

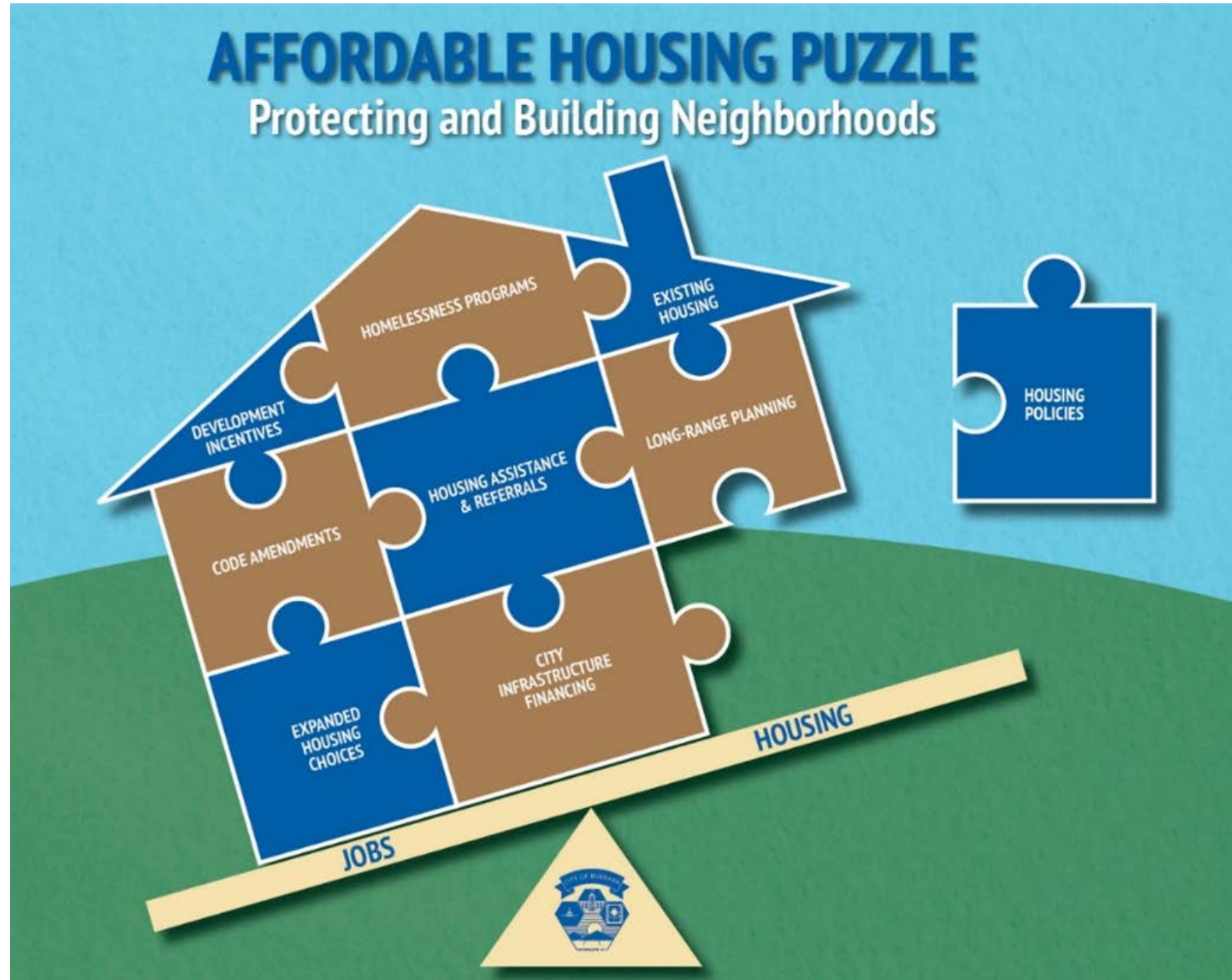
Inclusionary Housing

November 17, 2020 City Council meeting



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Why Are We Here?



What is Inclusionary Housing (IH)?

