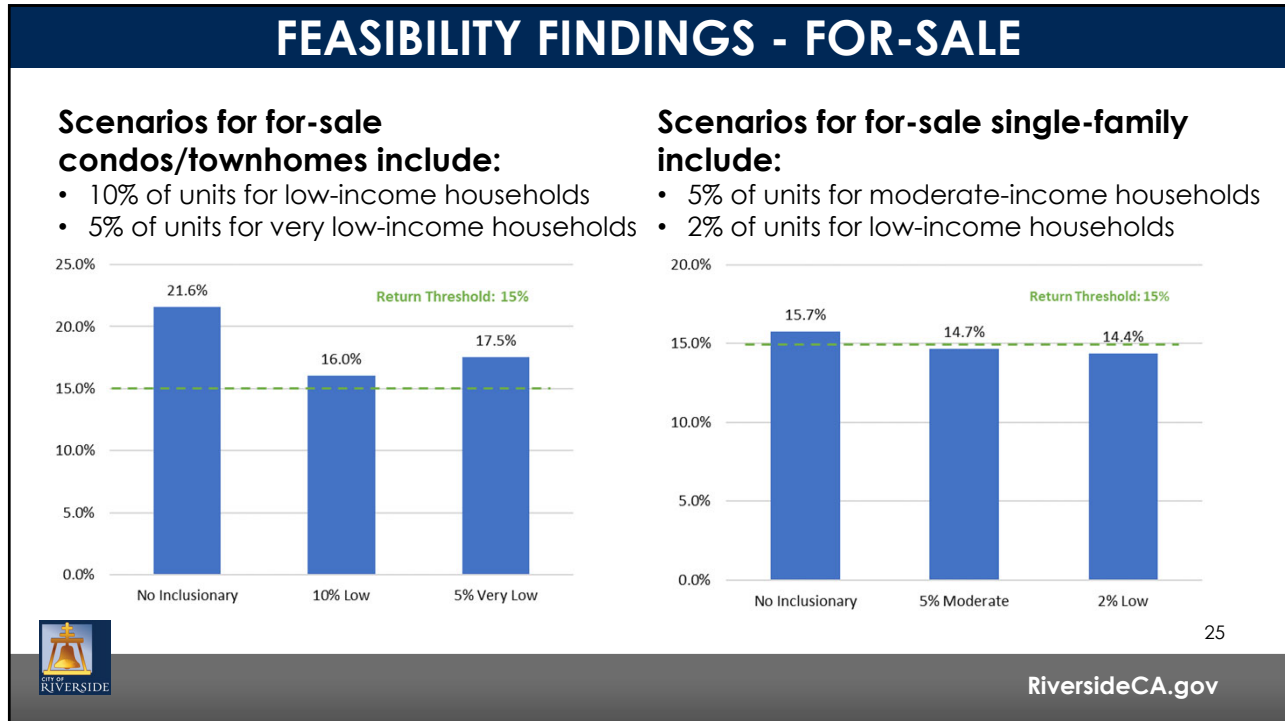


FEASIBILITY FINDINGS - RENTAL

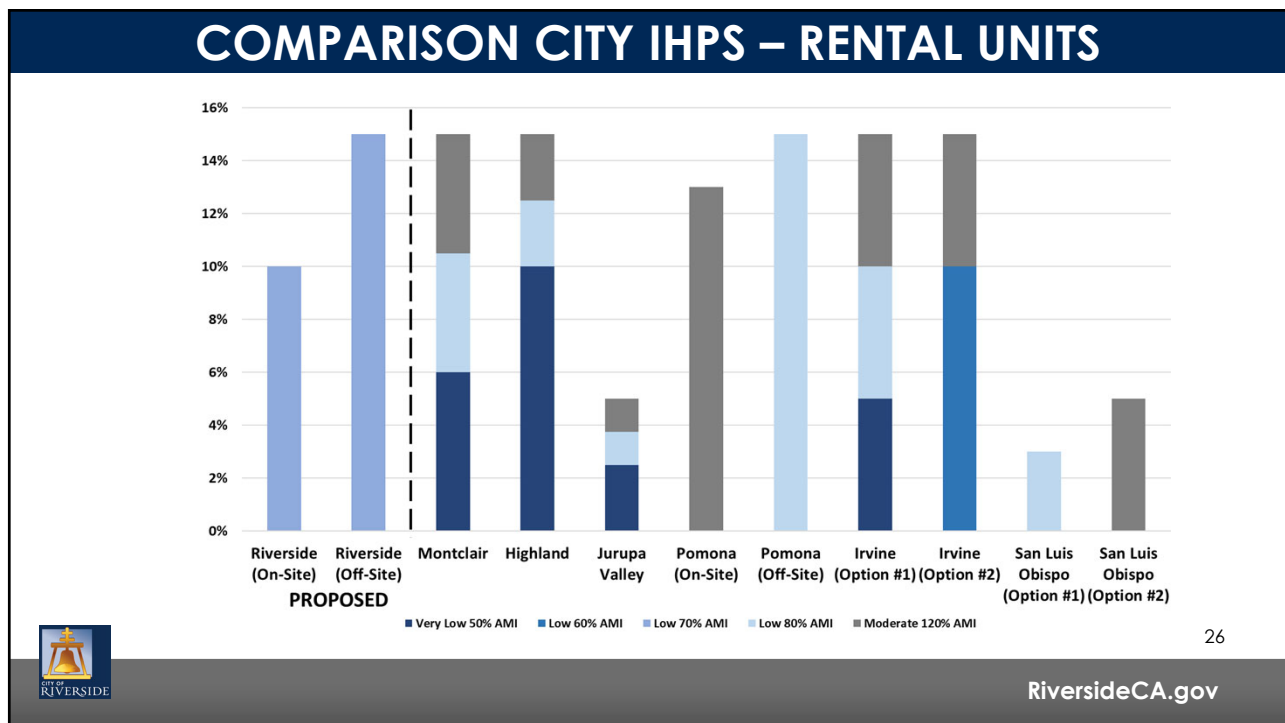
Scenarios for multifamily rental feasibility included:

- 15% and 10% of units for low-income households
- 10% of units for very low-income households

