

Inclusionary Housing and Concession Menu

City Council | August 19, 2019

Background

Inclusionary Housing Ordinance

- 10% fee projects with 100+ units
 - Fee Rate: 10% Low- to Moderate

- Alternatives**
- Fee Rate
 - Offset
 - Land Donation

- Allowance Options**
- 100% Fee Rate
 - 100% Fee Rate + Moderate
 - 100% Fee Rate + Low

State Density Bonus Law

- Grants additional density by right in exchange for including affordable units

- Maximum of 10% Density Bonus**
- 10% Fee Rate
 - 10% Fee Rate + Moderate
 - 10% Fee Rate + Low

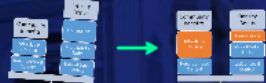
- Concessions/Incentives**
- 100% Fee Rate
 - Affordable Housing Concessions Program

State Oversight

- AB 680**
- No construction activities before voluntary requirements
 - No financial progress on housing results in additional density

- Build faster from HUD**
- Concessions for reducing or halting development timeline

City Council Direction



Timeline



ADVISORY

- Conducted studies on various provisions of the Ordinance
- Issued a report on the findings
- Held public hearings on the findings and recommendations
- Conducted research on the Ordinance's impact
- Held a public hearing on the Ordinance's impact

Life of a Project



Summary of Recommendations

Eliminate Fee Rate

- Eliminate the fee rate
- Eliminate the fee rate
- Eliminate the fee rate

Reduce Fee Rate

- Reduce the fee rate to 5%
- Reduce the fee rate to 5%
- Reduce the fee rate to 5%

Allow Fee Rate

- Allow the fee rate to remain at 10%
- Allow the fee rate to remain at 10%
- Allow the fee rate to remain at 10%

Allow Fee Rate + Concessions

- Allow the fee rate to remain at 10% with concessions
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Allow Fee Rate + HUD

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State Density Bonus Law

- Grants additional density by right in exchange for including affordable units

- Maximum of 20% Density Bonus**
- 15% Very Low
 - 10% Low
 - 5% Moderate

- Concessions/Incentives**
- 100% Fee
 - Affordable Housing Concessions Program

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Timeline



Life of a Project



Summary of Recommendations

Eligible Fee Rate

- 100% Fee Rate
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- 100% Fee Rate

