INCLUSIONARY HOUSING WORKSHOP

City Manager's Office
Community & Economic Development Department

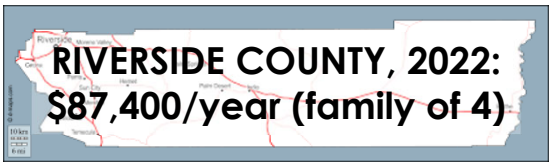
City Council
April 11, 2023

1

PURPOSE AND BACKGROUND

WHAT IS AFFORDABLE AND TO WHOM?

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



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

2

PURPOSE AND BACKGROUND

WHY DOES THIS MATTER NOW?

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

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

Source: Rent.com *Last updated: 3/27/2023*

Source: RocketHomes *Last updated: 02/2023*

3

RiversideCA.gov

3

PURPOSE AND BACKGROUND

RIVERSIDE'S HOUSING AFFORDABILITY TOOLBOX

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

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

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

4

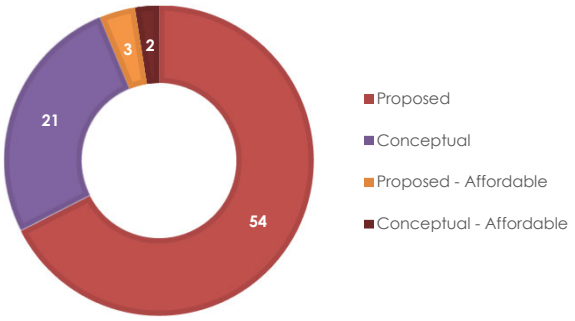
RiversideCA.gov

4

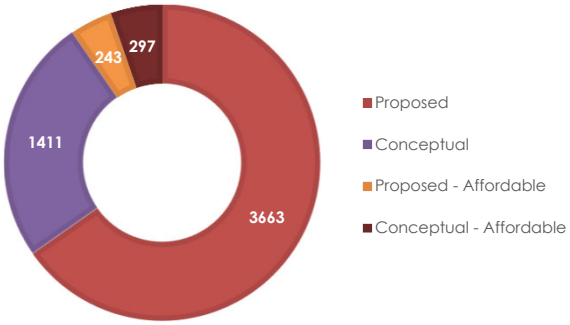
PURPOSE AND BACKGROUND

CURRENT HOUSING PRODUCTION PIPELINE

PROJECTS



UNITS



	Very Low	Low	Moderate	Above Moderate
6th Cycle RHNA	4,861	3,064	3,139	7,394
TOTAL				18,458

5

PURPOSE AND BACKGROUND

HOUSING AFFORDABILITY TOOLBOX

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

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

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

Inclusionary Housing

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

6

PURPOSE AND BACKGROUND

Inclusionary programs exist in:
- **1,000+ jurisdictions nationwide**
- **158 cities and counties in California**
- **Produce about 110,000 affordable units**

Source: Grounded Solutions Network *Last updated: 3/27/2023*

7

RiversideCA.gov

7

PURPOSE AND BACKGROUND

July 27, 2020
Housing & Homelessness Committee (HHC)
Inclusionary Housing overview

→

Sept. 15, 2020
City Council
IH Feasibility Study RFP

→

Nov. 12, 2020
City Council
Award feasibility bid to EPS

→

HHC Inclusionary Housing Updates
March 22, 2021
Sept. 27,2021
Feb. 28, 2022
May 23, 2022

↓

Aug. 18, 2022
Planning Commission
Draft Ordinance amendments

←

Oct. 24, 2022
HHC
Inclusionary Housing Update – Final Direction

←

Planning Commission Workshops
Oct. 13, 2022
Nov. 10, 2022

←

TODAY
April 11, 2023
City Council Workshop

8

RiversideCA.gov

8

COMMUNITY/STAKEHOLDER OUTREACH

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

DISCUSSION

INCLUSIONARY HOUSING FRAMEWORK

Housing & Homelessness Committee Policy Direction (October 2022):

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

INCLUSIONARY REQUIREMENTS

COMMITTEE RECOMMENDATION

- Adopt a blend of demand-based and nexus-based inclusionary requirements
- Establish three tiers:
  - low-density for-sale;
  - high-density for-sale;
  - rental
- Set income limits slightly lower than HUD limits to increase affordability

