



Community & Economic Development Department  
3900 Main Street, Riverside, CA 92522 | Phone: (951) 826-5371 | [RiversideCA.gov](http://RiversideCA.gov)

Planning Division

**CITY PLANNING COMMISSION MEETING: OCTOBER 13, 2021**  
**AGENDA ITEM NO.: 6**

## DISCUSSION ITEM

<b>Case Number</b>	Not Applicable
<b>Request</b>	Workshop – Inclusionary Housing Proposed Amendments to Title 19 (Zoning)
<b>Project Location</b>	Citywide
<b>Wards</b>	All
<b>Staff Planner</b>	Matthew Taylor, Acting Principal Planner <a href="mailto:mtaylor@riversideca.gov">mtaylor@riversideca.gov</a> 951-826-5944

## RECOMMENDATION

Conduct a Workshop to discuss Proposed Amendments to Title 19 that implement the Inclusionary Housing Policy as directed by the City Council Housing & Homelessness Committee.

## BACKGROUND

On August 18, 2022, the Planning Commission held a public hearing on the Proposed Amendments to Title 19 (Zoning) of the Riverside Municipal Code to implement an inclusionary housing program, update the Density Bonus Ordinance and consider clean-up items. Following discussion, the Planning Commission voted to bifurcate the item, continuing discussion of the Proposed Amendments related to inclusionary housing to a Workshop (Exhibit 1). Additional information related to a proposed in-lieu fee component was specifically requested (Exhibit 2).

The purpose of this Workshop is to present Proposed Amendments to Title 19 (Zoning) of the Riverside Municipal Code intended to implement an Inclusionary Housing Program at the recommendation of the City Council Housing and Homelessness Committee, as requested by the Planning Commission at the public hearing of August 18, 2022.

The Workshop will focus on the relationship between the specific policy direction given by the Housing & Homelessness Committee (HHC) and the proposed Title 19 (Zoning) Proposed Amendments (Exhibits 3 and 4).

Following the Workshop on October 13, 2022, a separate public hearing on the matter will be held by the Planning Commission immediately following the Workshop to consider the Proposed Amendments.

## DISCUSSION

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 \$87,400 (2022) for a family of four.

Given the existing housing conditions, 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, for sale or rent, to lower- or moderate-income households to increase the availability of affordable housing for all income levels.

Over the past year, City staff and the consultant have prepared a study of the feasibility of implementing such a policy in Riverside, with input and direction from the City Council HHC. On May 23, 2022, the HHC reviewed a draft policy and feasibility analysis (Exhibit 5) and directed staff to develop an ordinance to implement the policy for Planning Commission and City Council consideration (Exhibit 3).

The Workshop will specifically cover:

1. Inclusionary requirements;
2. Exemptions;
3. Affordability terms;
4. Unit characteristics;
5. Off-site requirements; and
6. In-lieu fee option.

## STRATEGIC PLAN

The Inclusionary Housing Workshop aligns with Strategic Priority No. 2 – Community Well-Being. The Workshop aligns 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. The Workshop also aligns with Strategic Priority No. 5 – High Performing Government and Goal 5.3 Enhance communication and collaboration with community members to improve transparency, build public trust, and encourage shared decision-making.

In addition, the project aligns with the five Cross-Cutting Threads as follows:

1. **Community Trust** – The Workshop allows for community input into the Title 19 Proposed Amendments that implement the policy direction from the HHC.

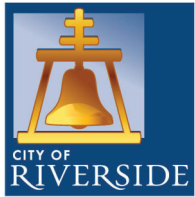
2. **Equity** – The Workshop allows residents to understand the policy direction from the HHC and provisions for affordable housing.
3. **Fiscal Responsibility** – The Workshop provides ways that the City and developers can work together to create new affordable housing.
4. **Innovation** – The Workshop incorporates a summary of latest best practices for streamlining and promoting housing development and promote equitable communities.
5. **Sustainability & Resiliency** – The Workshop identifies ways that the Code changes will 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.

## EXHIBITS LIST

1. City Planning Commission Minutes – August 18, 2022
2. Draft Technical Memorandum – Inclusionary Housing In-Lieu Fee Analysis
3. Housing and Homelessness Committee Policy Direction
4. Draft Inclusionary Housing Ordinance - Proposed Title 19 Amendments
5. Housing and Homelessness Committee Report – May 23, 2022
6. Workshop Presentation

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Prepared by: Matthew Taylor, Acting Principal Planner  
Approved by: Mary Kopaskie-Brown, City Planner



*City of Arts & Innovation*

## PLANNING COMMISSION MINUTES

THURSDAY, AUGUST 18, 2022, 9:00 A.M.  
PUBLIC COMMENT IN PERSON /TELEPHONE  
ART PICK COUNCIL CHAMBER  
3900 MAIN STREET

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### COMMISSIONERS

PRESENT: R. Kirby, L. Mooney, J. Parker, T. Ridgway, J. Rush, R. Singh, J. Wilder

ABSENT: C. Roberts (partial meeting)

STAFF: M. Kopaskie-Brown, M. Taylor, M. Davis, A. Beaumon, P. Nitollama, C. Scully,  
F. Andrade

Chair Kirby called the meeting to order at 9:00 a.m.

### ORAL COMMUNICATIONS FROM THE AUDIENCE

There were no comments from the audience.

### CONSENT CALENDAR

The Consent Calendar was unanimously approved as presented below affirming the actions appropriate to each item.

### MINUTES

The minutes of the June 23, 2022 and July 14, 2022, were approved as presented.

### PLANNING COMMISSION ATTENDANCE

The Commission excused the absence of Commissioner Parker (vacation) and Commissioner Ridgway (business) from the meeting of July 14, 2022.

Motion made by Commissioner Rush and Seconded by Commissioner Ridgway, to approve the Consent Calendar as presented.

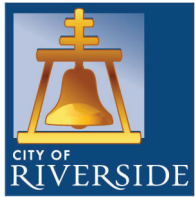
Motion Carried: 7 Ayes, 0 Noes, 1 Absent, 0 Abstention

AYES: Kirby, Mooney, Parker, Ridgway, Rush, Singh, Wilder

NOES: None

ABSENT: Roberts

ABSTENTION: None



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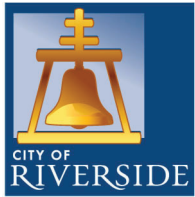
### PUBLIC HEARINGS

PLANNING CASE PR-2022-001391 – AMENDMENTS TO TITLE 19 (ZONING) – WARDS ALL  
Proposal by City of Riverside to consider amendments to Title 19 (Zoning) of the Riverside Municipal Code, including but not limited to Articles VII (Specific Land Use Provisions), 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. The proposed amendments are intended to:

- 1) Establish Chapter 19.535 (Inclusionary Housing) to implement General Plan policies to facilitate the production of housing affordable to very low-, low- and moderate-income households in new residential development projects;
- 2) Repeal and replace Chapter 19.545 (Density Bonus) to clarify and streamline existing provisions and align the City's Density Bonus program with recently adopted State law; and
- 3) Complete clean-up items for Title 19 to: a) Clarify setback requirements and permit exemptions for on-sale of alcoholic beverages associated with bona fide full-service public eating places; b) Adjust allowances for the provision of off-site, off-street vehicle parking for certain land uses; and c) Revise the required findings of fact for the granting of Fair Housing Requests for Reasonable Accommodation to comply with State law and affirmatively further fair housing.

Matthew Taylor, Senior Planner, presented the staff report. He indicated that comment letters were received after publication of the report and were distributed to the Commission this morning. Public Comment: Commissioner Roberts announced she was on-line and listening to the discussion. Ms. Kopaskie-Brown stated that a link would be sent to her to join the meeting directly. Rose Mayes, Executive Director Fair Housing Council; Maribel Nunez, Inland Equity Partnership; Juanita Cadera, Fair Housing Council; Corinne Parker; Elizabeth Ayala; Damien O'Farrel, CEO Parkview Legacy Foundation; Beverly Arias; Gabriella Mendez; and Kayla Booker spoke in support of Inclusionary Housing. Andre Sururti; Andrew Sall, Greater Riverside Chambers of Commerce; Jason Hunter; Lou Monville, Building Industry Association; Andrew Walcker expressed their concerns regarding the Inclusionary Housing policy and ordinance. The public hearing was closed.

Commissioner Roberts joined the meeting virtually.



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Following discussion it was moved by Chair Kirby to recommend that 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 PR-2022-001391 (Zoning Text Amendment), with the omission of the Inclusionary Housing portion (Chapter 19.535) based on the findings outlined in the staff report. He asked that Chapter 19.535 be returned to the Committee for further definition.

Motion failed due to lack of second.

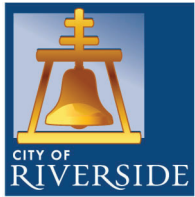
Commissioner Roberts disconnected from the meeting.

Motion by Commissioner Ridgway to recommend that 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 PR-2022-001391 (Zoning Text Amendment), with the omission of the Inclusionary Housing portion (Chapter 19.535) based on the findings outlined in the staff report. He asked that Chapter 19.535 go back to staff for publication of fee schedule, reevaluate Section 8 for insertion and promotion of that opportunity, and suggested a shareholder meeting or workshop prior to adoption of the final ordinance.

Anthony Beaumon, Deputy City Attorney, asked for clarification of the “publication” of in lieu fees.

Commissioner Ridgway stated that instead of publication, a recommendation of the actual fee.

Ms. Kopaskie-Brown clarified that the motion was to move on with items 2 and 3 and to continue item 1. She suggested a Planning Commission workshop at the next available meeting to go over the policy direction from the City Council Housing and Homeless Committee.



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Commissioner Ridgway reiterated that the motion was to approve items 2 and 3; continue item 1 and request a Planning Commission workshop to further understand and explore that policy/ordinance.

The motion was Seconded by Chair Kirby.

Motion Carried: 7 Ayes, 0 Noes, 1 Absent, 0 Abstention

AYES: Kirby, Mooney, Parker, Ridgway, Rush, Singh, Wilder

NOES: None

ABSENT: Roberts

ABSTENTION: None

Chair Kirby advised of the 10-day appeal period.

A City Council public hearing is required for final approval.