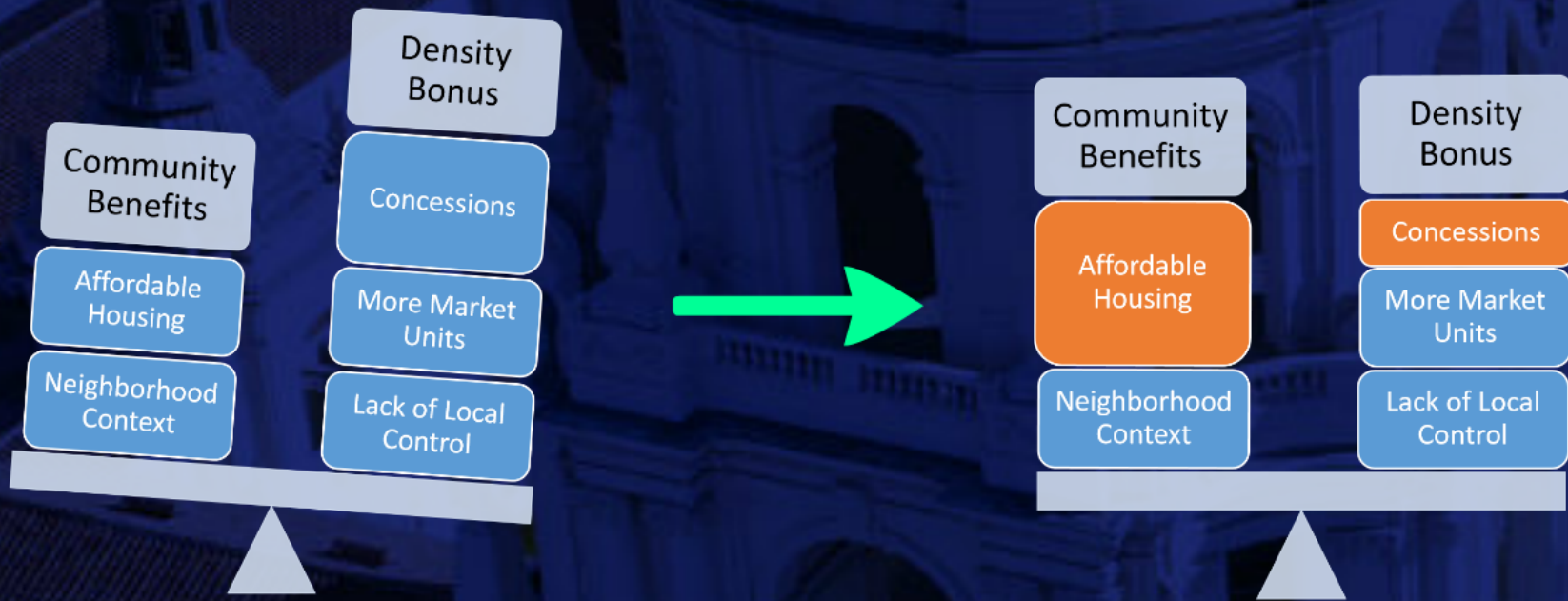
Concessions/Incentives

- 100% Fee Rate
- 100% Fee Rate
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- 100% Fee Rate

City Council Direction

- Eliminate trade-downs
- Raise in-lieu fee
- Increase base inclusionary percentage
- Create a concession menu

Creating Balance



Inclusionary Housing and Concession Menu

City Council | August 19, 2019



Background

Inclusionary Housing Ordinance

- 15% for projects with 10+ units**
- Rental: 10% Low + 5% Moderate
 - For-Sale: 15% Moderate

Alternatives

- In-lieu fee
- Off-site
- Land donation

Allows trade-downs

- 1 Very Low = 1.5 Low
- 1 Very Low = 2 Moderate
- 1 Low = 1.5 Moderate

State Density Bonus Law

Grants additional density by right in exchange for including affordable units

Maximum of 35% density bonus if providing:

- 11% Very low
- 20% Low
- 40% Moderate

Concessions/Incentives

- Up to 3
- Affordable Housing Concession Permit

State Oversight

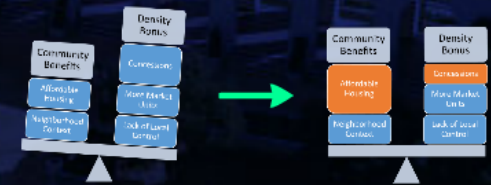
AB 1505

- Re-establishes authority to impose inclusionary requirements
- Insufficient progress on housing results in additional scrutiny

Draft letter from HCD

- Consequences for reducing or limiting development intensity

City Council Direction



Timeline



AFCOM Study

- Developed project prototypes to test effects of inclusionary
- Tested at 8 inclusionary scenarios
- Most projects would become infeasible without any incentive
- Identified incentives to offset cost of higher inclusionary
- Used as a guide to develop concession menu and inclusionary percentage recommendations

Inclusionary Housing Ordinance

15% for projects with 10+ units

- Rental: 10% Low + 5% Moderate
- For-Sale: 15% Moderate

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INCLUSIONARY HOUSING		TRADE-DOWN RATIO	
INCLUSIONARY HOUSING	TRADE-DOWN RATIO	INCLUSIONARY HOUSING	TRADE-DOWN RATIO
10%	1.5	10%	1.5
15%	2	15%	2

CLAC

100 Unit Example

Inclusionary %	Inclusionary Units	Trade-Down Units	Trade-Down %
10% Low	10 Low	7 Very Low	7% Very Low
5% Moderate	5 Moderate	3 Very Low	3% Very Low
Totals: 15%	15 Units	10 Units	10% Very Low

