City of Arts & Innovation

City Council Memorandum

TO: **HONORABLE MAYOR AND CITY COUNCIL** **DATE: APRIL 11, 2023**

FROM: **CITY MANAGER'S OFFICE**
COMMUNITY & ECONOMIC DEVELOPMENT DEPARTMENT
WARDS: ALL

SUBJECT: **INCLUSIONARY HOUSING WORKSHOP**

ISSUE:

Conduct a workshop on Inclusionary Housing.

RECOMMENDATION:

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

COMMITTEE RECOMMENDATIONS:

On July 27, 2020, the Housing and Homelessness Committee (HHC) received a presentation on inclusionary housing, which is a policy that requires a prescribed portion of the units in any new residential development to be rented or sold at a price that is affordable to low- to moderate-income households. Following discussion, the Committee unanimously voted to recommend that the City Council and Housing Authority Board hire a consultant to examine the feasibility and economic impacts of a potential inclusionary housing program for the City of Riverside.

On September 27, 2021, City staff and the consultant, Economic & Planning Systems (EPS), presented to the HHC the preliminary findings regarding the viability of an inclusionary housing policy (HHC Staff Report – Attachment 1). At that meeting, the Committee directed City 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 HHC a refined analysis of the development feasibility impacts of a range of inclusionary policy alternatives on new market-rate residential development; stakeholder outreach undertaken; and recommendations for a potential inclusionary housing policy (HHC Staff Report – Attachment 2 and Feasibility Analysis Presentation – Attachment 3). At the meeting, the HHC 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 the HHC's consideration.

On May 23, 2022, the HHC received an update on the inclusionary housing policy, including preliminary recommendations on elements of a potential inclusionary housing ordinance whereby

the Committee made the recommendations listed in Attachment 4 (HHC Staff Report – Attachment 5).

On October 24, 2022, the HHC received an update on Inclusionary Housing and requested that it be brought before the City Council for a workshop early in 2023.

BACKGROUND:

Defining the Need

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, results in long commutes, increases greenhouse gas emissions and air pollution, and contributes to poor public 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 Assessment (RHNA) to be allocated to each jurisdiction during a specified planning period, to be incorporated into the Housing Elements of the General Plan to plan for the current and future housing needs of households at all income levels.

The City of Riverside's 6th Cycle (2021-2029) RHNA Allocation is listed below.

Income Level	Units	Percent
Very-low income (under 50% AMI)	4,861	26.3%
Low income (50-80% AMI)	3,064	16.6%
Moderate income (80-120% AMI)	3,139	17.0%
Above moderate income (120% + AMI)	7,394	40.1%
6th CYCLE TOTAL		18,458

The U.S. Department of Housing and Urban Development (HUD) defines affordable housing as housing where the household pays 30% or less of their gross income on total housing, including utilities. For example, low-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 $69,920 annually (80% of the 2022 median $87,400) for a family of four.

It will take several resources and tools to address the affordable housing shortage and the City's RHNA. Current resources and tools are listed in Attachment 6. A new tool that the City is considering to address the affordable housing shortage is inclusionary housing.

On September 15, 2020, the City Council and Housing Authority Board authorized the issuance of an RFP to explore the market impacts and make a programmatic recommendation regarding an inclusionary housing program. On November 12, 2020, the City issued RFP 2054 seeking a consultant with a California economic development and housing background. On May 18, 2021, the City Council and Housing Authority approved a Professional Consultant Services Agreement with EPS for $73,000 to explore the feasibility of implementing an inclusionary housing policy in the City of Riverside.

Stakeholder and Community Outreach

Following the September 27, 2021 HHC meeting, EPS engaged in several stakeholder and community outreach meetings to present the initial feasibility study finding and solicit feedback on

the potential inclusionary housing policy. These meetings are listed below, and the primary feedback received is listed in Attachment 7.

- Two stakeholder workshops in November 2021
    - Workshop #1 included housing advocates and developers of affordable housing projects. Seven stakeholders were in attendance.
    - Workshop #2 included developers of market-rate residential projects. 16 stakeholders attended the meeting.

- Presented to the Greater Riverside Chamber of Commerce's Economic Development Council in January 2022 and in June 2022 presented the HHC's inclusionary housing recommendations.

- Community webinar held on January 12, 2022. Approximately 50 individuals signed on to the meeting.

City staff and EPS also provided the HHC with updates on the inclusionary housing feasibility and economic impacts study on March 22, 2021, September 27, 2021, February 28, 2022, and May 23, 2022.

During the HHC meeting on May 23, 2022, EPS identified prototype rental and for-sale market-rate products that the City might see developed in the future. EPS tested development feasibility of several scenarios of developing on-site affordable units, using a typical return assumption of 5.25% return on cost for rental projects and 15% profit margin on for-sale products. The HHC reviewed the draft inclusionary housing policy shown in Attachment 4 and directed staff to develop an ordinance to implement the policy for Planning Commission and City Council consideration (Attachment 8).

Planning Commission

On August 18, 2022, Planning staff presented amendments to Title 19 that included clean-up items and adding a new chapter for Inclusionary Housing under Planning Case PR-2022-001391. The Planning Commission approved the zoning text amendment except for proposed Inclusionary Housing amendments, and instead requested that Staff return to conduct a workshop prior to further Planning Commission consideration and recommendation.

On October 13, 2022, Planning staff conducted an Inclusionary Housing workshop with the Planning Commission. The public hearing item on Planning Case PR-2022-001391 was continued to November 10, 2022.

On November 10, 2022, Planning staff addressed Commissioner's questions from the previous meeting and requested that the public hearing for Planning Case PR-2022-001391 be continued off-calendar, with staff to return to the Planning Commission for a final recommendation on the Inclusionary Housing ordinance after input is received from the full City Council.

DISCUSSION:

The workshop will cover the inclusionary housing feasibility analysis and findings in Attachment 10 and the following HHC inclusionary housing policy recommendations that are detailed in Attachment 4, including but not limited to:

1. Inclusionary requirements (development type, percentage of inclusionary housing units and income levels)
2. Exemptions from inclusionary housing policy
3. Affordability terms
4. Unit Characteristics
5. Off-site requirements
6. An in-lieu fee option

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 Cros-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 this report.

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Concurs with:

Erin E. Edwards

Erin Edwards, Chair
Housing and Homelessness Committee

Attachments:

1. September 27, 2021 HHC Staff Report
2. February 28, 2022 HHC Staff Report
3. Feasibility Analysis Presentation
4. May 23, 2022 HHC Inclusionary Housing Policy Recommendations
5. May 23, 2022 HHC Staff Report
6. Affordable Housing Resources and Tools
7. Stakeholder and Community Outreach Meeting Primary Feedback
8. Inclusionary Housing Ordinance
9. Inclusionary Housing Policy and Ordinance FAQs
10. Feasibility Analysis Summary
11. Presentation