### COMMUNICATIONS

#### ITEMS FOR FUTURE AGENDAS AND UPDATE FROM CITY PLANNER

Ms. Kopaskie-Brown updated the Commission on upcoming items for the September 1, 2022 meeting. She indicated that the inclusionary housing workshop could be held on September 29. A few of the commissioners indicated they would be unable to attend the September 29<sup>th</sup> meeting and agreed to moving this to the October 13, 2022 meeting.

### ADJOURNMENT

The meeting was adjourned at 10:54 a.m. to the meeting of September 1, 2022 at 9:00 a.m.

The above actions were taken by the City Planning Commission on September 1, 2022. There is now a 10-day appeal period that ends on August 29, 2022. During this time, any interested person may appeal this action to the City Council by submitting a letter of appeal and paying the appeal fee. In the absence of an appeal or referral, the Commission's decisions and conditions become final after 5:00 p.m. on August 29, 2022.

*Minutes approved as presented at the September 1, 2022 meeting.*



## ***DRAFT MEMORANDUM***

To: City of Riverside

From: Economic & Planning Systems

Subject: Riverside Inclusionary Housing In-Lieu Fee Analysis;  
EPS #204046

Date: August 28, 2022

### **Introduction**

The City of Riverside is currently considering the adoption of an inclusionary housing ordinance. If adopted, the ordinance would require that residential developments consisting of more than two units include five or 10 percent of dwelling units at below-market-rate rents or sale prices affordable to Low or Moderate-income households, depending on the development's density. The affordable rates are based on income standards established by the State of California's Department of Housing and Community Development (HCD).

The ordinance would also allow, as an alternative to providing required units, for development projects to pay an in-lieu fee to support the development of affordable units elsewhere in the City. In-lieu fees are typically calculated to reflect the financial subsidy needed to support the development of affordable units that are not being provided on-site. The fee revenues are collected into a dedicated fund that can be utilized to support the production and preservation of affordable units in the City. Under the City's proposed ordinance, the fee would be based on the subsidy needed to provide a higher proportion of affordable units—either eight or 15 percent, depending on the development type—than would be required if the units were built on-site as part of the market-rate development. The fee can also be paid for any fractional affordable units required on-site, as an alternative to "rounding up" and building an additional unit.

Economic & Planning Systems, Inc. (EPS) has been working with the City to develop its inclusionary housing ordinance, which includes calculating an appropriate inclusionary housing in-lieu. This memorandum describes EPS's estimates of the subsidy, or "financing gap" associated with the development of affordable units, and the resulting fee calculation based on this subsidy.



A summary of the calculated fees is included in **Table 1** below.

**Table 1 Proposed Inclusionary Housing In-Lieu Fees for City of Riverside**

Item	Formula	Unit Type		
		Multifamily Rental	Townhome For-Sale	Single-Family For-Sale
Affordability Level		Low-Income	Low-Income	Moderate-Income
Value Per Unit	<i>a</i>	\$246,937	\$218,213	\$510,701
Cost Per Unit	<i>b</i>	\$328,720	\$375,105	\$615,561
Subsidy Per Unit	<i>c = a - b</i>	(\$81,784)	(\$156,892)	(\$104,860)
Fee Per Affordable Unit	<i>c</i>	\$81,784	\$156,892	\$104,860
Inclusionary Percentage for In-Lieu Fees	<i>d</i>	15%	15%	8%
<b>Fee Per Market Rate Unit</b>	<b><i>e = c * d</i></b>	<b>\$12,268</b>	<b>\$23,534</b>	<b>\$8,389</b>
Average Unit Size	<i>f</i>	850	1500	2500
Fee Per Affordable Sq. Ft.	<i>g = c / f</i>	\$96.22	\$104.59	\$41.94
<b>Fee Per Market Rate Sq. Ft.</b>	<b><i>h = g * d</i></b>	<b>\$14.43</b>	<b>\$15.69</b>	<b>\$3.36</b>

## Financing Gap Analysis

### Product Prototypes

The analysis assumes that the collected in-lieu fees would be used to subsidize the production of lower-income units similar to the type of future residential development anticipated in the City. The prototype residential products used in this analysis are the same as those utilized in EPS's analysis of the inclusionary housing policy<sup>1</sup> and were informed by research on trends in the local and regional housing markets, as well as interviews with local developers, and were approved by City staff to utilize in this analysis.

The assumptions for the prototype products are summarized in **Table 2**. As shown, the rental product prototype is a two-bedroom, 850 net square-foot apartment unit, developed at a density of 32 units per acre with one surface parking space per bedroom. The for-sale product prototypes include a three-bedroom, 1,500 square foot attached townhome developed at a density of 15 units per acre, and a four-bedroom, 2,500 square foot detached single-family home developed at a density of 10 units per acre. Both for-sale products are assumed to include attached parking.

<sup>1</sup> See staff report from February 28, 2022 Housing and Homelessness Committee Meeting, <https://aquarius.riversideca.gov/clerkdb/0/doc/341286/Page1.aspx>

**Table 2      Prototype Unit Characteristics**

Unit Category	Unit Type	Tenure	Density
Multifamily	2BR, 850 sq. ft.	Rental	32 units/acre
Townhomes	3BR, 1,500 sq. ft.	For Sale	15 units/acre
Single-Family	4BR, 2,500 sq. ft.	For Sale	10 units/acre

### Maximum Affordable Housing Rents

Income levels for affordable housing units are set for the County of Riverside by the California Department of Housing and Community Development (HCD) on an annual basis. **Table 3** shows the income limits for 2022 for three-, four-, and five-person households, as this analysis assumes the household size for each prototype would equal the number of bedrooms plus one.<sup>2</sup> The income limits correspond to the City's proposed ordinance, which sets the maximum income for Low-Income households at 70 percent of Area Median Income (AMI) and for Moderate-Income households at 110 percent of AMI.

Consistent with State guidance, the analysis assumes that Low-Income households spend no more than 30 percent of their gross annual income, and Moderate-Income households no more than 35 percent of their gross annual income, on total housing costs. For rental units, this includes rent and utilities.<sup>3</sup> For for-sale units, housing costs include mortgage principal and interest, property taxes, and homeowner's insurance payments (collectively, "PITI"), plus annual Homeowners Association (HOA) fees. After subtracting taxes, insurance, and HOA fees from a household's maximum affordable housing costs budget, the remaining budget was used to calculate a maximum affordable house purchase price, based on common mortgage term assumptions.<sup>4</sup>

As summarized in **Table 3**, a three-person Low-Income household earning 70 percent of AMI (adjusted) can pay up to \$1,404 per month for a two-bedroom rental unit (including utilities). For comparison, based on data provided by CoStar, EPS estimates that the market-rate rent for a newly constructed unit of the same size in Riverside is approximately \$2,570 per month.

For for-sale units, a four-person Low-Income household earning 70 percent of AMI can pay up to \$995 on monthly mortgage payments (principal and interest), which translates

<sup>2</sup> Based on California Health and Safety Code Section 50052.5.

<sup>3</sup> The utility allowance for a rental unit is based on a schedule published by the Riverside County Housing Authority, updated annually (<https://www.harivco.org/Portals/0/UtilityAllowanceChart/2022/Utility%20Allowance%20Chart--%207-1-2022--Standard--APARTMENT.pdf?ver=2022-07-07-114411-617>)

<sup>4</sup> Estimates of sale prices assume a 30-year fixed mortgage with a 4.5 percent effective interest rate, plus a 10 percent down payment from the homebuyer.

into a maximum purchase price of \$218,213 for a three-bedroom townhome unit. Based on recent home sales data, EPS estimates that a newly constructed market-rate unit of the same size could achieve a sale price of \$400,000 in Riverside. A five-person Moderate-Income household earning 110 percent of AMI can pay up to \$2,329 on monthly mortgage payments (principal and interest), which translates into a maximum purchase price of \$510,701 for a four-bedroom single-family home unit. EPS estimates that a newly constructed market-rate unit of the same size could achieve a sale price of \$625,000 in Riverside.

**Table 3 Maximum Affordable Rents and Sale Prices for Prototype Units**

Unit Types	Low-Income (70% AMI)	Moderate-Income (110% AMI)
<b>Multifamily Rental Units</b>		
2022 Maximum Income (3-person household) [1]	\$56,156	
Maximum Housing Cost Allowance (30%) [2]	\$16,847	Not Applicable
<b>Maximum Monthly Rent (2-bedroom unit, incl. utilities)</b>	<b>\$1,404</b>	
Typical Market Rate [3]	\$2,571	
<b>For-Sale Townhome Units</b>		
2022 Maximum Income (4-person household) [1]	\$62,404	
Maximum Housing Cost Allowance (30%) [2]	\$18,721	Not Applicable
Annual Other Housing Costs [4]	\$6,780	
<b>Maximum Sale Price (3-bedroom unit) [5]</b>	<b>\$218,213</b>	
Typical Market Rate [3]	\$400,000	
<b>For-Sale Single-Family Units</b>		
2022 Maximum Income (5-person household) [1]		\$103,840
Maximum Housing Cost Allowance (35%) [2]	Not Applicable	\$36,344
Annual Other Housing Costs [4]		\$8,397
<b>Maximum Sale Price (4-bedroom unit) [5]</b>		<b>\$510,701</b>
Typical Market Rate [3]		\$625,000

[1] Income levels are based off the 2022 median household income for Riverside County, as reported by CA HCD.

[2] Maximum housing cost allowance is based on 30% of maximum income for low-income households and 35% of maximum income for moderate-income households.

[3] Based on EPS market research.

[4] Other housing costs for for-sale units include taxes, insurance, and HOA fees, as estimated by EPS.

[5] Maximum sale price for each income level assumes mortgage payment equal to 30% of maximum monthly income for low-income households, and 35% of maximum monthly income for moderate-income households, minus other housing costs, on a 30-year mortgage with a 4.5% annual interest rate and 10% down payment.

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

## Development Cost Assumptions

Residential development costs include land costs, direct or “hard” costs (e.g., labor and materials), and indirect or “soft” costs (e.g., architecture, entitlement, fees, marketing, etc.). Land cost estimates used in the analysis are based on data from recent land transactions in Riverside. Since the prototypes modeled in this analysis are lower-density than those typically found in Downtown Riverside and surrounding areas, this analysis uses a land cost reflective of areas outside of the Downtown, which are typically lower. Other development cost estimates are derived from housing market research and EPS interviews with housing developers both within Riverside and the larger Inland Empire region. These assumptions are shown in **Table 4 through 6** and indicate that the total cost per unit is approximately \$329,000 for rental apartments, \$375,000 for townhome units, and \$616,000 for single-family units. These figures represent “prototypical” projects; the actual costs for a given project will vary by location and project design characteristics.

