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November 1, 2019

Office of the Mayor and City Council
Pasadena City Hall
100 North Garfield Avenue, Room S228
Pasadena, CA 91101-7215

Re: OPPOSE – ZONING CODE AMENDMENTS RELATING TO INCLUSIONARY HOUSING AND AFFORDABLE CONCESSION MENU AND ADJUSTMENTS TO INCLUSIONARY IN-LIEU FEE RATES

Honorable Mayor and City Council,

The Los Angeles/Ventura Chapter of the Building Industry Association of Southern California, Inc. (BIA) represents more than 1,100 companies employing over 100,000 people all affiliated with housing production. We are disappointed that the final draft proposed inclusionary zoning ordinance was passed without consideration of our suggested changes. The ordinance, as written, stands to reduce housing production, violates the City's Regional Housing Needs Assessment allocations, and intentionally violates the Housing Accountability Act.

Despite our urging, the City has not yet analyzed and fully disclosed the impacts of the proposed actions to housing production in the City or completed the legally required analysis and public comment process required by the California Environmental Quality Act (CEQA). This includes preparation of an Environmental Impact Report (EIR), prior to voting on the proposed actions within the ordinance. Below, we have outlined our unaddressed concerns which have remained in the ordinance:

Remaining Concerns:

1. Inclusionary Percentage: According to the City commissioned June 19, 2019 AECOM Study, it showed that a 20% inclusionary requirement is infeasible for all project types. The study states that it is likely that this policy would result in the reduction of both the number and nature of dwelling units within the City. However, despite this cautioning, the 20% inclusionary percentage has been implemented in the City's current ordinance.

2. Implementation Timeline: As previously shared, if the City were to adopt a mandated inclusionary zoning policy and implement it immediately, this drastic change would negatively affect the market. Any policy that is adopted should be done so gradually, as a phased-in approach, over several years. This would ensure that there are no



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disruptions to the current building progress. Unfortunately, the inclusionary zoning ordinance directs the effective date for 30 days from passage.

3. Grandfather Clause: We asked the City to develop a robust grandfathering clause for projects in the pipeline, however it appears that nothing has been done to protect projects already making their way through the production process. Homebuilders who have invested in the City before an unforeseen City-imposed policy in land value occurred should not be subject to an ordinance that would so drastically affect their ability to produce housing.

4. For-Sale Housing: The continued application of the inclusionary ordinance to for-sale housing is not financially feasible for homebuilders. A 2016 Study by Capitol Matrix found that a potential 15% inclusionary zoning mandate on for-sale housing would require an average increase of \$67,000 dollars per market-priced unit. The costs to make for-sale housing financially feasible is added into the market rate units in order for builders to get the return on their investment needed for the financing of the project. This expense perpetuates the unattainability of homeownership for middle income earners by adding to the cost of homeownership, furthering the "missing middle" housing gap for those making just above moderate income. To make matters more challenging, the suggested incentives that could be offered by governing bodies, such as the ones in this ordinance, do not as easily apply to for-sale homes due to the lack of offsets that could make a substantial financial impact to a non-multifamily or non-infill project. As an example, the City of Glendale recognized these concerns and drafted their recently adopted inclusionary ordinance to exclude for-sale housing.

We encourage you to reconsider how expanding your City's inclusionary requirements will affect the production of affordable units within Pasadena. This inclusionary housing change could not only lead to less housing, but also less affordable housing – the opposite of what an inclusionary policy seeks to accomplish. Should you have any questions, please contact BIA-LAV Director of Government Affairs, Diana Coronado, at (213) 797-5965 or at dcoronado@bialav.org.

Sincerely,

Tim Piasky
Chief Executive Officer
BIA-Los Angeles/Ventura

CC:
California Department of Housing and Community Development