- Optional policy tool – require proposed residential to include an affordable housing component
 - Burbank IH adopted in 2006
- Unenforceable for CA rental housing from 2009-2017 (“Palmer ruling”)
 - Authority to enforce IH restored in 2018 (“Palmer Fix,” AB 1505)
- Inclusionary Housing \neq Density Bonus



What is Affordable Housing?

| Income Category | Income (1 person HH) | Income (3 person HH) |
|-----------------|---|---|
| Very Low | <\$39,450 | <\$50,700 |
| Low | \$39,450-63,100 | \$50,700 - 81,100 |
| Moderate | \$63,100-64,900 <i>Affordable Rent \$1,622</i> | \$81,100 - 83,500 <i>Affordable Rent \$2,087</i> |
| Above Mod. | >\$64,900 | >\$83,500 |



Los Angeles County, 2020

Existing Inclusionary Housing Regulations

- 5+ new dwelling units:
 - Rental: 15% (5% Very Low Income, 10% Low Income)
 - For-Sale: 15% Low and/or Moderate Income
- In-lieu fee option:
 - Fees have not been updated since 2006
 - Other alternatives - land donation, off-site construction, rehabilitation of existing units



Affordable Housing Before and After Palmer Fix (AB 1505)

| | BEFORE PALMER FIX | | | AFTER PALMER FIX | |
|--|-------------------------------------|---------------------------------|------------------------------------|--|-------------------------------|
| <i>Recent entitled projects that included affordable housing component</i> | First Street Village (275 units) | 777 Front Street (573 units) | 601-615 E. Cedar Ave (46 units) | 624-628 S. San Fernando Blvd (42 units) | 2321 N. Naomi St (8 units) |
| Negotiated through PD/DA | ✓ | ✓ | | | |
| Density Bonus | | | ✓ | ✓ | |
| Inclusionary Housing Ordinance - on-site construction | | | | ✓ | |
| Inclusionary Housing Ordinance - In lieu fee | | | | | ✓ |

What else does State law say?

IH regulations cannot unduly constrain housing production

- **Some flexibility**, but must be based on sound economic analysis
 - Cannot deprive developer of fair return
 - Must provide alternative options to building on-site
- **Enforcement** – HCD authority to review/reject IH ordinances. Review can occur when:
 - IH set aside is higher than **15%** at 80% AMI
 - 3rd parties request HCD review
- **Housing Element** - analysis of governmental constraints to housing

Policy Questions

1. Keep existing Ordinance, update it, or remove it?
2. Should the City provide options to developers for percentage and level of affordability required in a project?
3. How should the City approach alternative options to building the affordable units on-site (“alternative means of compliance”)?

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Policy Question #1

Should the City keep existing Inclusionary Housing Ordinance, update it, or remove it?

Policy Question #1

Factors to Consider:

- Existing Ordinance nearly 15 years old
 - Changes in State housing law
 - Rising building & development costs
 - Increasing demand for housing and job growth = Jobs to Housing Imbalance
 - Loss of redevelopment funds = loss of City funds to build new affordable housing
 - Are current requirements financially feasible

Policy Question #1

Recommendation: update IH Regulations/Ordinance

- Update financial analysis
 - Confirm IH won't hinder development
 - Develop IH Update to facilitate housing production over in-lieu fee
 - Target income levels consistent with affordable and workforce housing needs
- Community input
- Best practices from other cities



Policy Question #2

Should the City provide options for developers in terms of affordability levels and percentages, or keep the existing approach of one standard for all rental and one standard for all for-sale projects?

Policy Question #2

Factors to consider

- Council housing goals – diversify range of housing types, affordability levels, and tenure
 - Existing 15% affordability requirement not flexible including no option for Moderate Income
- State-mandated requirements:
 - Regional Housing Needs Assessment (RHNA)
 - HCD review
- Project feasibility – effects from City fees, regulations, community benefits
 - “Does it pencil out?”

Policy Question #2

Recommendation: Provide options for affordable housing set-aside

- Percentage based on level of affordability
- Evaluate how to target specific income levels, e.g. Moderate and Very Low Income
- Limit State/HCD scrutiny by keeping overall percentage to no more than 15%
- Consider relationship to Density Bonus

Policy Question #3

How should the City approach alternative options to building the affordable units on-site (“alternative means of compliance”)?

Policy Question #3

Factors to consider:

- In-lieu fee option allowed “by-right”
 - Gives easy out from building units on-site
 - In-lieu fees out of date
- On-site construction – community benefit, facilitates economic diversity in neighborhoods
- More expensive for City to build using fees collected, i.e. fewer affordable units
 - E.g. 777 Front Street: in lieu fee @ \$10.27/square foot, approx. 12 units vs. 69 units provided

Policy Question #3

Recommendation: Maintain similar approach as existing IH regulations, but modify to require on-site construction as much as possible

- Allow in-lieu fee only with discretionary approval
 - Continue to allow as by-right option for smaller projects
- Update in-lieu fee
- Evaluate Fee on a regular basis = every 5 years

Summary of Staff Recommendations

- Update IH Regulations to make progress on housing production & affordability goals by ensuring regulations help, not hinders this effort
 - Balance community benefits with interests of market-rate developers
- Ensure that IH regulations help to build and protect neighborhoods
 - As much as possible, affordable housing units should be built on-site
- Maintain local control on IH regulations
 - Ensure compliance with State law, justify with sound economic analysis



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