## Revenue Assumptions

To calculate the value of the affordable units, several revenue-related assumptions were made regarding applicable income levels and the percentage of household income that can be put towards housing costs, including rent. In addition, translating a revenue estimate into a total value per rental unit estimate required assumptions for operating expenses and capitalization rates. The following assumptions were used:

- *Income Levels*—The analysis estimates the subsidy required to produce rental units for three-person households earning 70 percent of AMI; for-sale townhome units for four-person households earning 70 percent of AMI; and for-sale single-family units for five-person households earning 110 percent of AMI, as shown above in **Table 3**.
- *Percentage of Gross Household Income Available for Housing Costs*—State guidelines indicate that Low-Income households should pay no more than 30 percent of their gross income on housing costs, and Moderate-Income households should pay no more than 35 percent of their gross income on housing costs. EPS calculated the rents and sale prices that each income category would be able to pay net of other housing-related costs (e.g. utilities, insurance and taxes, HOA fees).
- *Operating Costs for Rental Units*—The analysis assumes that affordable apartment operators incur annual operating costs of \$4,500 per unit on units affordable to Low-Income households, which include the cost of management, maintenance, and common utilities (those not paid by tenants). These operating costs assume that all affordable apartments constructed for Low-Income households would be exempt from property taxes, as allowed by State law.
- *Capitalization Rate*—A capitalization rate is used for the rental prototype, and represents the rate of return that an investor in a real estate project expects to receive. The rate generally indicates the project’s relative risk (e.g. a lower capitalization rate suggests that a project is less risky, and therefore an investor is willing to accept a lower rate of return because the return is more guaranteed). The

value of a project is calculated by dividing the net operating income (NOI) by the capitalization rate. For the rental prototypes, EPS utilized a capitalization rate of 5.0 percent.<sup>5</sup>

- *Profit Margin*—A profit margin is used for the for-sale prototypes, and represents the rate of return that an investor in a real estate project expects to receive. The profit margin is added as an additional cost on the developed units. EPS utilized a profit margin of 14 percent, based on the firm's work in similar markets throughout California.

## Financing Gap Results

**Table 4** shows the subsidies required for construction of rental apartments for three-person households at Low-Income levels (70 percent of AMI). As shown, such units are estimated to cost approximately \$329,000 to develop, while the estimated operating income from those units at affordable rents would translate to values of \$247,000 per unit. Based on this analysis, a rental unit affordable to a Low-Income household would require a subsidy of approximately \$82,000.

**Table 5** shows the subsidies required for construction of for-sale townhome units affordable to four-person households earning Low-Income levels (70 percent of AMI). As shown, these households could afford to pay up to roughly \$218,000 for a home, while such homes are estimated to cost approximately \$375,000 to build, requiring a subsidy of approximately \$157,000. **Table 6** shows the subsidies required for construction of for-sale single-family units affordable to five-person households earning Moderate-Income levels (110 percent of AMI). As shown, these households could afford to pay up to roughly \$511,000 for a home, while such homes are estimated to cost approximately \$616,000 to build, requiring a subsidy of approximately \$105,000.

<sup>5</sup> Based on H1 2021 cap rate surveys for suburban multifamily development in the Inland Empire region, published by CBRE, a real estate services firm (<https://www.cbre.com/insights/reports/us-cap-rate-survey-h1-2021>)

**Table 4 Financing Gap Pro Forma Analysis for Prototype Rental Unit Affordable Low-Income (70% AMI) Households**

Description	Factor Unit	Multifamily Rental
<b>DEVELOPMENT PROGRAM</b>		
Bedrooms		2
Dwelling Units/Acre		32
Unit Square Feet (Net)		850
Common Area		15%
Unit Square Feet (Gross)		978
Parking Spaces Per Unit		1
<b>COST ESTIMATE</b>		
<b>Land Acquisition</b>	\$435,600 /acre	<b>\$13,613</b>
<b>Direct</b>		
Site Improvement	\$5.00 /land sf	\$6,806
Construction Costs	\$205 /bldg. sq. ft	\$200,388
Parking (Surface)	\$5,000 /space	\$5,000
Contractor Contingency	10% of other direct costs	\$21,219
<b>Subtotal Direct</b>		<b>\$233,413</b>
<b>Indirect</b>	35% direct costs	<b>\$81,695</b>
<b>Cost Per Unit</b>		<b>\$328,720</b>
<b>VALUE ESTIMATE</b>		
Maximum HH Income (3-person)	70% AMI	\$56,156
<b>Maximum Annual Rent Per Unit</b>	30% annual income	<b>\$16,847</b>
Annual Operating Expenses	\$4,500 /unit	(\$4,500)
<b>Net Operating Income Per Unit</b>		<b>\$12,347</b>
<b>Value Per Unit</b>	5.00% capitalization rate	<b>\$246,937</b>
<b>Subsidy Per Unit</b>		<b>\$81,784</b>

**Table 5      Financing Gap Pro Forma Analysis for Prototype For-Sale Townhome Unit  
Affordable to Low-Income (70% AMI) Households**

Description	Factor      Unit	Amount Per Unit
<b>DEVELOPMENT PROGRAM</b>		
Bedrooms		3
Dwelling Units/Acre		15
Unit Square Feet		1,500
<b>COST ESTIMATE</b>		
<b>Land Acquisition</b>	\$435,600 /acre	<b>\$29,040</b>
<b>Direct</b>		
Site Improvement	\$5.00 /land sf	\$14,520
Construction Costs	\$125 /bldg. sq. ft.	\$187,500
Contractor Contingency	10% of other direct costs	\$20,202
<b>Subtotal</b>		<b>\$222,222</b>
<b>Indirect</b>	35% of direct costs	<b>\$77,778</b>
<b>Developer Profit</b>	14% of all costs	<b>\$46,066</b>
<b>Cost Per Unit</b>		<b>\$375,105</b>
<b>VALUE ESTIMATE</b>		
Maximum HH Income (4-person)	70% AMI	\$62,404
Annual Housing Costs Allowance	30% annual income	\$18,721
Annual Other Housing Costs [1]		\$6,780
<b>Maximum Sale Price [2]</b>		<b>\$218,213</b>
<b>Subsidy Per Unit</b>		<b>\$156,892</b>

[1] Includes estimates for taxes, insurance, and HOA fee

[2] Assumes mortgage payment equal to 30% of maximum monthly income (minus taxes and insurance) on a 30-year mortgage with a 4.5% annual interest rate and 10% down payment.



**Table 6 Financing Gap Pro Forma Analysis for Prototype For-Sale Single-Family Unit Affordable to Moderate-Income (110% AMI) Households**

Description	Factor	Description	Amount Per Unit
<b>DEVELOPMENT PROGRAM</b>			
Bedrooms			4
Dwelling Units/Acre			10
Unit Square Feet			2,500
<b>COST ESTIMATE</b>			
<b>Land Acquisition</b>	\$435,600 /acre		<b>\$43,560</b>
<b>Direct</b>			
Site Improvement	\$5.00 /land sf		\$21,780
Construction Costs	\$125 /bldg. sq. ft.		\$312,500
Contractor Contingency	10% of other direct costs		\$33,428
<b>Subtotal</b>			<b>\$367,708</b>
<b>Indirect</b>	35% of direct costs		<b>\$128,698</b>
<b>Developer Profit</b>	14% of all costs		<b>\$75,595</b>
<b>Cost Per Unit</b>			<b>\$615,561</b>
<b>VALUE ESTIMATE</b>			
Maximum HH Income (5-person)	110% AMI		\$103,840
Annual Housing Costs Allowance	30% annual income		\$31,152
Annual Other Housing Costs [1]			\$8,397
<b>Maximum Sale Price [2]</b>			<b>\$510,701</b>
<b>Subsidy Per Unit</b>			<b>\$104,860</b>

[1] Includes estimates for taxes, insurance, and HOA fee

[2] Assumes mortgage payment equal to 35% of maximum monthly income (minus taxes and insurance) on a 30-year mortgage with a 4.5% annual interest rate and 10% down payment.

## In-Lieu Fee Calculation

**Table 7** translate the subsidies calculated above into in-lieu fees. As described in the introduction to this memo, the City is proposing to base the in-lieu fee on a higher inclusionary requirement than what is required for building affordable units on-site. For rental units, the requirement associated with paying the in-lieu fee would be subsidizing a number of units affordable to Low-Income families equivalent to 15 percent of market-rate units built, higher than the 10 percent affordable units that would be required if built on-site. For townhome units, the proposed requirement associated with paying the in-lieu fee would be to subsidize a number of units affordable to Low-Income families equivalent to 15 percent of market-rate units built, again higher than the 10 percent affordable units that would be required if built on-site. For single-family units, the requirement would be to subsidize a number of units affordable to Moderate-Income families equivalent to eight percent of market-rate units built, higher than the 5 percent affordable units that would be required if built on-site.

As shown in **Table 7**, the inclusionary percentage is applied to the per unit subsidy for each prototype, in order to calculate a fee per market-rate unit. The analysis further converts the fee per market-rate unit to a fee per market-rate square foot, based on the prototype unit sizes. As shown, the fee for rental units would be **\$12,268 per market-rate unit and \$14.43 per market-rate square foot**; the fee for townhome units would be **\$23,534 per market-rate unit and \$15.69 per market-rate square foot**; and the fee for single-family units would be **\$8,389 per market-rate unit and \$3.36 per market-rate square foot**.

