

Agenda Report

DATE: SEPTEMBER 10, 2001
TO: CITY COUNCIL
FROM: CYNTHIA J. KURTZ, CITY MANAGER
SUBJECT: APPROVAL OF THE INCLUSIONARY HOUSING REGULATIONS AND IN-LIEU FEE SCHEDULE

RECOMMENDATION:

It is recommended that City Council take the following actions:

1. Adopt the attached resolution approving the Inclusionary Housing Regulations,
2. Adopt the attached resolution approving the In-lieu Fee Schedule,
3. Adopt the attached resolution approving the waiver of plan check and building permit fees for affordable housing and inclusionary housing units,
4. Approve the addition of one Full Time Employee (FTE) Project Manager position to the FY2002 Planning and Development Department Operating Budget (Housing Division) to implement the proposed Inclusionary Housing Ordinance and related duties, and
5. Approve a journal voucher transferring \$63,387 from the Low and Moderate Income Housing Trust Fund to Budget Account #810-684120-51011,

BACKGROUND:

On July 16, 2001, the City Council approved the Inclusionary Housing Code Amendment to City Zoning Code (Inclusionary Housing Ordinance). A prerequisite for implementation of the Inclusionary Housing Ordinance is the adoption by City Council of resolutions for the Inclusionary Housing Regulations, which includes the associated Inclusionary Housing Household Income, Rent and Sales Price Limits, and an In-Lieu Fee Schedule. These documents were presented to the Planning Commission for its review and comment on June 27, 2001. The Planning Commission's comments are listed below and followed by an overview of each document.

PLANNING COMMISSION

The Inclusionary Housing Regulations and In-Lieu Fee Schedule were presented to the Planning Commission for its review and comment on June 27, 2001. The Planning Commission offered the comments listed below. The majority of the modifications proposed by

the Planning Commission have been completely incorporated with one exception; the proximity of alternative off-site developments or land donations remains restricted to a one quarter mile radius from the newly constructed Residential Development. The Planning Commission requested that the City Council consider an expanded radius for these two alternatives.

In response to the concern raised by the Planning Commission a provision has been added which allows for the one quarter mile radius requirement to be waived by the City Council based on substantial evidence that the location of land more than one quarter mile from the site of the Residential Development better accomplishes the goals of the City's General Plan. The waiver provision responds to the Planning Commission's request but requires City Council's review and approval to ensure that a waiver, if provided, is consistent with the General Plan Land Use Element Policy 15.3 which encourages the dispersal of affordable housing units and limits the potential for the over-concentration of affordable units in any given part of the city.

INCLUSIONARY HOUSING REGULATIONS

IV. Alternatives

A(1). In-Lieu Fee Alternative - include language which affirmatively states that the in-lieu fees will be re-evaluated annually. This modification has been incorporated.

B(3). Site Suitability, (b) Proximity Requirement - increase the radius for the location of off-site development or land donation beyond 3/4 of a mile. This modification was not included based on the General Plan Land Use Element Policy 15.3 but a waiver provision was devised as an added incentive for the construction of new inclusionary housing units.

VI. Sale And Rental Of Inclusionary Units

A(1) Persons Ineligible to Occupy an Inclusionary Unit - ensure that the language regarding ineligible employees does not limit those persons not directly involved with the implementation of the Inclusionary Housing Program from having access to inclusionary units. This modification has been incorporated.

VII. Inclusionary Housing Trust Fund

a. Inclusionary Housing Trust Fund Allocation - priority for the use of funds should be for affordable housing that benefits very low and low-income households. This modification has been incorporated.

b. Inclusionary Housing Trust Fund Deposits - monetary amounts deposited into the Fund which were forfeited due to violation of the Inclusionary Housing Ordinance (17.71.090 Enforcement, Paragraph B) should be available for distribution to affected tenants or buyers whom have made payments in excess of the established affordable housing cost limits. This modification has been incorporated.

IN-LIEU FEE SCHEDULE & SUB AREA MAPS

In-lieu Fee Schedule

- a. Re-title Sub-areas to avoid confusion regarding neighborhood designation. This modification has been incorporated. Sub-areas are now identified as A, B, C, & D.
- b. Identify in-lieu fee by per square foot. This modification has been incorporated.
- c. Define residential development floor area as net floor area per the Zoning Code. This modification has been incorporated.

Sub Area Maps

- a. Identify Sub-areas for the entire city with applicable in-lieu fees. Sub-area Maps have been modified and appropriate in-lieu fees established with the exception of Sub-areas A of the Rental Sub Area Map. Due to the limited availability of information for newly constructed multi-family rental developments within these Sub-areas, the in-lieu fee will not be determined until application for a discretionary approval of a rental housing development of ten units or more.
- b. Redefine Sub-areas boundaries for consistency with existing zoning and potential residential development opportunities. This modification has been incorporated.

INCLUSIONARY HOUSING REGULATIONS (EXHIBIT D)

The Regulations augment and give further detail to the Inclusionary Housing Ordinance. The Regulations are designed to (1) set forth the procedures for implementation and (2) fully define the following key components of the Inclusionary Housing Program, including the specific criteria/standards for their application.