- **For-sale single-family:** (up to 10.9 units/acre): 5% affordable to Moderate-Income (110% area median income)
- **For-sale condo and townhome:** (10.9-14.5 units/acre): 10% affordable to Lower Income (70% AMI)
- **All rental projects**: 10% affordable to Lower-Income (70% AMI)

EXEMPTIONS

COMMITTEE RECOMMENDATION

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

Requirements would not apply to:

- Projects of fewer than three units
- Properties destroyed by disaster and reconstructed
- Additions and alterations
- Projects that have submitted an application for processing by effective date of Ordinance

AFFORDABILITY TERM

COMMITTEE RECOMMENDATION

- Ensure long-term availability of affordable units
- Leverage City/Housing Authority assets to maximize affordable housing stock
- Ensure that capital gains from increased values are recaptured

Duration of Affordability

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

Requirements for Selling For-Sale Inclusionary Units

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

UNIT CHARACTERISTICS

COMMITTEE RECOMMENDATION

- Promote a diverse mix of affordable units of all types and sizes
- Ensure equity in the provision of amenities, finishes and fixtures
- Create some allowance for flexibility in size and appointment in view of cost constraints

Development Standards

- Units must be distributed throughout the project
- Mix of units (beds, baths) must be similar to market-rate units
- Similar finishes, fixtures and appliances to market-rate units
- Equal access to amenities and common areas
- Floor plans can be up to 10% smaller than average market-rate units

OFF-SITE REQUIREMENTS

COMMITTEE RECOMMENDATION

- Allow requirements to be met off-site
- Avoid creating an over-concentration of affordable units in a particular area
- Require a greater proportion of affordable units for off-site than on-site to encourage on-site units

- Off-site units subject to higher inclusionary requirements (8% single family and 15% condo/townhome and rental)
- Off-site project must be in same Council ward as primary project
- Maximum 100 affordable housing units within 500 feet/400 within 1,500 feet
- Unit sizes, types, fixtures, finishes and appliances must be roughly equivalent to primary project

IN-LIEU FEES

COMMITTEE RECOMMENDATION

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

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

NEXT STEPS

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

Provide further information

Topics for further discussion/input:

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

Present a draft Ordinance

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

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.

RECOMMENDATIONS

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

REFERENCE ONLY SLIDES

The following slides are included for reference only.

COMPARISON CITY IHPS – IN-LIEU FEES

City	Single-Family For-Sale		Townhome/ Condo For-Sale		Multifamily Rental		Notes
	Per Market-Rate Unit	Per Market Rate Sq. Ft.	Per Market-Rate Unit	Per Market Rate Sq. Ft.	Per Market-Rate Unit	Per Market Rate Sq. Ft.	
Fontana	$1,350	-	$1,350	-	-	-	No inclusionary requirement on rental projects
Highland	$3,750	-	$3,750	-	$3,750	-	
Temecula	*No In-lieu fee option*						Applies only to Affordable Housing Overlay Zone
Pomona	-	$0.41-$11.40	-	$0.33-$9.30	-	$0.33-$0.92	Fee charged based on size of project
Jurupa Valley	*$5,000*	$2.00	*$2,400*	$2.00	*$1,900*	$2.00	Per unit fees are only illustrative; fee charged per sq. ft.
Calimesa	*No In-lieu fee option*						Land donation
Irvine	$17,000	-	$17,000	-	$17,000	-	
Santa Ana	-	$6.00 - $15.00	-	$6.00 - $15.00	-	$6.00 - $15.00	Fee charged based on size of project