**Table 7 In-Lieu Fee Calculation**

Item	Formula	Unit Type		
		Multifamily Rental	Townhome For-Sale	Single-Family For-Sale
Affordability Level		Low-Income	Low-Income	Moderate-Income
Value Per Unit	<i>a</i>	\$246,937	\$218,213	\$510,701
Cost Per Unit	<i>b</i>	\$328,720	\$375,105	\$615,561
Subsidy Per Unit	<i>c = a - b</i>	(\$81,784)	(\$156,892)	(\$104,860)
Fee Per Affordable Unit	<i>c</i>	\$81,784	\$156,892	\$104,860
Inclusionary Percentage for In-Lieu Fees	<i>d</i>	15%	15%	8%
<b>Fee Per Market Rate Unit</b>	<b><i>e = c * d</i></b>	<b>\$12,268</b>	<b>\$23,534</b>	<b>\$8,389</b>
Average Unit Size	<i>f</i>	850	1500	2500
Fee Per Affordable Sq. Ft.	<i>g = c / f</i>	\$96.22	\$104.59	\$41.94
<b>Fee Per Market Rate Sq. Ft.</b>	<b><i>h = g * d</i></b>	<b>\$14.43</b>	<b>\$15.69</b>	<b>\$3.36</b>

While it is useful to think of the total in-lieu fee as it may apply to each market-rate unit, it is also useful to know the fee per affordable unit, as some projects will be required to provide a certain number of units but may meet any fractional obligation through payment of a fee. The fee per affordable unit is equivalent to the subsidy needed to develop that unit. For example, under the proposed inclusionary requirement, an 85-unit rental project would be required to provide 12.75 affordable units. If 12 units are provided on site, the additional 0.75-unit requirement could be met by charging a fee of 0.75 times the \$81,784 per affordable unit subsidy, or a total payment of \$61,338. An 85-unit townhome project would also be required to provide 12.75 affordable units, and if 12 units are provided on site, the additional 0.75-unit requirement could be met by charging a fee of 0.75 times the \$156,892 per affordable unit subsidy, or a total payment of \$117,669. Finally, an 85-unit single-family project would be required to provide 6.8 affordable units. If six units are provided on site, the additional 0.8-unit requirement could be met by charging a fee of 0.8 times the \$104,860 per affordable unit subsidy, or a total payment of \$83,888.



1. Inclusionary Requirement – initiate program at a place where our market can bear and then make changes over time

Development Type	% of Units	Affordability Level
Multifamily	10%	Low-income - 70% of Area Median Income (AMI)
High-Density Single Family (e.g., Townhome)	10%	Low-income - 70% of AMI
Low-Density Single-Family	5%	Moderate-income - 110% of AMI

2. Exemptions to Inclusionary Housing Requirement
  - a. Residential projects with fewer than three units
  - b. Residential projects that have submitted a **complete** application - Staff is developing definition for complete application that will require City Council approval
3. Affordability Term
  - a. Rental units: 55 years
  - b. For-sale units: 45 years, equity share provision if properties are sold to a non-income eligible homebuyer
  - c. 99-year lease on Housing Authority-owned properties
4. Size of Affordable Housing Units
  - a. Multifamily rental projects: Require on-site or off-site affordable units to reflect the mix of market-rate units (e.g., same proportion of one- bedrooms, two-bedrooms, etc.)
  - b. Net leasable areas of at least 90 percent of the average size of the market-rate units of similar bedroom counts (up to 10% smaller in size than market rate units)
5. Off-Site Affordable Housing Units
  - a. Allow developers to meet their inclusionary housing requirement by providing affordable housing units off-site.
  - b. Require that the number of off- site affordable housing units be equivalent to a higher proportion of the market-rate units than if the inclusionary requirement is met on-site.
    - i. Must be built within the Ward - 15% of the units
    - ii. Overconcentration and development of off-site affordable units - Staff is developing definition for overconcentration that will require City Council approval
6. In-Lieu Fee
  - a. Any fee requires direction and approval by City Council
  - b. Allow payment of an in-lieu fee for all or a portion of the inclusionary housing requirement
  - c. In-lieu fees based on the percentage of affordable units required if the inclusionary units were provided outside the boundaries
  - d. Also required for any fractional units required for multifamily and townhome projects
7. Next Steps:
  - a. Planning Commission: August 2022
  - b. City Council: September 2022

## **Chapter 19.535. INCLUSIONARY HOUSING**

### **19.535.010 Purpose and intent.**

The purpose of this Chapter include:

- A. To ensure the development and availability of decent housing to a broad range of households of varying income levels throughout the City.
- B. To add affordable housing units to the City's housing stock.
- C. To ensure the long-term affordability of units and availability for income-eligible households.
- D. To ensure that the public and private sector partner in providing affordable housing for current and future residents of the City.
- E. To integrate housing units for all income levels in new multi-family housing development and disperse units throughout the City so as not to segregate affordable housing.

### **19.535.020 Exemptions.**

The requirements of this Chapter do not apply to:

- A. Residential development projects resulting in the construction of one (1) or two (2) housing units and residential subdivisions resulting in two (2) lots.
- B. The reconstruction of any structures that have been destroyed by fire, flood, earthquake or other act of nature provided that the reconstruction of the site does not increase the number of residential units by three or more.
- C. Residential building additions, repairs or remodels provided that such work does not increase the number of existing units by three or more.
- D. Residential development projects that have submitted all required application materials for land use entitlement(s), provided that those applications have been accepted for review by the City as of the effective date of this article or December 31, 2022, whichever is earlier.

### **19.535.030 Inclusionary requirements.**

Any residential development project or parcel map that includes three (3) or more dwelling units shall provide affordable units as defined in this Section.

- A. For the purposes of determining inclusionary housing requirements pursuant to this Chapter, the following income limits, as published and periodically updated for Riverside County by the State Department of Housing and Community Development, shall apply:
  - 1. Very Low-Income – household income shall not exceed fifty percent (50%) of the area median income (AMI).
  - 2. Low-Income – household income shall not exceed seventy percent (70%) of the AMI.
  - 3. Moderate-Income – household income shall not exceed one hundred ten percent (110%) of the AMI.
- B. **For-sale dwelling units.** Residential development projects that include for-sale dwelling units shall provide affordable units as follows:
  - 1. Within the boundaries of residential development project.
    - a. In all low-density residential development projects, five (5) percent of the total number of dwelling units shall be sold at an affordable sale price for moderate-income households.

- b. In all moderate-density or high-density dwelling unit developments:
      - i. Ten (10) percent of the total number of dwelling units shall be sold at an affordable sale price for low-income households.
      - ii. If any development was developed with the intent to rent the dwelling units and is converted to for-sale, inclusionary requirements for rental dwelling units shall apply.
    - c. The aforementioned affordability requirements shall apply to vacant development parcels resulting from the subdivision of land by a parcel or tentative and final map.
  - 2. Outside the boundaries of residential development project.
    - a. For all low-density residential development projects outside the market-rate development boundaries, eight (8) percent of the total number of dwelling units shall be sold at an affordable sale price for moderate-income households.
    - b. For all moderate-density or high-density residential development projects, fifteen (15) percent of the total number of dwelling units shall be sold at an affordable sale price for low-income households.
- C. **Rental dwelling units.** Residential development projects that include rental dwelling units shall provide inclusionary units as follows:
  - 1. Within the boundaries of residential development project, regardless of density, ten (10) percent of the total number of dwelling units shall be rented at an affordable rent for low-income households
  - 2. Outside the boundaries of residential development project, regardless of density, fifteen (15) percent of the total number of dwelling units shall be rented at an affordable rent for low-income households.
  - 3. The developer may, at its discretion, provide the required inclusionary units at an affordable rent for very low-income and low-income households.
- D. **Additional Requirements.**
  - 1. Any additional market-rate units that are allowed per Chapter 19.545 – Density Bonus will not be included in the unit count used to calculate a project’s Inclusionary Housing requirements.
  - 2. Fractional housing units or parcels shall pay an in-lieu fee in the amount determined pursuant to 19.535.080.
  - 3. When a residential development project includes a combination of differing densities and/or tenure types (for-sale or rental) the required number of units by income level shall first be calculated for each category of dwelling units individually and then combined to determine the total inclusionary housing requirement.

#### **19.535.040 Duration of affordability.**

- A. **For-Sale Inclusionary Units.**
  - 1. Units must be legally restricted as for-sale and occupied by households of the income levels for which the units were designated for a term of not less than 55 years.
  - 2. During that legally restricted term:
    - a. 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
    - b. The sale shall be subject to an equity reimbursement requirement pursuant to this Chapter.
- B. **Rental Inclusionary Units.**

1. Units must be legally restricted as rental and occupied by households in the income level for which the units are developed for a term of not less than 55 years.
  2. Units developed on property owned by the City, and leased to a residential developer, must be legally restricted as rental and occupied by households in the income level for which the units were developed for the duration of the land lease term.
- C. To ensure compliance with the duration requirement, an Affordable Housing Agreement and, if applicable, a Resale Restriction Agreement shall be recorded for every inclusionary unit as prescribed by the City.

#### **19.535.050 Development standards.**

- A. All Inclusionary units – On-site – Unless otherwise specified by the City Council, inclusionary units shall be developed and incorporated in the residential development project in a manner consistent with the following requirements:
1. Location.
    - a. Inclusionary units shall be integrated throughout a residential development project and not clustered in a specific portion of the development.
    - b. The location of the inclusionary units within a residential development project shall be designated before issuance of building permits for the development.
  2. The bedroom mix for the inclusionary units must be proportional to the bedroom mix of the market rate units.
  3. The floor area of inclusionary units may be up to 10 percent smaller than the market-rate units in the project.
  4. The interior finishes, features, and appliance packages must be comparable to the base level interior finishes for the market-rate units.
  5. For-sale inclusionary units shall provide comparable infrastructure services (including sewer, water and other utilities), construction quality and exterior design to the market-rate units.
  6. Residents and tenants of affordable units shall be provided the same rights and access to common amenities as residents and tenants occupying market-rate units.
  7. Construction Timing.
    - a. The inclusionary units shall be built concurrently with the market rate units in the residential development project.
    - b. The inclusionary units may be constructed in phases if the market rate units are constructed in phases, provided that the percentage of inclusionary units is equivalent to or greater than the percentage of market rate units during each phase.
- B. Inclusionary units outside the boundary of residential development projects – Unless otherwise specified by the City Council, inclusionary units constructed outside the boundaries of the market-rate residential development project shall comply with the following requirements:
1. The developer of the market-rate residential development project may enter into an agreement with an affordable housing developer to construct, own and operate the inclusionary units, subject to the following requirements:
    - a. The affordable housing developer:
      - i. Must provide support information for similar projects/experience within the last 3-5 years developing affordable housing.
      - ii. Shall be responsible for all financing all inclusionary units.



