

# Comparison of Inclusionary Housing Programs

Council Item 333

July 31, 2018



Independent Budget Analyst



# Overview

## *IBA was asked to provide information on inclusionary housing programs in California*

- 149 jurisdictions in the state were identified as having a program in most recent survey
- Focuses on the largest cities
- Outlines the major components of each policy
- Discusses legal challenges and impacts of recent legislation
- Serves as a reference for comparing San Diego's policy to other cities

# What is Inclusionary Housing?

- Refers to programs and strategies that promote creation of affordable housing when new development occurs
  - Includes housing impact fees and inclusionary zoning policies
- Program structure varies widely
- Generally either fee-based or based on a requirement to provide a certain amount of affordable units within a project
- Variations in levels of affordability required, incentives, and alternatives

# New State Law: AB 1505

- Allows a city to require that development of residential rental units include a certain percentage of units that are affordable to moderate and lower-income households
- New law supersedes a 2009 court decision
- Many jurisdictions structured policies to be fee-based to comply with court decision
- Bill allows cities to return to policies based on requiring affordable units within new rental housing development

# San Diego

## *Fee-Based Policy*

- Fee applies to all residential development of at least 2 units
- As an alternative, for-sale projects provide 10% of total units affordable up to 100% of area median income (AMI)
- Exemption for rental unit projects that provide 10% of units as affordable up to 65% of AMI, in exchange for financial or other assistance
- Fee: \$10.82 per sq. ft. for projects with at least 10 units

# Los Angeles

## *Affordable Unit-based Policy for Certain Development*

- Applies to residential projects seeking changes to land use or building height that increase density by more than 35% or creates a new residential use that was not previously allowed
- Percent of units required range from 11% to 25% for rental units and 11% to 40% for for-sale units, depending on income developer chooses to target
- Alternative: pay in-lieu fee driven by numerous factors
- If units are provided, developer can receive three incentives

# San Jose

## *Affordable Unit-based Policy*

- Residential development of at least 20 units to include 15% of total units affordable to moderate and very low income
- Alternatives include: off-site construction with 20% affordability requirement, pay in-lieu fee, and other options
- In-lieu fee: \$125,000 for rental and \$167,207 for for-sale applied to 20% of total units in project
- Incentives allowed if affordable units provided on-site
- Housing Impact Fee program for rental projects less than 20 units

# San Francisco

## *Fee-Based Policy*

- Residential development of at least 10 units pays fee
- Alternative to fee, developer can provide affordable units on or off-site
- Percentage varies based on project size, and whether for-sale or rental units
  - On-site: ranges from 12.5% to 21%
  - Off-site: ranges from 20% to 33%
  - Small projects target low income; large projects target low, moderate, and middle incomes
- Fee is 33% or 30% of per-unit charge for each unit in project

# Sacramento

## *Fee-Based Policy*

- Residential projects subject to affordable housing impact fee up to a certain density, then exempt from fee
- Larger projects can earn credit towards fee or eliminate fee through construction of affordable units
- For fee exemption, 10% affordable units for low income households
- Fee is \$2.85 per sq. ft. and \$1.23 per sq. ft. in Housing Incentive Zone

# Oakland

## *Fee-Based Policy*

- Residential projects subject to affordable housing impact fee
- Alternative to fee is construction of affordable units using any of three options:
  - 10% for moderate income; 10% for low income; or 5% for very low income
- Fee ranges from \$1,000 to \$23,000 per housing unit depending on housing type and location of development

# Chula Vista

## *Affordable Unit-based Policy*

- Residential projects with at least 50 units required to provide 10% affordable units for low and moderate income
- Affordability requirement is reduced if very low and low income units are provided over moderate income units
- Voluntary for rental projects unless receiving city assistance
- Projects in areas with low and moderate income concentrations are exempt
- Offers various alternatives and incentives
- In-lieu fee is \$124,220 per affordable unit required

# Impact of AB 1505

- New law took effect January 2018
- Many cities focusing on implementing policies updated prior to AB 1505
- San Francisco removed language no longer necessary
- San Jose's inclusionary requirements turned back on for rental housing units
  - Contemplating creating inclusionary requirements for small projects in place of current impact fee

# Conclusion

- Policies vary widely in structure and complexity and reflect unique needs and priorities of each jurisdiction
  - Levels of affordability
  - Incentives
  - Alternatives
- Report serves as a reference to compare the City's policy to other jurisdictions