

INCLUSIONARY HOUSING WORKSHOP

Housing & Human Services Department

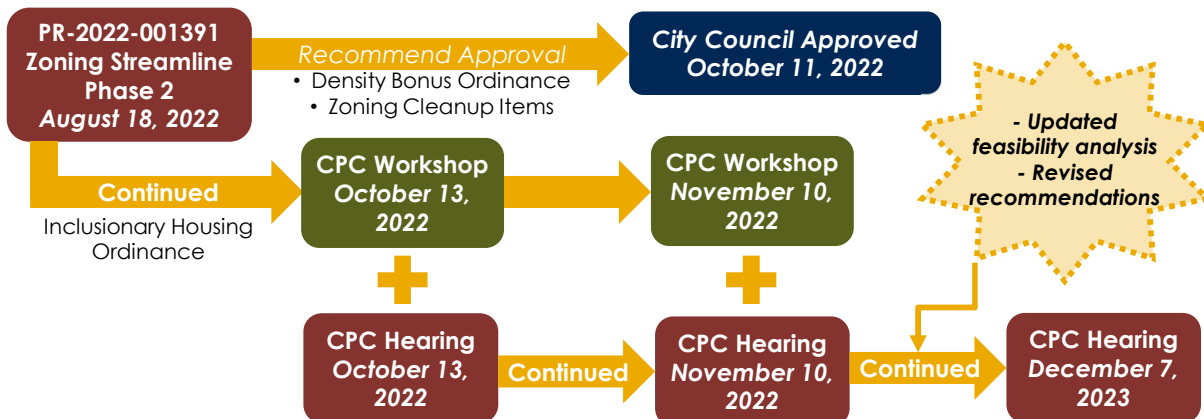
Planning Commission
Agenda Item: 4
December 21, 2023



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PURPOSE AND BACKGROUND



Inclusionary Housing

Local policy that requires new housing developments to include affordable units. Often includes options for meeting requirements off-site or by paying a fee.



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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), updated annually.



INCOME LIMIT	INCOME
Very Low (50% AMI)	\$46,600
Low (80% AMI)	\$74,550
Moderate (120% AMI)	\$113,400



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BACKGROUND

WHY DOES THIS MATTER NOW?

INCOME LIMIT	INCOME	AFFORDABLE HOUSING COST
Very Low (50% AMI)	\$46,600	\$1,165/month
Low (80% AMI)	\$74,550	\$1,864/month
Moderate (120% AMI)	\$113,400	\$2,835/month

Avg. Rent	Annual Change
Studio - \$1,590	+5%
1 Bed - \$1,900	-1%
2 Beds - \$2,312	+7%

🕒 Last updated 11/12/2023

Source: Rent.com

Riverside Home Values

\$606,631

↑ 1.8% 1-yr

The average Riverside home value is \$606,631, up 1.8% over the past year and goes to pending in around 13 days.

Source: Zillow

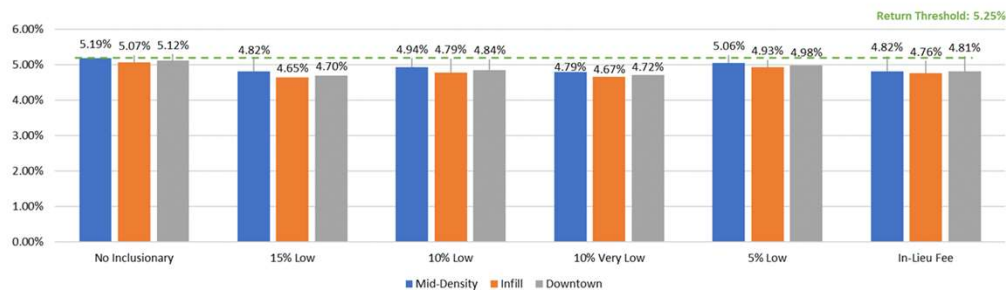
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FEASIBILITY UPDATE & COMMITTEE DIRECTION

- 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; an inclusionary housing requirement will not be recommended for rental housing until market conditions improve

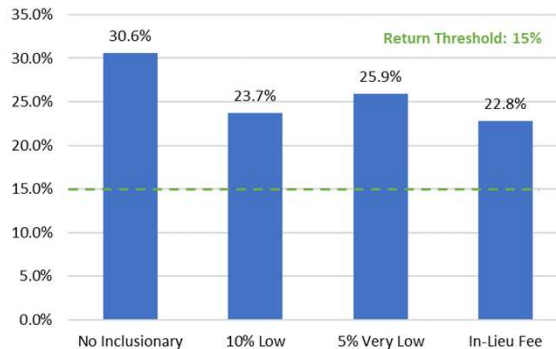


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FEASIBILITY UPDATE & COMMITTEE DIRECTION