- b. A market-rate residential development project that satisfies its inclusionary requirement with off-site inclusionary units shall not be eligible for a density bonus, concessions, incentives or waivers pursuant to Chapter 19.545 – Density Bonus.
  - c. The inclusionary units constructed outside the boundary of the market-rate residential development project to satisfy the inclusionary requirement shall be eligible for a density bonus pursuant to 19.545.
  - d. All discretionary approvals and financing for the inclusionary units must be secured prior to the market-rate, for-sale component commencing construction.
- 2. All units developed outside the boundaries of the residential development project must be constructed within the same Ward of the City as the market-rate residential development project.
- 3. The inclusionary units shall not create an over-concentration as follows:
  - a. No more than 100 deed restricted very low- or low-income dwelling units within 500 feet of the proposed inclusionary units; or
  - b. No more than 400 deed restricted very low- or low-income dwelling units within 1500 feet of the proposed inclusionary units.
- 4. The bedroom mix for the inclusionary units must be proportional to the bedroom mix of the market rate project.
- 5. The floor area of inclusionary units may be up to 10 percent smaller than the units in the market-rate project.
- 6. The interior finishes, features, appliance packages, and infrastructure services for inclusionary units shall comply with the standards established or approved by the California Tax Credit Allocation Committee for residential units developed pursuant to the federal low-income housing tax credit program.

#### **19.535.070 Marketing inclusionary units.**

- A. The developer must market the inclusionary units to eligible residents of the City of Riverside.
- B. Marketing includes, at a minimum, the following:
  - 1. Notifying local government and nonprofit agencies serving income-qualified households in the City of Riverside, as identified by the City, of the availability of affordable units no later than 90 days after the issuance of building permits.
  - 2. Placing a sign on the property advertising the availability of the affordable units including contact information.
  - 3. Advertising the availability of the affordable units on social media outlets and local newspapers in multiple languages.

#### **19.535.080 In-Lieu Fee Alternative.**

- A. As an alternative to constructing inclusionary units as required by this Chapter, all or a portion of the inclusionary housing requirement may be fulfilled through the payment of in-lieu fees, pursuant to the fee schedule adopted by the City Council.
- B. The in-lieu fees shall be based on the percentage of affordable units required if the inclusionary units were provided outside the boundaries of the market-rate residential development project, pursuant to 19.535.030.
- C. Calculation of Fees.

1. In-lieu fees shall be paid for any fractional inclusionary unit based on the calculation of the required number of inclusionary units.
  2. The developer may voluntarily commit to round the fractional inclusionary unit up to the next whole unit for the in-lieu fee.
- D. Payment of Fees.
1. The required in-lieu fees shall be paid at the issuance of the first building permit for the residential development project.
  2. For phased projects, the developer may pay a pro rata share of the in-lieu fee, based on both the number of phases and units in each phase, at the issuance of the first building permit for each phase of the residential development project.
- E. All collected in-lieu fees for inclusionary housing units shall be deposited in the Inclusionary Housing Fund pursuant to 19.535.130.

### **19.535.090 Requirements For Selling For-Sale Inclusionary Units.**

- A. The initial sales price, and any resale price, will be at an affordable sales price for the income level for which the units are designated for the duration of affordability per 19.535.040.
- B. At the time of sale, the City will determine the Initial Equity for the unit, which will equal the difference between the Fair Market Value of the unit as determined by an FHA-style appraisal and the affordable sales price.
- C. A Resale Restriction Agreement must be entered into for any change of ownership maintaining the household income restriction for the duration of affordability per 19.535.040.
- D. All for-sale inclusionary units are subject to the following:
1. The person that purchases the inclusionary unit, owner, shall use and occupy it as their principal/primary dwelling.
  2. The owner is expressly prohibited from leasing or renting the inclusionary unit unless the City has given prior written consent to such lease or rental on the basis of a demonstrated hardship by the owner.
  3. Certificate of Continued Occupancy.
    - a. A Certificate of Continued Occupancy shall be submitted annually to the City on a City-provided form.
    - b. Default.
      - i. If the owner fails to submit the annual report in as required, notice will be given by the City of Riverside.
      - ii. If within 30-days after receiving the notice from the City, a Certificate of Continued Occupancy is not submitted, the owner will receive a second notice.
      - iii. If within 30-days after receiving the second notice from the City, a Certificate of Continued Occupancy is not submitted, the matter will be referred to the City Attorney's Office.
- E. Initial Equity Reimbursements.
1. If the owner plans to sell the inclusionary unit during the duration of affordability, and the potential owner's household income exceeds the income level, and/or at a price that exceeds the affordable housing cost for which the units are designated, the owner shall pay to the City a percentage of the Initial Equity as calculated per this Chapter.
  2. The percentage of the Initial Equity to be paid to the City shall be determined as follows:

- a. Between years 0 and 10, 100%;
  - b. Between years 11 and 20, 80%;
  - c. Between years 21 and 30, 60%;
  - d. Between years 31 and 40, 40%;
  - e. Between years 41 and 50, 20%; and
  - f. Between years 51 and 55, 10%.
3. No percentage of the Initial Equity shall be required for any sale occurring after the duration of affordability.

#### **19.535.100 Requirements for Occupancy of Inclusionary Rental Units.**

- A. All rental inclusionary units shall be rented to households in the appropriate income category for the inclusionary units.
- B. The developer shall designate and offer rental inclusionary units for-rent to households in the appropriate income category, based on the approved Inclusionary Housing Plan.
- C. The maximum allowable rent of inclusionary units will be based on the applicable income levels for the inclusionary units.
- D. Annual report.
  - 1. The owner of the rental property shall submit an annual report to the City on a City-provided form.
  - 2. The annual report shall include the following:
    - a. A summary of documents reviewed by the owner for each inclusionary unit that demonstrate the prospective renter's total income (such as income tax returns or W-2s for the previous calendar year).
    - b. The occupancy of each rental inclusionary unit for the year.
  - 3. Default
    - a. If the owner of the rental property fails to submit the annual report in as required, notice will be given by the City of Riverside.
    - b. If within 30-days after receiving the notice from the City, an annual report is not submitted, the owner will receive a second notice.
    - c. If within 30-days after receiving the second notice from the City, an annual report is not submitted, the matter will be referred to the City Attorney's Office.

#### **19.535.110 Adjustments or Waivers to Inclusionary Requirements.**

- A. Any developer must apply for an adjustment or waiver of these requirements with their application for any discretionary or ministerial permit for the residential development project.
- B. Reasons for Adjustments or Waivers.
  - 1. The requirements of the Chapter may be adjusted or waived if the applicant demonstrates that applying the requirement would take property in violation of the United States or California Constitutions.
    - a. If the City Manager, or his/her designee, determines that applying the requirements of this Chapter, including any variances or regulatory concessions/incentives would take property in violation of the United States or California Constitutions, the requirements of this program may be

modified, adjusted or waived to reduce the obligations to the extent necessary to avoid an unconstitutional result.

- b. If the City Manager, or his/her designee, determines no violation of the United States or California Constitutions would occur through application of this Chapter, the requirements remain applicable.
  2. The City Manager, or his/her designee, shall review any requests for an adjustment or waiver application and issue a written decision.
- C. In making the (adjustment or waiver) determination, the City Manager or City Council, as applicable shall assume each of the following:
  - a. Application of the inclusionary housing requirement to the residential development project;
  - b. Application of any applicable inclusionary or density bonus concessions, incentives or waivers;
  - c. Utilization of the most cost-efficient product type for the inclusionary units; and
  - d. The potential for the external funding, including but not limited to, governmental grants, loans, or subsidies of any nature where reasonably likely to occur.

#### **19.535.120 Appeals of City Manager Decisions on Inclusionary Requirements.**

- A. The decision of the City Manager, or his/her designee, may be appealed by submitting, in writing, the basis for the appeal.
- B. The appeal shall be submitted to the City Clerk within ten (10) days of receipt of the decision.
- C. The City Council shall hear the appeal at a time agreed by the appellant and the City.
- D. The decision of City Council's decision shall be final.

#### **19.535.120 Compliance Requirements and Procedures.**

- E. Inclusionary Housing Plan.
  1. As part of any application for residential development projects, an Inclusionary Housing Plan shall be required for all residential development projects subject to this Chapter as prescribed by the City.
  2. The Inclusionary Housing Plan shall be approved concurrently with the residential development project application and shall include the following:
    - a. Project specifics.
      - i. Description of the residential development project including the number of for-sale or rental units.
      - ii. Methods to meet the inclusionary housing requirements.
      - iii. The number, unit type, tenure, number of bedrooms, approximate location, size and design, construction and completion schedule of all inclusionary units.
      - iv. Compliance with all outside the boundary requirements for the residential development project.
      - v. If applicable, phasing plans including the relationship of construction timing for inclusionary units and market rate units.
      - vi. If applicable, the in-lieu fees to be paid by applicant.
      - vii. Any other information requested by the City Manager, or his/her designee, that will assist with evaluation of the plan under the requirements of this Chapter.

- b. Recording requirements include:
      - i. A legal instrument, as specified by the City, shall be recorded against every inclusionary unit to ensure its affordability.
      - ii. A recordable Affordable Housing Agreement, as defined in this Chapter, entered into by the applicant and any other necessary party.
    - c. All required in-lieu fees shall be paid at the time per 19.535.080.
  - 3. Discretionary Decisions.
    - a. If the residential development project requires discretionary approval, the Inclusionary Housing Plan shall be considered with the project application.
    - b. Discretionary decisions related to residential development projects that include inclusionary units may be appealed in accordance with the appeals procedures in this Title.
  - 4. Ministerial Approval.
 

If the residential development project does not require discretionary approvals, the Inclusionary Housing Plan shall be approved by the Community & Economic Development Director, or his/her designee, prior to issuing the ministerial permit.
- F. Affordable Housing Agreement.
  - 1. An approved Affordable Housing Agreement shall be required for residential development projects subject to this Chapter.
  - 2. Form of Agreement.
    - a. The Affordable Housing Agreement, and any related declarations, resale restrictions, deeds of trust, and other documents, shall be in a form as prescribed by the City;
    - b. The Affordable Housing Agreement shall be approved by the City Manager, or his/her designee, and approved as to form by the City Attorney prior to final execution.
  - 3. Recording Requirements.
    - a. The Affordable Housing Agreement must be recorded against every individual inclusionary unit or the residential development project in its entirety.
    - b. Building permits shall not be issued for any residential development project until:
      - i. The Affordable Housing Agreement is executed by the owner, the applicant (if not the owner) and the City;
      - ii. The Agreement is recorded against the property; and
      - iii. The payment of in-lieu fee is paid, if applicable.
    - c. The Affordable Housing Agreement shall specify that the applicant must develop the required inclusionary housing units and comply with all terms of the approved Inclusionary Housing Plan as defined in this Chapter.
    - d. Resale restrictions, deeds of trust, and/or other documents as deemed necessary by the City Manager, or his/her designee, shall be recorded against all for-sale inclusionary units.