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

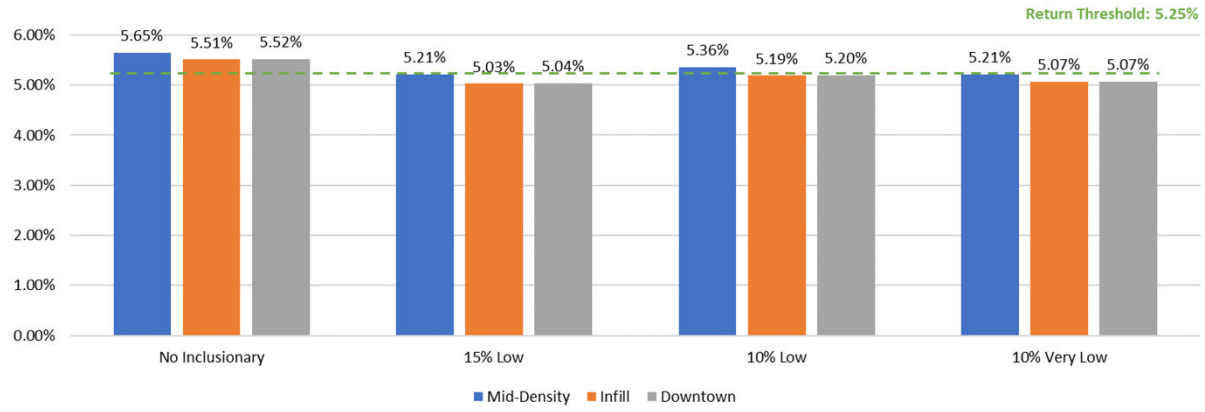
FEASIBILITY ANALYSIS

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

FEASIBILITY FINDINGS - RENTAL

Scenarios for multifamily rental feasibility included:

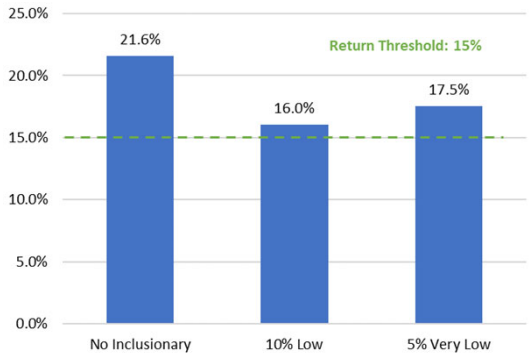
- 15% and 10% of units for low-income households
- 10% of units for very low-income households



FEASIBILITY FINDINGS - FOR-SALE

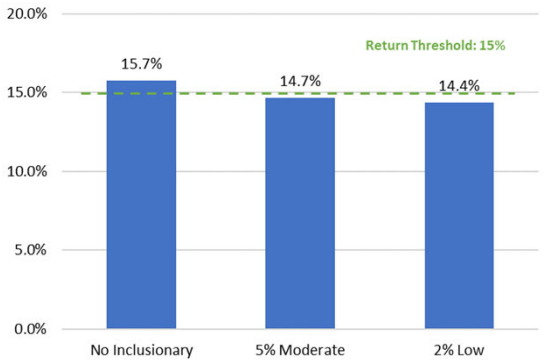
Scenarios for for-sale condos/townhomes include:

- 10% of units for low-income households
- 5% of units for very low-income households



Scenarios for for-sale single-family include:

- 5% of units for moderate-income households
- 2% of units for low-income households