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if providing:**

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Concession Permit

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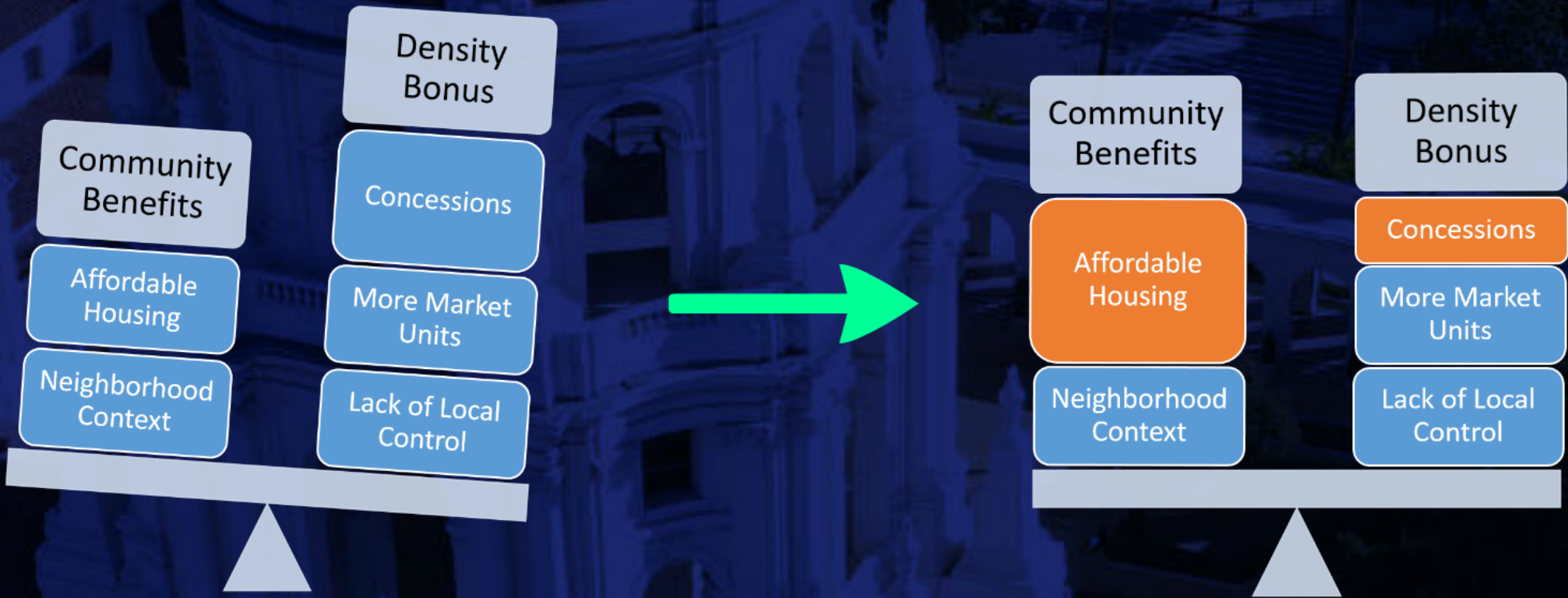
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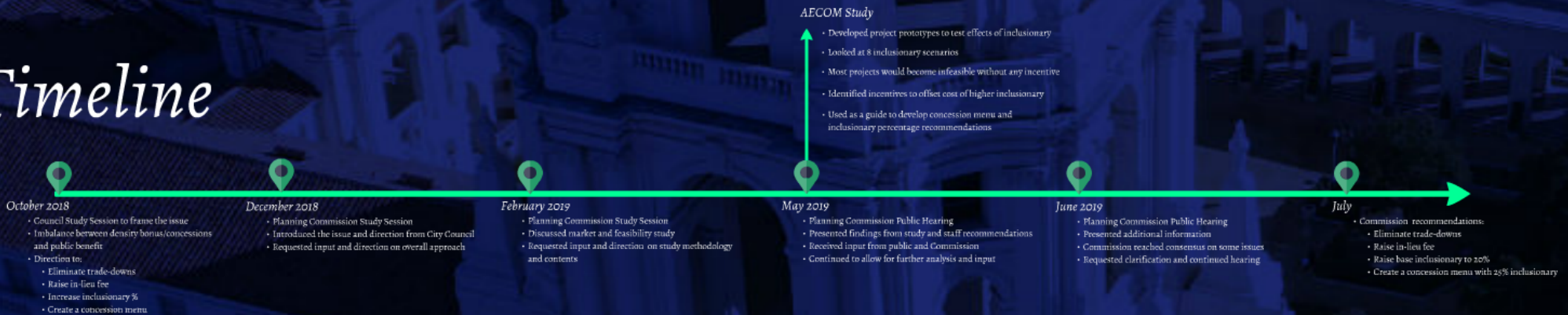
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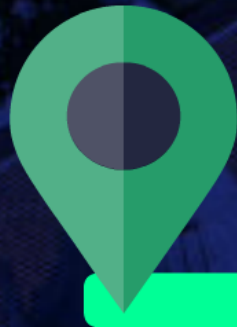
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Timeline



Life of a Project





October 2018

- Council Study Session to frame the issue
- Imbalance between density bonus/concessions and public benefit
- Direction to:
 - Eliminate trade-downs
 - Raise in-lieu fee
 - Increase inclusionary %
 - Create a concession menu