### **19.535.130 Administration.**

- A. The City Manager, or his/her designee, is authorized to initiate any administrative procedures necessary to implement the purpose and intent of this Chapter.

- B. The City Manager, or his/her designee, may prepare necessary forms related to the implementation of this Chapter.
  - 1. Forms needed for implementation may be introduced as deemed necessary.
  - 2. All forms or administrative procedures shall be carried out in a manner consistent with the purposes and intent of this Chapter and the City's General Plan.
- C. In-Lieu Fees – Inclusionary Housing Fund
  - 1. Unless otherwise required by law, all in-lieu fees and funds collected pursuant to this Chapter shall be deposited into a separate account designated as the City of Riverside Inclusionary Housing Fund, to be established by resolution of the City Council.
  - 2. The moneys in the Inclusionary Housing Fund, and all earnings from investment of the moneys, shall be expended exclusively to provide housing affordable to extremely low-income, very low-income, low-income, and moderate-income households in the City of Riverside inclusive of administration and compliance monitoring.

#### **19.535.140 Enforcement.**

- A. The City Attorney shall be authorized to enforce the provisions of this Chapter and all requirements placed on inclusionary units by civil action and any other proceeding or method permitted by law.
- B. The City may, at its discretion, take such enforcement action as is authorized by the Riverside Municipal Code and/or any other action authorized by law or any regulatory document, restriction, or agreement executed under this Chapter.
- C. Failure of any official or agency to fulfill the requirements of this Chapter shall not excuse any applicant or owner from the requirements.
- D. No permit, license, map, or other approval or discretionary approval for a residential development project shall be issued, including without limitation a final inspection or certificate of occupancy, until all applicable requirements are satisfied.
- E. Any remedies provided shall be cumulative and not exclusive and shall not preclude the City from any other remedy or relief to which it otherwise would be entitled under law or equity.

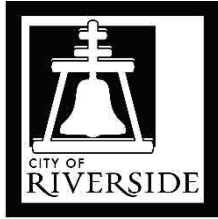
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*City of Arts & Innovation*

# Housing and Homelessness Committee Memorandum

**TO: HOUSING AND HOMELESSNESS  
COMMITTEE MEMBERS**

**DATE: MAY 23, 2022**

**FROM: OFFICE OF HOMELESS SOLUTIONS**

**WARDS: ALL**

**SUBJECT: UPDATE ON CITY OF RIVERSIDE INCLUSIONARY HOUSING PROGRAM  
FEASIBILITY STUDY**

## **ISSUE:**

Receive an update related to the City of Riverside Inclusionary Housing Program study and preliminary recommendations for elements of a potential inclusionary housing ordinance.

## **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; and
2. Provide direction on the recommendations listed in Attachment 4 to be included in an Inclusionary Housing Ordinance to be considered by the City Council.

## **BACKGROUND:**

In recent years, the State of California has identified the shortage of housing, particularly affordable housing, as a legislative priority. A housing shortage impacts the State's economy, contributes to homelessness, and results in long commutes, increasing production of greenhouse gas emissions, air pollution, and poor public health. Affordable housing is defined as rent/utilities or mortgage/taxes/insurance/utilities that cost 30% or less of the gross household income and are available to persons who earn at or below 80% of the Area Median Income (or \$63,200 for a family of four in 2021). The State further delineates affordability levels for "low-income" households, earning between 50% and 80% of the Area Median Income; and for "very-low income" households, earning between 30% and 50% of the Area Median Income. The State also defines households earning "moderate incomes," between 80% and 120% of Area Median Income.

Facing a rise in local rents and housing costs, a steady rise in homelessness, and a decrease in homeownership associated with the high cost of housing, on May 18, 2021, the City Council and Housing Authority Board authorized the award of an Agreement with Economic & Planning



Systems, Inc., (EPS) to explore the possibility of implementing an inclusionary housing policy in the City of Riverside.

By definition, inclusionary housing policies 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 the development of such units. 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. Developers can also be given an option to choose an alternative to providing the affordable units in the form of in-lieu fees or providing affordable units at an alternate location. Inclusionary Housing Programs can include both for-sale and rental units and are often implemented through the jurisdiction's zoning code.

On September 28, 2021, City staff and EPS presented to the Housing and Homelessness Committee the initial analysis of the development feasibility impacts of a range of inclusionary policy alternatives on new market-rate residential development. At that meeting, the Committee directed Housing Authority staff and EPS to proceed with the next steps of the study, including stakeholder and community outreach.

On February 28, 2022, City staff and EPS presented to the Housing and Homelessness Committee on refined analysis of development feasibility impacts of a range of inclusionary policy alternatives on new market-rate residential development, as well as stakeholder outreach undertaken as part of the study effort. City staff and EPS provided the Housing and Homelessness Committee with recommendations for a potential inclusionary housing requirement for the City. At the meeting, the Committee provided guidance on several elements of a potential inclusionary housing program and directed City staff and EPS to develop a draft inclusionary housing policy for Committee consideration and discussion.

## **DISCUSSION:**

### **Nexus Study**

At the City's request, EPS has prepared a nexus study that illustrates the impact that new market-rate housing can have on the need for affordable housing. The relationship is based on the idea that the occupants of new housing units in Riverside will require goods and services, and the number of employees needed to provide those goods and services can be expected to grow accordingly. Based on the typical incomes of workers in the retail and service industries, many workers will qualify for housing at moderate- or lower-income pricing. The scale of this increased demand will be affected by the incomes of the occupants of the new market-rate housing units, because higher-income households tend to spend more, creating more service industry jobs than available workers.

Using prevailing market-rate pricing for apartments, single-family attached homes (or townhomes), and single-family detached homes in Riverside, EPS estimated the incomes required to rent or purchase such units, and then applied consumer expenditure survey data to those income levels to estimate the new household spending and therefore revenues that would be expected in different types of businesses. EPS then used established industry-specific ratios of revenues to wages to estimate the number of employees that would be added in the local economy.

Not every employee will form a unique household, as many will live with another working adult and others at younger ages may be expected to still live with their parents, so the number of new

households attributed to this new spending is well below the number of new employees. The estimated incomes of those new employee-based households determine the proportion of affordable housing demand that can be attributed to new market-rate housing growth.

For example, a household buying a typical new single-family detached home in Riverside is likely to earn about \$129,000 based on the average home price of \$625,000. That same household can be expected to spend about \$6,600 annually eating at restaurants (“food away from home”), so 1,000 such households (scaled up to make the math more understandable) would spend about \$6.6 million in that category. That spending would support roughly 95.4 workers in “food services and drinking places,” and those workers can be expected to form roughly 41.7 households that would qualify as “low income.” Similar relationships in other spending categories determine the aggregate impact that the typical new homebuying households are likely to have on demand for affordable housing in Riverside.

The inclusionary housing nexus study supports the following inclusionary requirements:

- *Multifamily*: 12.6% total, including 8.0% of units affordable to low-income households and 4.6% of units affordable to moderate-income households
- *High-Density/Attached Single Family (e.g., Townhomes)*: 10.6% total (rounded), including 6.4% of units affordable to low-income households and 4.3% of units affordable to moderate-income households
- *Low-Density/Detached Single Family*: – 14.4% total, including 9.1% of units affordable to low-income households and 5.3% of units affordable to moderate-income households

The nexus study further details and informs discussions regarding the appropriate proportions and income levels for the inclusionary housing ordinance.

If the City moves forward with an Inclusionary Housing Ordinance, these inclusionary requirements would be codified in Title 19 – Zoning. However, there is no legal obligation for the City to constrain itself to the results of the nexus study, as inclusionary housing ordinances have not been subject to the requirements of the Mitigation Fee Act and are authorized and recognized by State and case law as an allowable expression of the City’s “police powers” to regulate development in the public interest.

### *Inclusionary Housing Ordinance Elements*

EPS and City staff have been collaborating on a draft inclusionary housing ordinance for consideration by the Planning Commission and City Council. There are several elements of the ordinance that require additional decisions by the Committee, as detailed below:

## **1. Inclusionary Requirements**

**Decision Point:** What will be the inclusionary requirements (percentage of unit, affordability level) be for different residential development types?

**Options:** EPS’s feasibility analysis looked at four types of residential products: low-density single-family, high-density single-family (aka townhomes), mid-density multifamily, and high-density multifamily. The feasibility analysis was conducted at a variety of inclusionary percentage and affordability levels (see Attachment 1, Figures 1-3), which indicated that multifamily rental and higher-density single-family attached projects (e.g., townhomes) are more likely to be able to support inclusionary units than are lower-density single-family detached projects

EPS also looked at the inclusionary requirements of other cities in and around the Inland Empire, as illustrated in Attachment 2, Figures 4 and 5.

The City can adopt any mix of percentages and levels desired, including those not analyzed by EPS, but the ordinance may be subject to review by the California Department of Housing and Community Development (HCD) if the inclusionary standards exceed 15% of units at low income.

**Recommendation:** Based on EPS's market and development feasibility analysis, the following recommended inclusionary requirements were provided at the February 28, 2022 Housing and Homelessness Committee Meeting:

Development Type	% of Units	Affordability Level
Multifamily	10%	Low-income 70% of Area Median Income (AMI)
High-Density Single Family (e.g., Townhome)	10%	Low-income 70% of AMI
Low-Density Single-Family	5%	Moderate-income 110% of AMI

*\*These requirements would automatically qualify projects for use of State density bonus*

These suggested levels are also within the demand-based parameters established through the nexus study. At these levels, Riverside's inclusionary standards would generally fall within the range of other Southern California jurisdictions surveyed but would be on the lower/less aggressive end of that range.