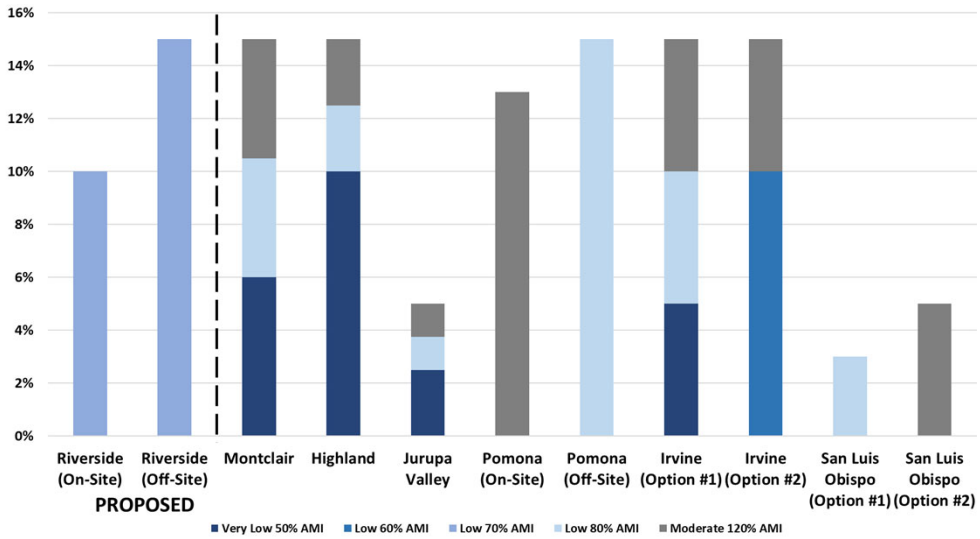


25

RiversideCA.gov

25

COMPARISON CITY IHPS – RENTAL UNITS

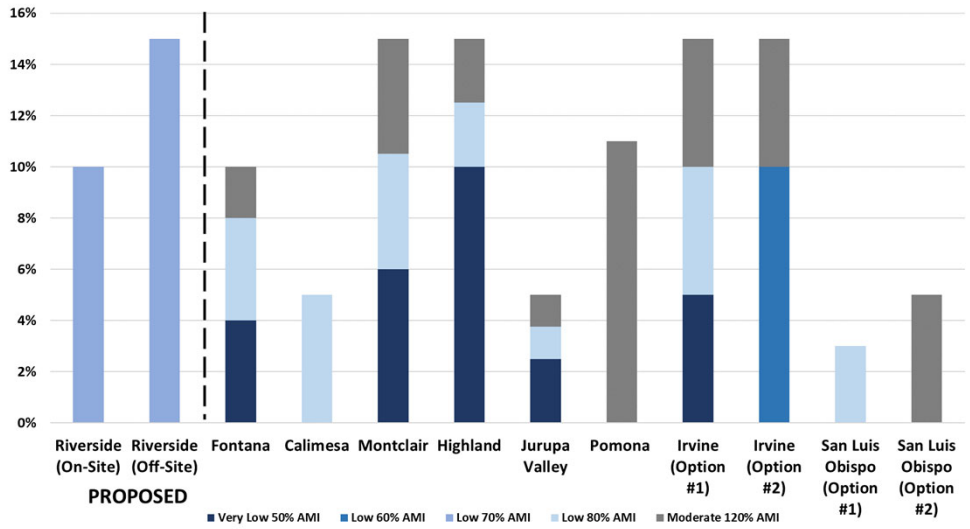


26

RiversideCA.gov

26

COMPARISON CITY IHPS – TOWNHOME/CONDO UNITS

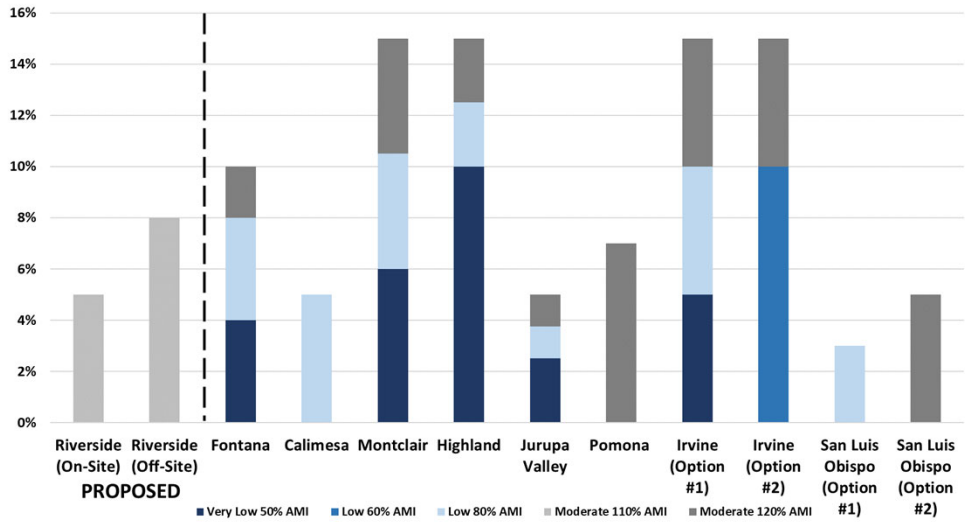


27

RiversideCA.gov

27

COMPARISON CITY IHPS – SINGLE-FAMILY UNITS



28

RiversideCA.gov

28