December 2018

- Planning Commission Study Session
- Introduced the issue and direction from City Council
- Requested input and direction on overall approach



February 2019

- Planning Commission Study Session
- Discussed market and feasibility study
- Requested input and direction on study methodology and contents

- Used as a guide to develop concession menu and inclusionary percentage recommendations



May 2019

- Planning Commission Public Hearing
- Presented findings from study and staff recommendations
- Received input from public and Commission
- Continued to allow for further analysis and input

AECOM Study

- Developed project prototypes to test effects of inclusionary
- Looked at 8 inclusionary scenarios
- Most projects would become infeasible without any incentive
- Identified incentives to offset cost of higher inclusionary
- Used as a guide to develop concession menu and inclusionary percentage recommendations



June 2019

- Planning Commission Public Hearing
- Presented additional information
- Commission reached consensus on some issues
- Requested clarification and continued hearing



July

- Commission recommendations:
 - Eliminate trade-downs
 - Raise in-lieu fee
 - Raise base inclusionary to 20%
 - Create a concession menu with 25% inclusionary

October 2018

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 - Create a concession menu with 25%

Used as a guide to develop concession menu and inclusionary percentage recommendations

Life of a Project



As part of the Planning Commission study

All development must be affordable for both:

- 10% Very Low
- 10% Low
- 10% Mid
- 10% High

No trade-downs

Project is Proposed



Must meet base 20% inclusionary requirement

- On-site: 5% Very Low + 5% Low + 10% Mod
- No trade-downs
- In-lieu fee increased

Density Bonus

On-site inclusionary automatically makes projects eligible for Density Bonus and Concessions

State Law

Density Bonus

5% Very Low
=
20% Bonus

Concessions

5% Very Low
=
1 Concession

No Additional Inclusionary

- Ask for any*
- full extr*
 - extra o*
 - any seth*
 - relief fr*

No Additional Inclusionary

Ask for any concession(s) needed to offset costs (no limit)

- full extra story (15+ feet)*
- extra 0.75 FAR*
- any setback reduction*
- relief from open space requirements*

*Affordable Housing
Concession Permit*

6-12 months

ts (no limit)



Design Review



Plan Check



Permit Issued

Density Bonus

On-site inclusionary automatically makes projects eligible for Density Bonus and Concessions

State Law

Density Bonus

5% Very Low
=
20% Bonus

Concessions

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1 Concession

No Additional Inclusionary

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Alternative Path

Planning Commission ~ 25%

5% Very Low

5% Low

15% Moderate

Staff ~ 20%

5% Very Low

5% Low

10% Moderate



Choose up to 2 Concessions from Menu





Increase maximum height up to 12 feet over 60% of building footprint



Increase maximum FAR by 0.5



Reduce side or rear setbacks by up to 50%, unless adjacent to single-family or historic resource, with no impact to protected trees



Eliminate loading requirement



Reduce minimum parking by up to 50% within TOD areas



Project



Alternative Path
Planning Commission - 15%
5% Very Low
5% Low
15% Moderate
Staff - 20%
5% Very Low
5% Low
10% Moderate

Density Bonus

On-site inclusionary automatically makes projects eligible for Density Bonus and Concessions

State Law

Density Bonus

5% Very Low
=
20% Bonus

Concessions

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Affordable Housing Concession Permit

6-12 months

Design Review



Design Review



Plan Check



Permit Issued

Concession Menu Accomplishes Many Goals

For the Developer:

- Time savings (6-12 months)
- Concessions (parking, height, FAR, etc)

For the City:

- More affordable units
- Less impactful projects



- Time savings (6-12 months)
- Concessions (parking, height, FAR, etc)

For the City:

- More affordable units
- Less impactful projects



Summary of Recommendations

Eliminate Trade-Downs

Planning Commission + Staff

- No more trade-downs

Base Inclusionary Requirement

Planning Commission + Staff

- Increase to 20%
- 5% Very Low, 5% Low, and 10% Moderate (Rental)
- 20% Moderate (For-Sale)

**Household Income Limits
(Family of Four)**

Very Low ~ \$52,200
Low ~ \$83,500
Moderate ~ \$87,700

Raise In-Lieu Fee

Planning Commission + Staff

- Highest level supported by DRA Study
- Apply to projects not issued a building permit within six months of effective date

Concession Menu

Planning Commission + Staff

- Establish menu process with five possible concessions

Planning Commission

- Require 25% inclusionary

Staff

- Require 20% inclusionary, same as base