



City of Arts & Innovation

City Council Memorandum

Housing Authority Memorandum

TO: HONORABLE MAYOR, CITY COUNCIL, AND HOUSING AUTHORITY BOARD DATE: SEPTEMBER 15, 2020

FROM: OFFICE OF HOMELESS SOLUTIONS WARDS: ALL

SUBJECT: REQUEST FOR PROPOSALS SEEKING A CONSULTANT TO EXAMINE THE FEASIBILITY AND ECONOMIC IMPACTS OF AN INCLUSIONARY HOUSING PROGRAM FOR THE CITY OF RIVERSIDE IN AN AMOUNT NOT TO EXCEED \$150,000

ISSUE:

Authorize the Issuance of a Request for Proposals seeking a consultant to examine the feasibility and economic impacts of an Inclusionary Housing Program for the City of Riverside in an amount not to exceed \$150,000.

RECOMMENDATIONS:

That the City Council: Authorize the issuance of a Request for Proposals seeking a consultant to examine the feasibility and economic impacts of an Inclusionary Housing Program for the City of Riverside in an amount not to exceed \$150,000; and

That the Housing Authority: Authorize the issuance of a Request for Proposals seeking a consultant to examine the feasibility and economic impacts of an Inclusionary Housing Program for the City of Riverside in an amount not to exceed \$150,000.

COMMITTEE RECOMMENDATION:

The Housing and Homelessness Committee met on July 27, 2020, with Chair Edwards, Vice Chair Melendrez, and Member Plascencia present, to receive a presentation on inclusionary housing. Following discussion, the Committee voted unanimously to recommend that the City Council and Housing Authority Board approve the issuance of a Request for Proposals to examine the feasibility and economic impacts of a potential Inclusionary Housing Program for the City of Riverside.

BACKGROUND:

In recent years, the State of California has identified the shortage of housing as a legislative priority. A housing shortage impacts the State's economy, contributes to homelessness, and results in long commutes, which increases production of green-house gas emissions, air pollution, and contributes to poor health. Over the past few years, State housing legislation has focused on

housing production and affordability. In addition, State Housing Law mandates the Regional Housing Needs Allocation (RHNA) within each jurisdiction during specified planning period and part of the Housing Elements of the General Plan to plan for the housing needs of our residents—regardless of income.

The City of Riverside's 5th Cycle (October 2013 to October 2021) RHNA obligation was 8,283 units as follows:

- Very Low and Low Income (0-80% of AMI): 3,338 units
- Moderate Income (80-120% AMI): 1,503 units
- Above Moderate Income (120+ AMI): 3,442 units

For the 6th Cycle RHNA, the obligation is estimated to be 18,419 units. The breakdown by income level includes:

Table 11 – Estimate of 6th RHNA Cycle (March 20, 2020)

Income Level	Units	Percent
Very-low income (under 50% AMI)	4,849	26.3%
Low income (50-80% AMI)	3,057	16.6%
Moderate income (80-120% AMI)	3,133	17.0%
Above moderate income (120% + AMI)	7,379	40.1%
6 th CYCLE ESTIMATE TOTAL		18,419
5 th CYCLE CARRYOVER		5,816
TOTAL REQUIRED (PRODUCTION)		24,235

The income levels are separated into categories based on Area Median Income (AMI) which for Riverside includes:

Table 2 – 2020 State Income Limits – Riverside County

# of Persons	Number of Persons in Household							
	1	2	3	4	5	6	7	8
120% of Median	\$ 63,250	\$ 72,300	\$ 81,300	\$ 90,350	\$ 97,600	\$ 104,800	\$ 112,050	\$ 119,250
100% of Median	\$ 52,700	\$ 60,250	\$ 67,750	\$ 75,300	\$ 81,300	\$ 87,350	\$ 93,350	\$ 99,400
80% of Median	\$ 42,200	\$ 48,200	\$ 54,250	\$ 60,250	\$ 65,100	\$ 69,900	\$ 74,750	\$ 79,550
50% of Median	\$ 26,400	\$ 30,150	\$ 33,900	\$ 37,650	\$ 40,700	\$ 43,700	\$ 46,700	\$ 49,700
30% of Median	\$ 15,850	\$ 18,100	\$ 21,720	\$ 26,200	\$ 30,680	\$ 35,160	\$ 39,640	\$ 44,120

A housing resource tool that could assist in creating affordable housing within private developers and meet the City's RHNA obligation is an Inclusionary Housing Program. Affordable housing is defined as rent/utilities or mortgage/taxes/insurance/utilities that cost 30% or less of the gross household income. Programs can include both for-sale and rental units and are often implemented through a jurisdiction's zoning code.

To offset the cost of providing affordable housing in all new projects, the Program can offer incentives to developers in the form of zoning concessions such as reduced parking, or density bonuses or tax abatements. Developers can also be provided an option to choose an alternative to providing the affordable units in the form of in-lieu fees or providing affordable units at a different location.