## 2. Exemptions to Inclusionary Housing Requirement

**Decision Point:** Should there be projects that are exempt from the inclusionary housing requirement?

**Options:** Many cities exempt new residential projects under a certain unit size from inclusionary housing requirements. For example, in the City of Pomona, projects with fewer than three (3) dwelling units are exempt from inclusionary housing requirements. Other cities exempt projects with fewer than six units, or fewer than ten units. Depending on the adopted inclusionary housing percentage, smaller projects may only be required to provide a fraction of a unit; in this case, many cities allow the project to pay an in-lieu fee on the fractional unit required.

It is also common to exempt projects that are at a certain stage in the development process at the time of adoption of the inclusionary housing ordinance, in recognition that the developer was not able to factor the requirement into their financial considerations before submittal. For example, the City may exempt any project that has submitted a complete application by the time of adoption or other effective date, and only any new application after that time would be subject to the requirement.

### Recommendations:

1. Exempt residential projects with fewer than three units from the inclusionary housing requirement.
2. Exempt residential projects that have submitted a complete application (i.e., the project is ready to be considered by the approval authority) by the effective date of the inclusionary housing ordinance.

### 3. Affordability Term

**Decision Point:** What is the minimum term (in years) of affordability for affordable units?

**Options:** Most inclusionary programs set a minimum amount of time that affordable units must stay affordable. Some options for these terms include:

- For rental units, a typical affordability term is 55 years including in State density bonus law, although some cities have longer terms.
- For for-sale units, there are several options:
  - The City can set an affordability term – for example, 45 years, which is the standard in State density bonus law – and limit the re-sale of the unit to income-qualified households for the duration of that term
  - The City can set the affordability term to renew each time the unit is sold.
  - The City can decline to set an affordability term, but rather require an “equity sharing agreement” on the unit. This would allow the income-qualified buyer to sell the unit at market rate. However, the City would recoup some portion of the sale price, which could be reinvested into new affordable housing. The benefit of this approach is that it allows lower-income households to benefit from building equity in the unit. The drawback is that once the unit is sold, it is no longer part of the City’s affordable housing stock and the City’s share of the equity from the unit’s resale may be inadequate to subsidize that unit’s replacement.

**Recommendation:** Set an affordability term of 55 years for rental units and 45 years for for-sale units. This approach aligns with State density bonus law.

### 4. Size of Affordable Housing Units

**Decision Point:** Can required affordable housing units be smaller than market-rate units?

**Options:** The Housing and Homelessness Committee provided direction that inclusionary housing affordable units should be similar to market-rate units in terms of finishes, features, and access to amenities. Many cities have similar requirements but do allow for developers to build affordable units that are slightly smaller (e.g., 10 percent smaller) than the average market-rate unit. For example, this flexibility is allowed in the inclusionary housing ordinances in the cities of Pomona and South Pasadena.

**Recommendation:** For multifamily rental projects, require on-site or off-site affordable units to reflect the mix of market-rate units (e.g., same proportion of one-bedrooms, two-bedrooms, etc.) and have net leasable areas of at least 90 percent of the average size of the market-rate units of similar bedroom counts.

### 5. For-Sale Projects Meeting Requirement with Affordable Housing Rental Units

**Decision Point:** Can for-sale projects meet their inclusionary housing requirement by developing affordable housing rental units?

**Options:** Under the premise that rental multifamily units may be the most cost-effective format for providing affordable housing, some cities allow developers of for-sale single-family residential projects to meet their inclusionary requirement by building affordable rental units, either on the same site as the market-rate project or elsewhere in the City. Both the cities of South Pasadena and Pomona provide this option.

If this option is used, the City can require that the number of affordable rental units is equal to the number of affordable for-sale units that the developer would have been required to build; or they can require that the number of affordable rental bedrooms is equal to the numbers of affordable for-sale bedrooms that the developer would have been required to build if they had built units similar to the market-rate units. For example, if a for-sale project includes 100 four-bedroom homes, and the inclusionary requirement is 10%, the project would be required to provide 10 affordable units. If they are built as four-bedroom homes, that would equal 40 affordable bedrooms. If the developer built affordable rental units instead, they could be required to build 40 affordable bedrooms in any configuration (e.g., 20 two-bedroom rental units or 40 one-bedroom units), rather than 10 affordable four-bedroom rental units.

**Recommendation:** Allow for-sale projects to meet their inclusionary requirement by building affordable rental units on the same site as the market-rate project or elsewhere in the City within reasonable proximity of the primary project (see below). Allow the requirement to be met by providing the required number of affordable bedrooms in any configuration, rather than the required number of units similar in size to the market-rate units.

## 6. Off-Site Affordable Housing Units

**Decision Point:** Can residential projects meet their inclusionary housing requirement by providing affordable housing units off-site?

**Options:** Some cities allow developers to meet their inclusionary requirement by building affordable units elsewhere in the City, rather than as part of the market-rate project. In some cases, the inclusionary requirement is higher if the units are built off-site. For instance, the City of Pomona requires that 13 percent of units are affordable to moderate-income households if built as part of the market-rate project, but if the affordable units are built off-site, the number of affordable units must be equivalent to 15 percent of the market-rate units and must be affordable to low-income households.

Some cities also require that the off-site affordable units be within a maximum distance from the market-rate project (e.g., within two miles), and that the off-site affordable units cannot be built in an area with an “overconcentration” of existing affordable units. For example, the City of Pomona’s inclusionary housing ordinance specifies that “The inclusionary units shall not create an overconcentration of deed restricted affordable housing units in any specific neighborhood. For purposes of this section, “overconcentration” is defined as more than 50 deed restricted very low or low-income dwelling units within  $\frac{1}{4}$  mile of the site of the proposed inclusionary units, or more than 200 of such units within  $\frac{1}{2}$  mile of the site of the proposed inclusionary units.

**Recommendation:** Allow developers to meet their inclusionary housing requirement by providing affordable housing units off-site. Require that the number of off-site affordable housing units be equivalent to a higher proportion of the market-rate units than if the inclusionary requirement is met on-site. Define a maximum distance from the market-rate project site for the off-site affordable units. Develop a definition of overconcentration and restrict the development of off-site affordable units to prevent overconcentration of these units.

## 7. In-Lieu Fee

**Decision Point:** Are there any limitations on when a project can pay an in-lieu fee instead of providing on-site or off-site affordable housing units?



**Options:** The City is required to provide alternative means of compliance with the inclusionary housing requirement. An in-lieu fee is a common alternative means, and EPS has calculated the in-lieu fees that would be aligned with the recommended inclusionary requirements (and can recalculate depending on the requirements adopted). While some cities allow for any residential market-rate project to pay an in-lieu fee instead of providing affordable units, others place limitations on when an in-lieu fee can be paid. Some common limitations include:

- In-lieu fee can only be paid on fractional required affordable units (e.g., a 12-unit project with a 10% requirement would build one affordable unit and pay the in-lieu fee on the additional 0.2 required units).
- In-lieu fee can only be paid by projects of a particular size (e.g., smaller than certain number of units) or particular type (e.g., only for-sale projects or only rental projects)

The City also has the discretion to set the in-lieu fee at a level that would incentivize the development of affordable units rather than payment of the fee. For example, the on-site inclusionary requirement could be 10% of units at low income, but the off-site requirement and in-lieu fee could be calculated to reflect 12% of units at low income.

During the stakeholder outreach with market-rate and affordable housing developers alike, there was significant interest in allowing in-lieu fees liberally. The market-rate developers believed that fee payments would be less financially onerous, and affordable housing developers indicated that such fees could provide much-needed local matching funds to support their overall financing efforts. However, the City would need to weigh this interest in fee generation with the trade-offs of not having affordable units built at the same time and in the same locations as the market-rate units paying the fees.

**Recommendation:** Allow payment of an in-lieu fee only for fractional units required for multifamily and townhome projects but allow in-lieu fees for all inclusionary housing units required for single-family detached projects of any size.

## 8. Other Alternative Means of Compliance

**Decision Point:** What other alternative means of compliance will the City allow?

**Options:** In addition to the in-lieu fee, other common alternative means of compliance include:

- Land dedication, often within a certain distance of the market-rate project;
- Acquisition and rehabilitation of existing units to be rented or sold at affordable levels; and/or
- Extension of affordability covenants on existing affordable units.

These alternative means are often allowed on a discretionary basis, to be determined by the City Council or other body. The deliberation to accept or reject such alternative means frequently involves both qualitative and quantitative considerations, ultimately resulting in a determination that the alternative means equals or exceeds the “value” of the standard inclusionary requirement. In this case, the perceived “value” can be based on the number of affordable units, their income levels, the ability to provide affordable units for underserved populations or neighborhoods, the challenges of replacing existing lower-priced units, etc. However, as a discretionary action rather than a prescribed formula, it can be difficult for developers to predict what alternatives will and will not be accepted, introducing risk and uncertainty as well as the potential perception of arbitrary decision-making.

## **Recommendation**

Allow developers to propose an alternative means of compliance, subject to Council findings that the alternative provides equal or greater value relative to the standard inclusionary requirements.

## **STRATEGIC PLAN ALIGNMENT:**

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.**

This item aligns with each of the five Cross -Cutting Threads as follows:

1. **Community Trust** — The initiative to explore an inclusionary policy merges best practices in policy development with intensive outreach and communication with both the development community and public to be transparent and make decisions based on sound policy, and inclusive community engagement based on timely and reliable information.
2. **Equity** — Inclusionary Housing promotes the integration of affordable housing into the City's market rate stock which allows people of different races, backgrounds, and economic circumstances to live throughout Riverside, lessening the concentration of poverty and broadening the experiences of those who live in affordable/ market mixed units.
3. **Fiscal Responsibility** — By tapping local development resources to ensure a balanced housing market, Riverside is a prudent steward of public funds and ensures responsible management of the City' s financial resources while providing quality of life to all residents.
4. **Innovation** — Exploring inclusionary housing potentially creates a development tool to address changing needs and prepares for the future through collaborative partnerships and adaptive processes in consultation with the public and development community.
5. **Sustainability & Resiliency** — By creating a balanced housing market, Riverside is ensuring a balanced economy that serves all income levels of city residents but does not sacrifice growth.

## **FISCAL IMPACT:**

There is no fiscal impact associated with the report.

