



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Jacky Morales-Ferrand

SUBJECT: SEE BELOW

DATE: November 4, 2019

Approved

D. D. S. L.

Date

11/4/19

SUPPLEMENTAL

SUBJECT: INCLUSIONARY HOUSING ORDINANCE PROPOSED REVISIONS

REASON FOR SUPPLEMENTAL

The reason for this supplemental memorandum is to: 1) Provide the recommendations made by the Housing and Community Development Commission (HCDC); and 2) correct the following fee in the recommendation language:

- (4) Encourage rental developments to choose on-site compliance option by setting the in-lieu fee to **\$17.60** per square foot where at least 5% of the units are provided on-site and allowing affordable units to be located in a separate building on-site.

ANALYSIS

The HCDC held a special meeting on October 29, 2019. After hearing a staff presentation and taking comments from the public, the HCDC provided recommendations to the City Council regarding the Actions Related to the Inclusionary Housing Ordinance. A summary of their discussion is included below and **Attachment A** documents the motions taken:

Staff Recommendations Supported by HCDC

- Facilitate the Development of Extremely Low-Income Units
- Apply the In-Lieu Fee on a Per Square Foot Basis
- Tie the In-Lieu Fee Calculation to the Per Unit Affordability Gap
- Tie the In-Lieu Fee Calculation to the Per Unit Affordability Gap
- Provide Advance Notice of Fee Increases
- Extend the Period of Affordability to 99 years

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Staff Recommendations Rejected by HCDC

- Set a Lower Fee Outside of Strong Market Areas
- Cap the Annual Fee Adjustment
- Offer an Adjusted Schedule of In-Lieu Fees for Mixed Compliance Projects
- Adjust the Mixed Compliance Fees as the Market Changes
- Allow Affordable Project Immediately Adjacent to the Market Rate Project

Staff Recommendations Not Voted on by HCDC

- Phase in the in-lieu fee for small projects
- Allow Flexibility for 100% Affordable Housing Projects When Necessary
- Explore Creating a Resale Restriction Program for Homeownership.
- Temporarily Set an Adjusted In-Lieu Fee for Downtown High Rise Projects
- Incorporate Co-Living Building Type
- Allow Recertification of Tenant Income Every Two Years

Attachment A provides additional detail regarding the actual votes taken, including failed motions related to staff recommendations.

/s/

JACKY MORALES-FERRAND

Director of Housing

For questions, please contact Rachel VanderVeen, Deputy Director, at (408) 535-8231.

Attachment A – Motions taken on October 29, 2019 at the Housing and Community Development Commission

Attachment A

	Item	Motion	Supported Item	Rejected Item	Failed Motion	Did Not Vote On
A. Apply IHO Requirements to Small Projects						
A.1	Reduce minimum project size subject to IHO to five units	Vice Chair Shoor made a motion to approve staff recommendation to apply the Inclusionary Housing Ordinance on developments with five units or more, with a second by Commissioner Del Buono. The motion failed 4-4-0. Yes: Quinn, Shoor, Wheeler, Del Buono (4) No: Navarro, Moore, O'Connell, Partida (4) Abstain: N/A			X	
A.2.	Phase in the in-lieu fee for small projects					X
B. Serve a Wider Range of Incomes						
B.1	Expand Income Tiers for Rental On-site and Off-site Projects	Commissioner O'Connell made a motion to reject the staff recommendation (B-1) to expand the income tiers for rental on-site and off-site projects, with a second by Commissioner Navarro. The motion failed 4-2-2. Yes: Partida, Del Buono, O'Connell, Navarro (4) No: Shoor, Quinn (2) Abstain: Wheeler, Moore (2)			X	

Attachment A

	Item	Motion	Supported Item	Rejected Item	Failed Motion	Did Not Vote On
B.2	Facilitate the Development of Extremely Low-Income Units	Vice Chair Shoor made the motion to approve the staff recommendation (B-2) of an in-lieu of providing on-site rental units in the three specified income tiers a project can provide 10% of units affordable at 30% of the AMI, with second by Commissioner Moore. The motion passed 8-0-0. Yes: Partida, Del Buono, O'Connell, Navarro, Shoor, Quinn, Wheeler, Moore (8) No: None (0) Abstain: None (0)	X			
B.3	Explore extending the Park Fee Discount to 100% of AMI Rental Units	Vice Chair Shoor made the motion to approve the staff recommendation (B-3) to explore extending the Park Fee discount to 100% of AMI rental units, with a second by Commissioner Navarro. The motion failed 4-3-1. Yes: Del Buono, Shoor, Quinn, Moore (4) No: Navarro, Partida, O'Connell (3) Abstain: Wheeler (1)			X	
C. Restructure the in-lieu fee option						
C.1	Apply the In-Lieu Fee on a Per Square Foot Basis	Vice Chair Shoor made the motion to approve the staff recommendation (C-1) to apply the In-Lieu Fee on a per square foot basis, with a second by Commissioner Moore. The motion passed 7-0-1. Yes: Partida, Del Buono, O'Connell, Shoor, Wheeler, Moore, Navarro (7) No: None (0) Abstain: Quinn (1)	X			