- Inclusionary Housing Plan – application required with requested land use entitlement
- Inclusionary Housing Agreement – recorded covenant of inclusionary requirements
- Incentives – density bonus, fee waivers, financial assistance, unit credit, etc.
- Inclusionary Unit Standard – type, location and affordability of unit
- Alternatives – in-lieu fee, off-site development, land dedication
- Sale/Rental of Inclusionary Units – eligible occupants, selection & future occupancy
- Inclusionary Housing Trust Fund – allocation and use of in-lieu fees

INCLUSIONARY HOUSING HOUSEHOLD INCOME, RENT AND SALES PRICE LIMITS

The Inclusionary Housing Household Income, Rent and Sales Price Limits, attached as Exhibit A to the Inclusionary Housing Regulations, identifies the Household Income Limits, Rent Limits and Sales Price Limits by unit size (number of bedrooms) and maximum permitted household size in accordance with the Los Angeles County Area Median Income and California Health and Safety Code Section 50052.5. The Inclusionary Housing Income, Rent

and Sales Price Limits will be used to determine income eligible occupants for the inclusionary units and the associated affordable purchase prices or rents. The Inclusionary Housing Income, Rent and Sales Price Limits will be updated annually.

IN-LIEU FEE SCHEDULE (EXHIBIT II)

The Inclusionary Housing Code Amendment provides for payment of a fee in lieu of constructing the inclusionary units. The applicable in-lieu fees are set forth in the attached In-lieu Fee Schedule (Exhibit II). The In-lieu Fee Schedule is displayed by tenure (ownership & rental), geographic area and project size (small projects - 10-49 units; large projects - 50+ units). The In-lieu Fee Schedule was derived from the In-lieu Fee Analysis, dated April 2, 2001, and Supplemental Analyses, dated April 9, 2001, April 23, 2001 and August 23, 2001, prepared by Keyser Marston Associates, Inc. (KMA). The August 23, 2001 Supplemental Analysis (Exhibit III) sets forth the In-lieu Fee Schedule pursuant to a recent update of the April 2, 2001 Analysis based on the changes requested by the Planning Commission and the revised 2001 income level.

KMA has performed inclusionary housing analyses in numerous cities throughout the State of California. KMA employed a methodology that divided the city into sub areas to reflect the varying land values and development characteristics. Based on KMA's survey of the fair market and market housing prices/rents in each sub area and the computation of the estimated maximum affordable housing cost payable by low and moderate-income households, affordability gaps (differential between market cost and affordable cost) were calculated utilizing the proposed 15% inclusionary housing requirement for both rental (10% low & 5% moderate) and for-sale (15% moderate) units. The affordability gaps were determined by development type, income group and sub area then converted to the applicable in-lieu fees. Upon review of the fees charged by other California localities, the proposed in-lieu fees were reduced to 75% of the calculated amount.

Additionally, due to the limited availability of information for newly constructed multi-family rental developments within Sub-areas A of the Rental Sub-area Map, the applicable in-lieu fee for this sub area will be determined upon the application for a discretionary approval of a rental housing development of ten units or more.

FEE WAIVER FOR INCLUSIONARY HOUSING UNITS

On February 25, 1992, the City Council adopted a resolution amending the General Fee Schedule of the City of Pasadena to exempt affordable housing units from the payment of plan check and building permit fees. Affordable housing as currently defined in the Pasadena Municipal Code refers only to low or very low-income units. However, the intent of the Inclusionary Housing Code Amendment (Inclusionary Housing Ordinance) is to exempt inclusionary (low and moderate-income) units from the aforementioned fees. Therefore, the attached resolution provides that plan check and building permit fees shall not be collected for any affordable housing unit or for any inclusionary unit as defined in the Inclusionary Housing Ordinance.

WORKLOAD IMPACT

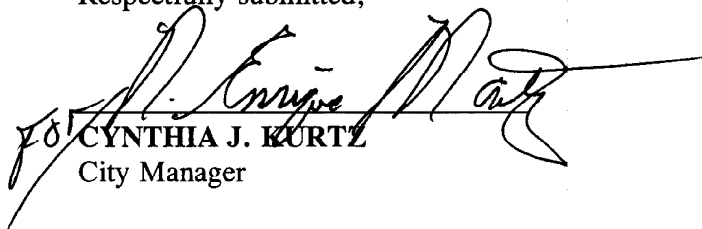
There are several projects currently pending staff review pursuant to the Inclusionary Housing Ordinance and staff expects numerous projects to be submitted for review before the end of the fiscal year. Each project will require an increased level of research, review, analysis and inspection not previously programmed or budgeted. In addition, several new affordable housing initiatives (Fannie Mae NOFA, Fannie Mae HOME Key, CALHOME, etc.) are currently underway and require increased staff capacity. It is therefore recommended that the City approve the addition of one Full Time Employee (FTE) Project Manager position to the approved FY2002 Planning and Development Department Operating Budget (Housing Division) to implement the proposed Inclusionary Housing Ordinance and perform related duties (i.e. density bonus, fee waivers, project planning, design and management). This will require an appropriation of \$63,387 from the unallocated Low and Moderate Income Housing Trust Fund balance to offset the associated staff cost for the remaining months of FY2002.

FISCAL IMPACTS:


It is anticipated that the land value for properties being marketed for residential development may decline from current sale prices based on the associated cost for compliance with the Inclusionary Housing Code Amendment and the related Regulations. The proposed cost of providing inclusionary units equates to a potential 23-29% reduction in land prices, an amount which is likely to be regained in 2.5-3 years by the continued appreciation of land values. Two financial alternatives are the dedication of land or payment of a fee in-lieu of constructing the inclusionary units, at the discretion of the Developer(s). The potential amount of new revenue or the value of real estate assets dedicated to the General Fund (Inclusionary Housing Trust Fund) cannot be determined at this time.

Additionally, the approval of the requested FTE and associated cost for the remaining months of FY2002 shall reduce the unallocated Low and Moderate Income Housing Trust Fund balance of \$2.3 million by transfer of \$63,387 to Account No. 810-684120-51011.

Respectfully submitted,



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