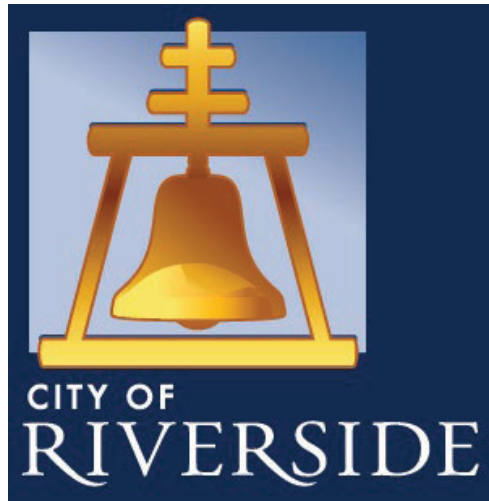
Prepared by: Michelle Davis, Housing Authority Manager  
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Approved by: Lea Deesing, Assistant City Manager  
Approved as to form: Phaedra A. Norton, City Attorney

## **Attachments:**

1. Feasibility Analysis



2. Sample of Inclusionary Housing Standards
3. Nexus Study
4. Committee Recommendation
5. Presentation



# INCLUSIONARY HOUSING WORKSHOP

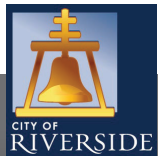
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Community & Economic Development Department

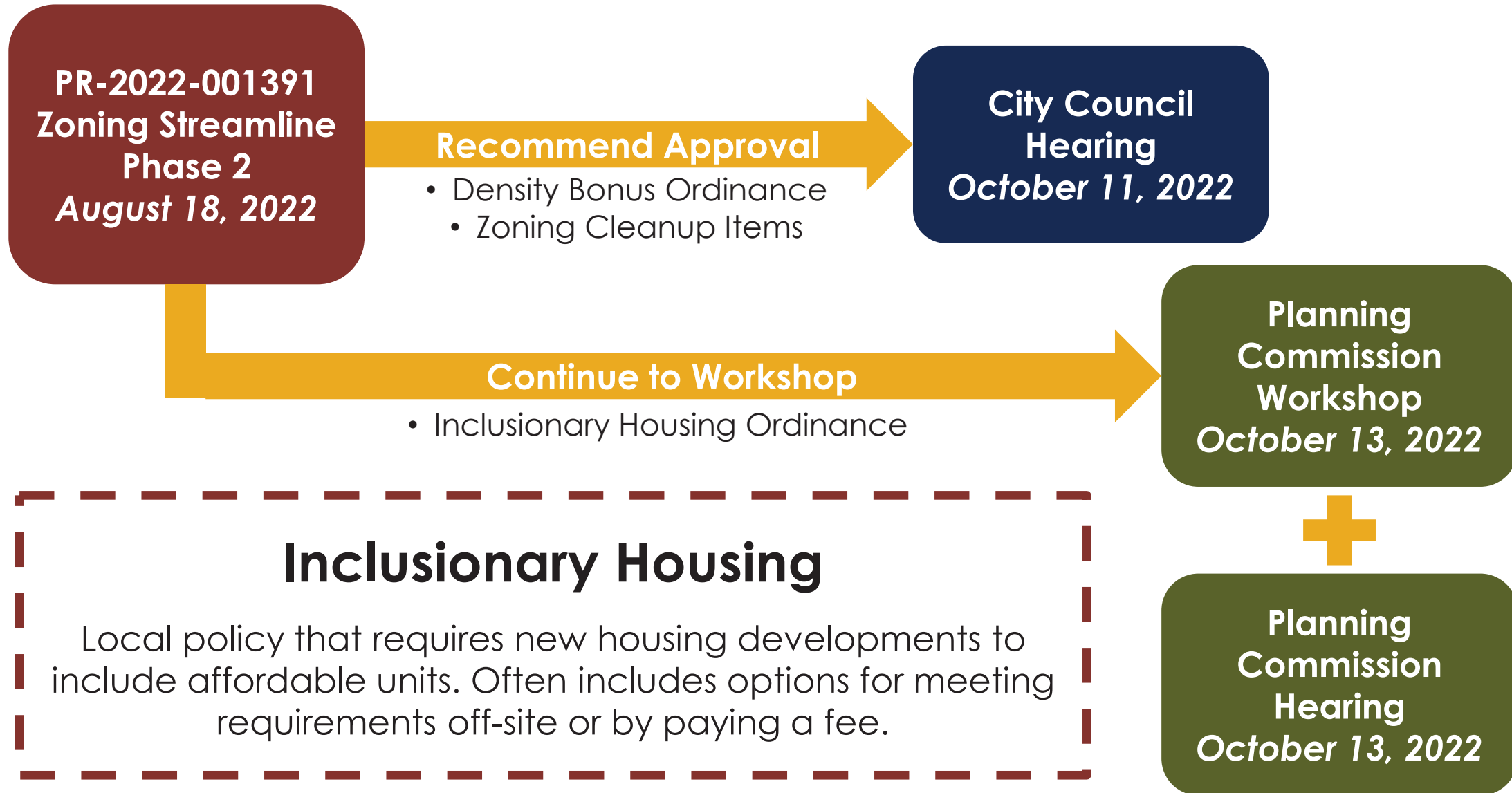
Planning Commission

Agenda Item: 6

October 13, 2022



# PURPOSE AND BACKGROUND

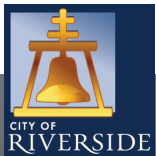


# WORKSHOP TOPICS

Housing & Homelessness Committee Policy Direction and related provisions in draft Ordinance:

- Inclusionary requirements
- Exemptions
- Affordability terms
- Unit characteristics
- Off-site requirements
- In-lieu fee

**PLUS:** In-lieu fee analysis and recommendation (information only)



# INCLUSIONARY REQUIREMENTS

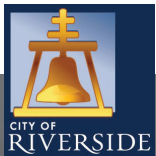
## COMMITTEE DIRECTION

- 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)



# 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

# 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

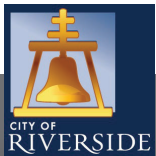
## PROPOSED ORDINANCE

### **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 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



# 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



# OFF-SITE REQUIREMENTS

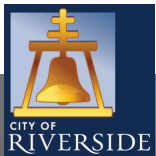
## COMMITTEE DIRECTION

- 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



# IN-LIEU FEES

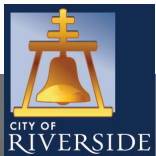
## COMMITTEE DIRECTION

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

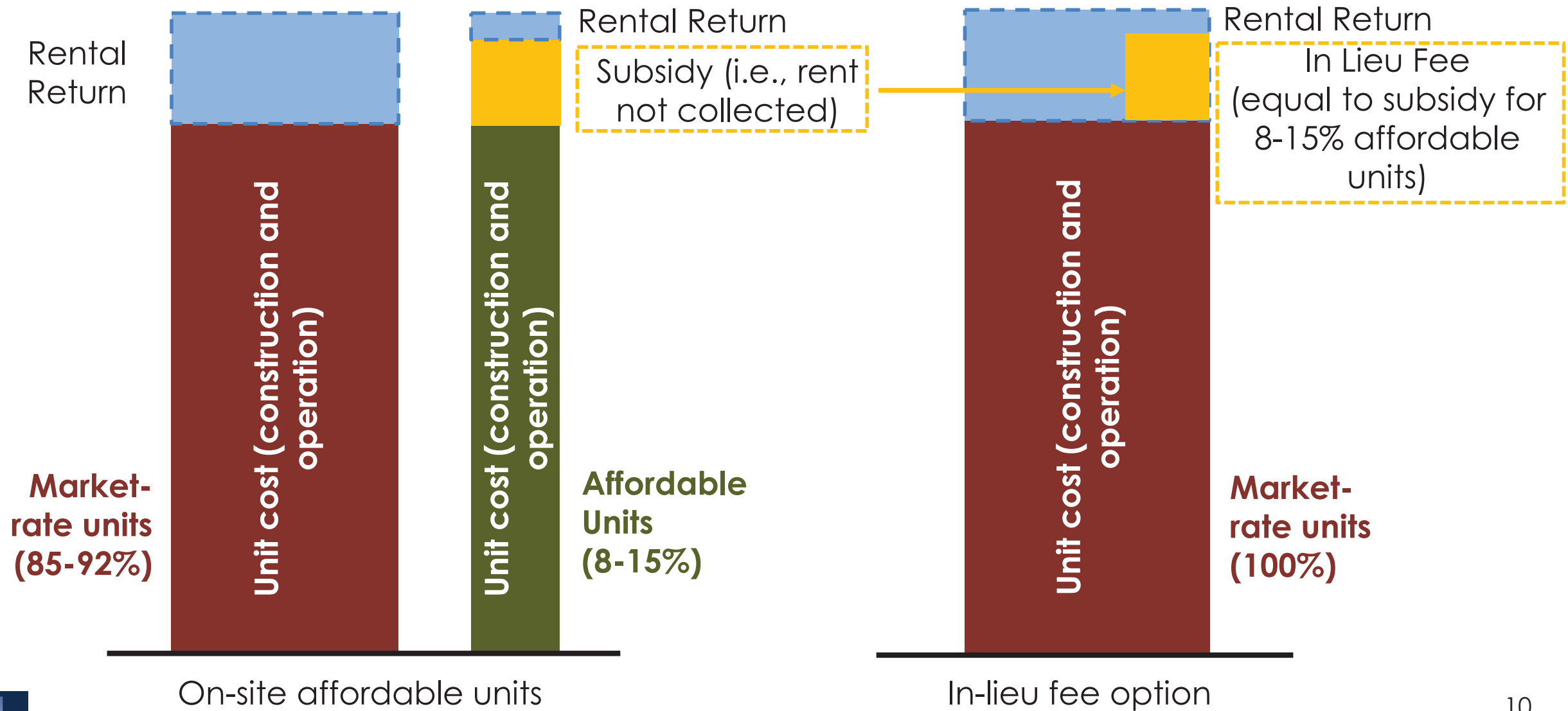
## PROPOSED ORDINANCE

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- 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



# IN-LIEU FEES – DISCUSSION ONLY



# 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%	\$104,860	<b>\$8,389</b>	\$3.36
For-Sale Townhome/Condo	15%	\$156,862	<b>\$23,534</b>	\$15.69
Rental (all types)	15%	\$81,784	<b>\$12,268</b>	\$14.43

**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**

# 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

# RECOMMENDATIONS

Staff recommends that the Planning Commission:

**Conduct a Workshop to discuss Proposed Amendments to Title 19 that implement the Inclusionary Housing Policy as directed by the City Council Housing & Homelessness Committee.**