Attachment A

	Item	Motion	Supported Item	Rejected Item	Failed Motion	Did Not Vote On
C.2	Tie the In-Lieu Fee Calculation to the Per Unit Affordability Gap	Commissioner O'Connell made the motion to approve the staff recommendation (C-2) to tie the In-Lieu Fee calculation to the per unit affordability gap, with a second by Commissioner Partida. The motion passed 7-0-1. Yes: Partida, Del Buono, O'Connell, Navarro, Shoor, Quinn, Wheeler (7) No: None (0) Abstain: Moore (1)	X			
C.3	Set a Lower Fee Outside of Strong Market Areas	Vice Chair Shoor made the motion to reject the staff recommendation (C-3) to set a lower fee outside of strong market areas, with a second by Commissioner Navarro. The motion passed 7-1-0. Yes: Partida, Del Buono, O'Connell, Navarro, Shoor, Quinn, Wheeler (7) No: Moore (1) Abstain: None (0)		X		
C.4	Cap the Annual Fee Adjustment	Vice Chair Shoor made the motion to reject the staff recommendation (C-4) cap the annual fee adjustment, with a second by Commissioner Navarro. The motion passed 6-1-1. Yes: Partida, Del Buono, O'Connell, Navarro, Shoor, Quinn (6) No: Moore (1) Abstain: Wheeler (1)		X		

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	Item	Motion	Supported Item	Rejected Item	Failed Motion	Did Not Vote On
C.5	Provide Advance Notice of Fee Increases	Vice Chair Shoor made the motion to approve the staff recommendation (C-5) to provide advance notice of fee increases, with a second by Commissioner Quinn. The motion passed 8-0-0. Yes: Partida, Del Buono, O'Connell, Navarro, Shoor, Quinn, Wheeler, Moore (8) No: None (0) Abstain: None (0)	X			
D. Encourage Projects to Choose On-site Compliance						
D.1	Offer an Adjusted Schedule of In-Lieu Fees for Mixed Compliance Projects	Commissioner O'Connell made the motion to reject the staff recommendation (D-1) to offer an adjusted schedule of In-Lieu Fees for mixed compliance projects and (D-2) to adjust the mixed compliance fees as the market changes, with a second by Navarro. The motion passed 6-2-0. Yes: Partida, Del Buono, O'Connell, Navarro, Shoor, Wheeler (6) No: Moore, Quinn (2) Abstain: None (0)		X		
D.2	Adjust the Mixed Compliance Fees as the Market Changes <i>(Taken as one motion)</i>					
D.3	Allow Affordable Project Immediately Adjacent to the Market Rate Project	Commissioner O'Connell made the motion to reject the staff recommendation (D-3) to allow affordable project immediately adjacent to market-rate project, with a second by Commissioner Moore. The motion passed 5-1-2. Yes: Partida, Del Buono, O'Connell, Navarro, Moore (5) No: Quinn (1) Abstain: Wheeler, Shoor (2)		X		

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	Item	Motion	Supported Item	Rejected Item	Failed Motion	Did Not Vote On
E. Clarify Requirements for Off-Site Projects						
E.1	Limit Off-Site Project Locations	Chair Wheeler made a motion to request City Council to direct staff to evaluate the community impact due to clustering of low income housing units, with a second by Commissioner Navarro. The motion passed 6-0-2. Yes: Partida, Del Buono, O'Connell, Navarro, Shoor, Wheeler (6) No: None (0) Abstain: Quinn, Moore (2)			X	
E.2	Allow Flexibility for Construction of Off-site Affordable Developments					
E.3	Define a Minimum Standard for Contributions to Off-site Affordable Projects					
	<i>(Taken as one motion)</i>					
F. Ensure that Units Remain Affordable for as Long as Practical						
F.1	Extend the Period of Affordability to 99 years	Vice Chair Shoor made the motion to approve the staff recommendation (F-1) to extend the period of affordability to 99 years, with a second by Commissioner Quinn. The motion passed 7-1-0. Yes: Partida, Del Buono, O'Connell, Navarro, Shoor, Quinn, Wheeler (7) No: Moore (1) Abstain: None (0)	X			

Attachment A

	Item	Motion	Supported Item	Rejected Item	Failed Motion	Did Not Vote On
F.2	Allow Flexibility for 100% Affordable Housing Projects When Necessary					X
F.3	Explore Creating a Resale Restriction Program for Homeownership.					X
G. Facilitate Development of Specific Project Types						
G.1	Temporarily Set an Adjusted In-Lieu Fee for Downtown High Rise Projects					X
G.2	Incorporate Co-Living Building Type					X
H. Update Program Administration and Monitoring						
H.1	Allow Recertification of Tenant Income Every Two Years					X
H.2	Allow for Projects that Change Tenure and Add Monitoring Process					X