



PLANNING COMMISSION HEARING DATE: DECEMBER 7, 2023  
AGENDA ITEM NO.: 6

## SUMMARY

<b>Case Numbers</b>	PR-2022-001391 (Zoning Text Amendment)
<b>Request</b>	<p>Proposal by the City of Riverside to consider Zoning Text Amendments (Proposed Amendments) to Title 19 (Zoning) of the Riverside Municipal Code, including but not limited to Articles VII (Specific Land Use Provisions), VIII (Site Planning and General Development Provisions), IX (Land Use Development Permit Requirements and Procedures) and X (Definitions) of Title 19.</p> <p>The Proposed Amendments establish Chapter 19.535 (Inclusionary Housing) to implement General Plan 2025 Housing Element policies to facilitate the production of housing affordable to low- and moderate-income households in new for sale residential development projects.</p>
<b>Applicant</b>	City of Riverside Housing and Human Services Department
<b>Project Location</b>	Citywide
<b>Ward</b>	Citywide
<b>Staff Contact</b>	Agripina Neubauer, Project Manager 951-826-3947 <a href="mailto:aneubauer@riversideca.gov">aneubauer@riversideca.gov</a>

## RECOMMENDATIONS

That the Planning Commission:

1. **Recommend that the City Council Determine** that Planning Case PR-2022-001391 is exempt from further California Environmental Quality Act (CEQA) review pursuant to Section 15061(b)(3) (General Rule), as it can be seen with certainty that approval of the project will not have an effect on the environment; and
2. **Recommend that the City Council Approve** Planning Case PR-2022-001391 (Zoning Text Amendment) as outlined in the staff report and summarized in the Findings section of this report.

## BACKGROUND

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 \$94,400 (2023) for a family of four.

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 to be sold or rented to lower- or moderate-income households to increase the availability of affordable housing for all income levels.

City staff and the consultant have studied the feasibility of implementing such a policy in Riverside, with input and direction from the City Council Housing & Homelessness Committee (HHC). On May 23, 2022, the HHC reviewed a draft policy and feasibility analysis and directed staff to develop an ordinance to implement the policy for Planning Commission and City Council consideration.

On October 13 and November 10, 2022, the Planning Commission held workshops and public hearings on proposed amendments Title 19 of the Riverside Municipal Code to implement the Program. Following discussion, the Planning Commission voted to continue the public hearing to the Planning Commission meeting at a future date.

### 2023 Feasibility Study Update

Since November 2022, staff re-engaged the consultant to update the original feasibility study to capture changing market conditions. On October 23, 2023, staff presented an updated feasibility study and recommendations to HHC (Exhibit 1), which recommended that the revised draft Ordinance be forwarded to the Planning Commission for consideration and recommendation to Council.

The updated feasibility study found that construction costs for residential development have increased by 8% since the last update, while rents for new multifamily apartment projects have increased by 3%. The updated feasibility analysis for multifamily rental development shows that the increased construction costs compared to the potential to recoup investment through rents means that it is not likely to be economically feasible for housing developers to build multifamily rental housing even if there were no inclusionary housing component. At this time, any inclusionary housing requirement for multifamily rental housing could severely discourage the development of new rental housing in the City of Riverside.

The study did find that sale prices for new single-family and townhome projects have increased by 25%. As the increase in sales price greatly exceeds the 8% increase in construction costs for residential development, the study found that, at the typical return-on-cost threshold of 15%, single-family projects remain feasible with the addition of inclusionary requirements regardless of density.

Based on the updated feasibility analysis, the following inclusionary housing requirements are recommended for consideration and approval, and the draft Inclusionary Housing Ordinance (Exhibit 2) has been updated accordingly:

- **Multifamily Rental Apartments** – No inclusionary requirement until market conditions improve.
- **High-Density Single-Family (e.g. Townhome)** - Ten percent (10%) of units affordable to low-income households (70% AMI)\* if provided on-site; fifteen percent (15%) of units affordable to low-income households if provided off-site; or payment of an in-lieu fee.
- **Low-Density Single-Family** – Five percent (5%) of units affordable to moderate-income households (110% AMI) if provided on-site; eight percent (8%) of units affordable to moderate-income households if provided off-site; or payment of an in-lieu fee.

\*These requirements would automatically qualify projects for a density bonus pursuant to Chapter 19.545 of the Zoning Code.

## PROPOSAL

The Proposed Amendments include the establishment of Chapter 19.535 (Inclusionary Housing) to implement the proposed inclusionary housing policy as developed by the consultant and recommended by the Housing & Homelessness Committee (Exhibit 2).

The proposed inclusionary housing program would apply to any for-sale development that creates three or more residential units or lots and will include the following requirements:

1. For-sale single family developments (up to a density of 10.9 dwelling units per acre) will include **five percent** (5%) of total units at sale prices affordable to **Moderate-Income** households earning up to 110 percent of the AMI.
2. For-sale townhome and condominium developments (densities between 10.9 and 14.5 dwelling units per acre) will include **10 percent** (10%) of total units at sale prices affordable to **Low-Income** households earning up to 70 percent AMI.

As an alternative to building the required inclusionary units as part of the project, developers may instead elect to build or finance building affordable units off-site. However, this option would require a higher proportion of affordable units – **eight percent** (8%) of total units in for-sale single family developments, and **15 percent** (15%) of total units in for-sale townhome and condominium developments.