In 2009, the California Court of Appeals blocked local inclusionary housing ordinances for rental construction as it was determined that they violated the Costa-Hawkins Act, which bans rent control on new rental units. In 2015, a ruling by the California Supreme Court upheld the ability of

local governments to adopt inclusionary housing ordinances. In 2017, Assembly Bill 1505 only focused on allowing local inclusionary policies for affordable rental housing. In doing so, jurisdictions must provide alternate means of compliance in developing the Program that can include in-lieu fees, land dedication, off-site construction, acquisition, or rehabilitation of existing units.

DISCUSSION:

This first step in program development would include the completion of an economic feasibility study (Study). The Study will evaluate the soundness of the Program to ensure development is not deterred while also ensuring that affordable housing is developed in the City. The Study would determine how the Program could impact market-rate housing and would include an analysis of trends and market conditions, analysis of potential projects, identification of impacts and recommendations.

The Study would also assist the City in defining the Program goals. This could include providing affordable housing to help meet the City's RHNA obligation, ensuring social integration in new housing projects, promoting workforce retention/attraction, supporting transit-oriented developments, mitigating displacement of residents, and meeting neighborhood needs. Programs are usually tailored to address local housing needs and market conditions. Therefore, when creating a Program, the economic feasibility study will assist the City in determining the following:

1. Making the program mandatory or voluntary.
 - a. Mandatory Programs: Require some percentage of new units built be affordable for low- or moderate-income households. Developers can be offered incentives to offset the cost of providing affordable units; or
 - b. Voluntary Programs: Provide incentives to developers to include affordable units, such as density bonuses or tax incentives.
2. Geographic coverage
 - a. Citywide
 - b. Targeted at specific neighborhoods
3. Type of Developments
 - a. Rental housing
 - b. For-sale housing
 - c. commercial developments
4. Size of Development (i.e. 10 units or more)
5. Share of units to be made affordable (typically between 5-30%)
6. Income levels of affordable housing units
 - a. 50% of AMI
 - b. 60% of AMI
 - c. 80% of AMI
 - d. 120% of AMI
7. Affordability duration (i.e. State requires 45 years for homeownership and 55 years for rental projects.)

8. Alternative compliance options

- a. Build affordable housing units offsite
- b. Pay an in-lieu fee
- c. Dedicate land

Stakeholder input would be an important component of the Study to ensure that the analysis is realistic and pragmatic. As such, an outreach program would be developed and implemented as part of the Study development. The cost of the Study, including the stakeholder outreach program, is estimated at \$150,000 and the timeframe to complete the study is nine to twelve months. Results of the Study would be brought back to the City Council and Housing Authority Board for further consideration.

The goal of the Study would be to conduct a review to address current housing and market conditions to see if an Inclusionary Housing Program would be successful in Riverside; to ensure that any new program is consistent with the City's General Plan, Density Bonus Ordinance and other locally available incentives; and to comply with new laws governing affordable and inclusionary housing in California, which are evolving rapidly. This process would involve statewide policy research, public virtual meetings with stakeholders including neighborhood groups, Building Industry Association, Apartment Owners Association, Fair Housing Council of Riverside County, and other interested groups, and hearings before the City Council and Housing Authority Board.

If the economic feasibility study shows that the Program is viable for the City of Riverside, the City's Housing Authority staff will develop a draft Policy document for the Program to be presented to City Council for its consideration. The Policy document would set the framework for how the Program would operate, including the structure, requirements and development incentives as defined above.

Development of a proposed Policy document would link the City's affordable housing development needs with the ability of the local development market to build the necessary units while retaining the financial viability of residential projects. Any proposed Policy document should balance incentives with the cost of the inclusionary requirements that will be imposed on projects.

A Policy also sets the process and definitions for taking determinations (i.e. the property value was taken without just compensation), identifying responsibilities for both developers and the City. A "taking" is a claim against the City that its (land use) policies have diminished the value of a specific property (this differs from eminent domain, which is the forced sale of property for a public purpose).

A trust fund would also need to be established in the future, separate from the General Fund, where all in-lieu fees collected would be used in sustaining or creating new affordable housing units.

Once the Policy is developed, the Planning Division would seek approval to update Title 19 of the City's Zoning Code to implement the Program. This would likely result in a new Chapter of Title 19 exclusively defining the requirement for inclusionary housing. The update would include a summary of exempt projects, unit/percentage requirements whether for sale or rent, possible alternatives/concessions to be used, alternatives to providing the affordable housing, any necessary agreements, project standards, approval process, fees, enforcement and appeals.

The Community & Economic Development Director concurs with the recommendations in this

staff report.

FISCAL IMPACT:

Based on quotes received from consultants, the economic feasibility study cost should not exceed \$150,000. There are funds in the following Fund 280 – Housing Authority 3337-3339 Fifth Street accounts in as this project was completed and the remaining funds are available to complete the economic feasibility study.

ACTIVITY	ACCOUNT NO.	FUNDING AMOUNT
Relocation Costs	9901400-440443	\$136,199.34
Professional Services	9990200-440440	\$ 12,570.00
Project Improvement	9901400-440446	\$ 1,230.66

Prepared by: Michelle Davis, Housing Authority Manager
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