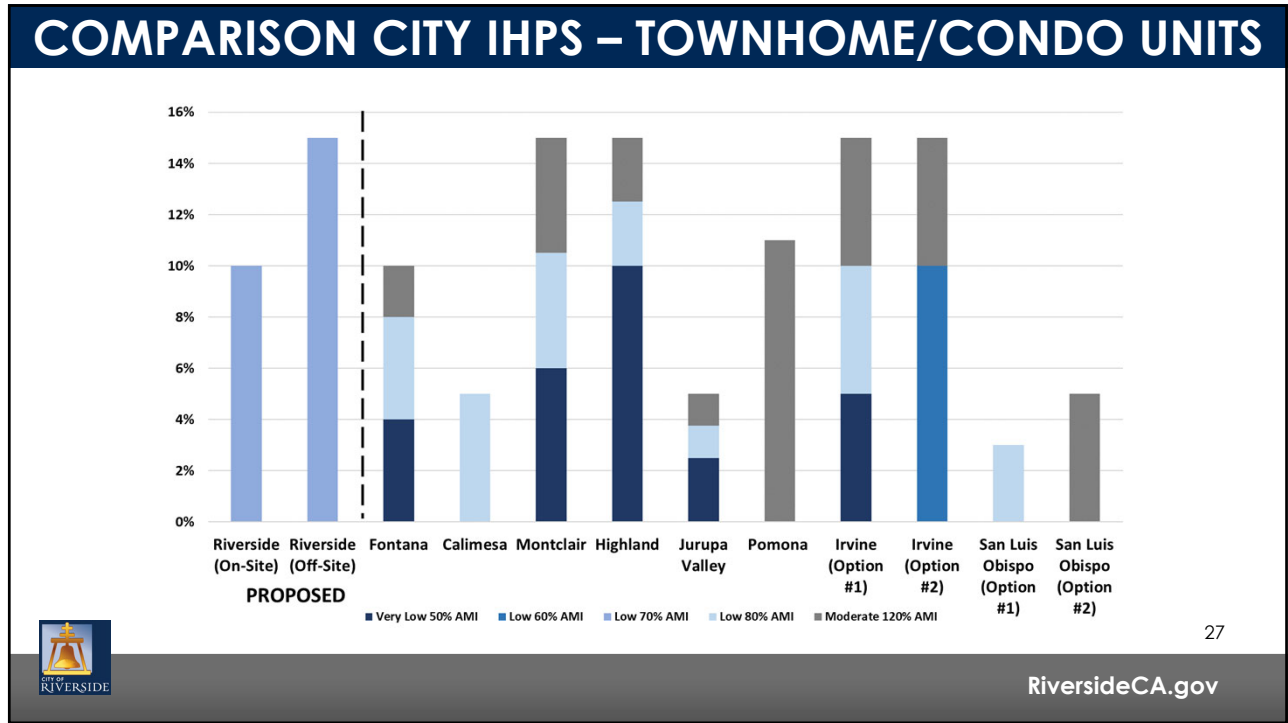




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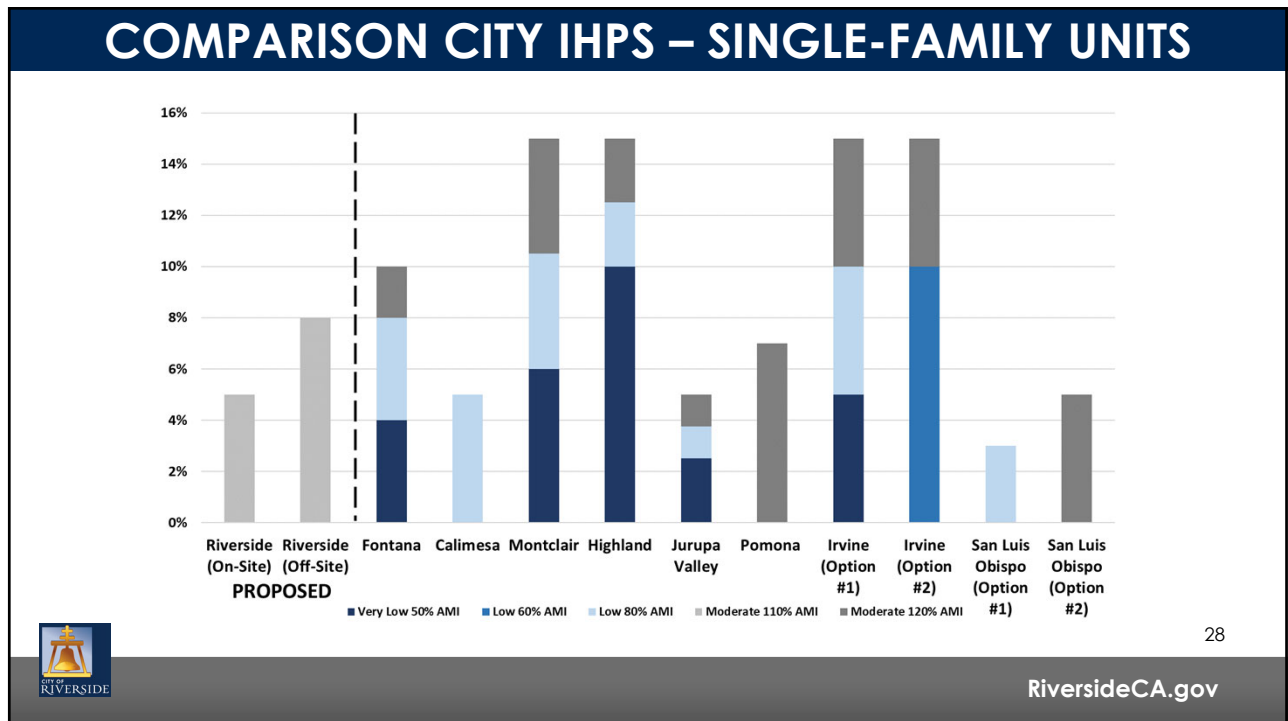


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