An additional alternative is the option to pay a fee in lieu of building the affordable units either on- or off-site. In-lieu fees would be assessed in an amount equal to the number of affordable units required if they were to be constructed off-site. Fees would be deposited in a dedicated affordable housing fund managed by the City's Housing Authority to facilitate the construction, acquisition, and preservation of affordable housing.

The consultant developed recommended in-lieu fees based on a "full cost recovery" model, calculating the revenue a developer would realize by not setting aside the required proportion of inclusionary units and setting fees at an equivalent amount. **Final in-lieu fee amounts will be set at the discretion of the City Council and may differ**

**significantly from the consultant's recommendations.** The consultant's recommended in-lieu fee amounts are summarized as follows:

Project type	In-lieu % (total units)	Savings per inclusionary unit (market-affordable gap)	Recommended In-lieu fee per market-rate unit	In-lieu fee per square foot (typical)
For-Sale Single Family	8%	\$174,208	<b>\$13,937</b>	\$5.57
For-Sale Townhome/Condo	15%	\$203,655	<b>\$30,548</b>	\$20.37

The proposed Chapter 19.535 also includes requirements and regulations for:

1. Exemptions for destroyed units that are reconstructed and for projects that are in the Planning process at the time the ordinance becomes effective;
2. Minimum duration of affordability restrictions (currently proposed at 45 years);
3. Provisions limiting the resale of for-sale affordable units to income-qualified households or, alternatively, requiring equity sharing arrangements to preserve affordability;
4. Requirements for equitable distribution, size and fixtures and finishes of affordable units compared to market-rate units;
5. Procedures for appealing for an adjustment or waiver of inclusionary requirements, including required inclusionary percentages and in-lieu fee amounts; and
6. Procedures for ensuring ongoing compliance and monitoring of affordability restrictions, administration and enforcement.

## PUBLIC OUTREACH AND COMMENT

Details of stakeholder outreach and engagement for the Inclusionary Housing Program can be found in the report to the Housing & Homelessness Committee meeting of February 28, 2022. In addition to monthly updates to the Committee during preparation of the feasibility study, the following stakeholder engagement efforts should be noted:

1. November 5, 2021 – Virtual stakeholder meeting with affordable housing developers and advocates.
2. November 16, 2021 – Virtual stakeholder meeting with market-rate housing developers and businesses.
3. January 12, 2022 – Virtual community webinar.
4. January 25, 2022 – Virtual webinar with the Greater Riverside Chambers of Commerce.
5. June 28, 2022 – Stakeholder meeting with the Greater Riverside Chambers of Commerce Economic Development Council.
6. August 18, 2022 – Planning Commission hearing.
7. October 13, 2022 – Planning Commission Hearing and Workshop
8. November 10, 2022 – Planning Commission Hearing and Workshop

9. October 23, 2023 – Housing and Homelessness Committee Workshop

10. November 28, 2023 - Stakeholder meeting with the Greater Riverside Chambers of Commerce Economic Development Council.

Staff also sent an email notification to applicants of record for all ongoing housing development applications with three or more proposed units. This included all applicants with Conceptual Development Review (preliminary) applications processed within the past year. The notice informed them of the proposed Inclusionary Housing Program and invited their participation in upcoming Planning Commission and City Council Hearings.

## ENVIRONMENTAL REVIEW

The Proposed Amendments are exempt from additional California Environmental Quality Act (CEQA) review pursuant to Section 15061(b)(3) of the CEQA guidelines, as it can be seen with certainty that the Proposed Amendments will have no effect on the environment.

## FINDINGS

Zoning Code Amendment Findings pursuant to Chapter 19.810.040:

- 1) The Proposed Amendments are generally consistent with the goals, policies, and objectives of the General Plan including the 6<sup>th</sup> Cycle Housing Element;
- 2) The Proposed Amendments will not adversely affect surrounding properties; and
- 3) The Proposed Amendments will promote public health, safety, and general welfare and serves the goals and purposes of the Zoning Code.

## ENVISION RIVERSIDE 2025 STRATEGIC PLAN ALIGNMENT

The Proposed Amendments align with Strategic Priority No. 2 – Community Well-Being, and more specifically 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. In addition, the project aligns with the five Cross-Cutting Threads as follows:

1. **Community Trust** – The Proposed Amendment process has included an extensive community and stakeholder engagement process.
2. **Equity** – The Proposed Amendments will expand the availability of affordable housing options for all Riversiders.
3. **Fiscal Responsibility** – The Proposed Amendments create a new stream of revenue for affordable housing projects in the City.
4. **Innovation** – The Proposed Amendments incorporate latest best practices for streamlining and promoting housing development and promote equitable communities.
5. **Sustainability & Resiliency** – The Proposed Amendments 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.

## APPEAL INFORMATION

Actions by the City Planning Commission, including any environmental finding, may be appealed to the City Council within ten calendar days after the decision. Appeal filing and processing information may be obtained from the Planning Department Public Information Section, 3rd Floor, City Hall.

## EXHIBITS LIST

1. Council Housing & Homelessness Committee Report – October 23, 2023
2. Proposed Title 19 Amendments
3. Presentation

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Approved by:	Michelle Davis, Housing and Human Services Director