- 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

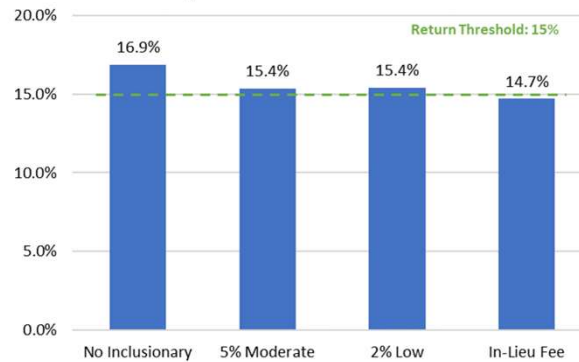


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FEASIBILITY UPDATE & COMMITTEE DIRECTION

- 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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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)~~



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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
- ~~Any rental units~~



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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



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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



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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



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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

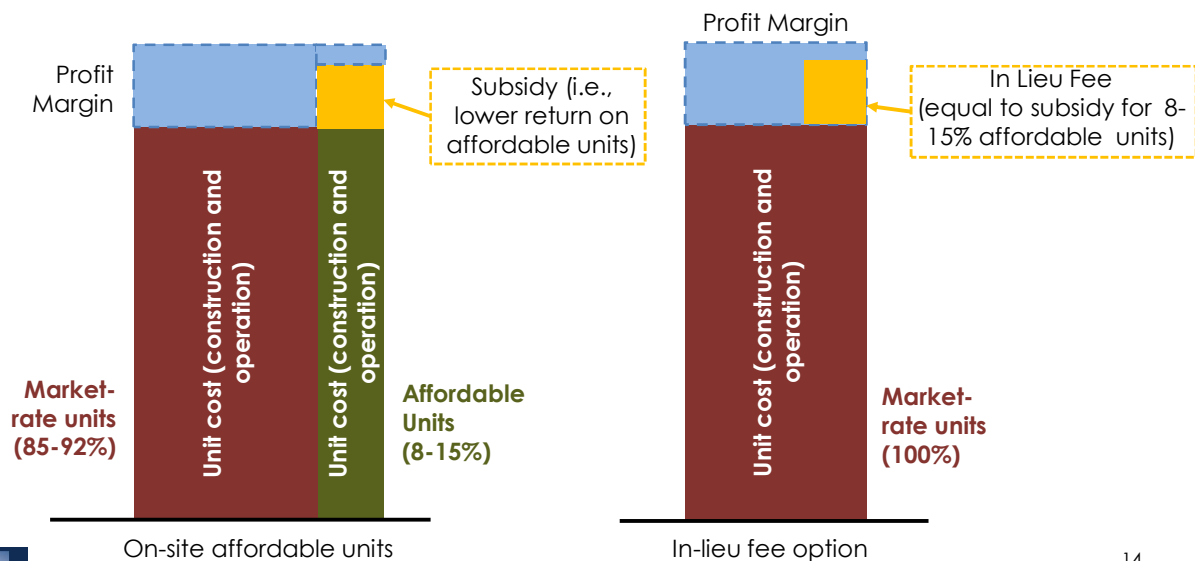
- Inclusionary requirement may be satisfied by payment of in-lieu fee
- In-lieu fees are equivalent to the same higher percentage inclusionary requirement as off-site units (8% single-family and 15% condo/townhome ~~and rental~~ projects)
- Fees due at issuance of first building permit
- All fees collected to be deposited in an Inclusionary Housing Fund and used to further affordability



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IN-LIEU FEE METHODOLOGY – DISCUSSION ONLY



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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% moderate income	\$174,208	\$13,937	\$5.57
For-Sale Townhome/Condo	15% Low income	\$203,655	\$30,548	\$20.37

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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PUBLIC OUTREACH – INCLUSIONARY HOUSING

- **November 5, 2021**- Virtual stakeholder meeting
- **November 16, 2021** – Virtual stakeholder meeting
- **January 12, 2022** – Virtual community webinar
- **January 25, 2022** – Webinar with Chamber of Commerce
- **June 28, 2022** – Stakeholder meeting with Chamber
- November 28, 2023 - Stakeholder meeting with Chamber
- **Email updates** to development stakeholders
- **Regular updates** to Housing & Homelessness Committee



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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

That the Planning Commission **recommend the City Council:**

1. 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. Approve Planning Case PR-2022-001391 (Zoning Text Amendment) as outlined in the staff report and summarized in the Findings section of the report.



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HOUSING PRODUCTION DATA – REFERENCE

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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LITERATURE REVIEW – REFERENCE

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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