



STAFF REPORT

CITY OF VALLEJO PLANNING COMMISSION

Date of Hearing:

March 20, 2007

Agenda Item:

Application Number:

Code Text Amendment #07-0001, as governed by Vallejo Municipal Code Chapter 16.86, Amendment to the Zoning Ordinance.

Recommendation:

Staff recommends that the Planning Commission review the revised proposed Ordinance, which incorporates feedback from Commissioners and public comment from February 21, 2007 Planning Commission meeting, and approve the resolution recommending City Council approval of the Code Text Amendment #07-0001, amending Title 16 of the Vallejo Municipal Code by adding Chapter 16.56 entitled "Inclusionary Housing Ordinance." Alternatively, the Planning Commission may 1) recommend alternatives discussed in this staff report to be incorporated by staff into the draft ordinance to Council, or 2) approve a resolution recommending to Council that the draft ordinance not be approved and the reasons for this recommendation.

Location:

Citywide

Applicant:

City of Vallejo

Project Description: The proposed redlined inclusionary ordinance has been revised to reflect comments and input from members of the Planning Commission and the public on February 21, 2007. This staff report also addresses alternative options that could be incorporated into the ordinance, that have not been included by staff, but might be recommended by the Planning Commission to Council for incorporation into the ordinance.

The originally proposed code text amendment would add Chapter 16.56 to the Vallejo Municipal Code Entitled "Inclusionary Housing Ordinance." The proposed ordinance would require developers of residential or mixed-use developments, or applicants proposing condominium conversions to develop affordable units on-site and concurrently with market-rate units, targeted to specific income levels. Ownership units would be required to provide 10% of total project

units affordable to Moderate-Income Households, and 5% affordable to Low-Income Households, except in the case of condominium conversion projects, which would be required to provide 15% affordable to Low-Income Households. Rental projects would be required to include 10% of total project units affordable to Very Low-Income Households. To assist developers in achieving the requirements under this ordinance, certain incentives may be requested and granted. Alternative compliance measures may be permitted in certain cases.

Environmental Review: An Initial Study resulting in a Negative Declaration was prepared for the proposed text amendment pursuant to California Environmental Quality Act (CEQA) Section 15061(b)(3), Title 14 of the California Code of Regulations.

Public Notice: Notice of this pending application and public hearing was published in the Vallejo Times Herald on January 22, 2007.

1. PROJECT DESCRIPTION

At the February 21, 2007 Planning Commission meeting, staff presented the purpose of the draft ordinance, the benefits of the ordinance, the elements of the ordinance and how it would fit into the City's comprehensive affordable housing strategy. Staff also discussed the findings of the inclusionary impact study performed by David Rosen and Associates (DRA). A public hearing was opened at that meeting. In response to feedback from Planning Commissioners and the public on February 21, 2007, certain modifications have been made to the draft ordinance, including:

- Raising the threshold units at which the ordinance will apply
- Exempting projects that had applications submitted and accepted by Vallejo Planning Division as of November 7, 2006
- Designating a preference for households that live or work in Vallejo
- Delineating specific uses for the fees collected under this ordinance
- Increasing the allowable density bonus requested by developers
- Deepening the rental targeted income to Very Low Income
- Including Mobile Home Parks and adaptive reuse specifically under applicable residential projects

Alternative options that were raised by Commissioners or the public are discussed in this staff report and might be considered for incorporation into the ordinance include:

- Alternative compliance measures specifically for projects that receive tentative map approval within 12 months of ordinance adoption
- Additional incentives, such as deferred fees and expedited Planning review
- Allowance of in-lieu fees payments for all projects
- Equity share mortgages for ownership units
- Maintenance provisions and HOA dues
- Exploring other means of providing affordable housing

As proposed, the ordinance requires for ownership projects that 10% of the units be sold at prices affordable to Moderate-income and 5% of units be sold at prices affordable to Low-income, based upon Area Median Income in Solano County and adjusted for family size. For rental projects, 10% of the units would be required to be affordable to Very Low-income households. For condominium conversion applications, 15% of the resulting ownership units would be required to be affordable to Low-income households. Alternative compliance measures are included, as well as incentives that may assist developers in meeting inclusionary requirement.

2. ENVIRONMENTAL REVIEW

An Initial Study was performed for this project resulting in a Negative Declaration. Adoption of the ordinance in and of itself would not induce population growth or displacement. New homes generated due to implementation of the ordinance would be subject to environmental review on a project specific basis.

3. CONSISTENCY WITH THE GENERAL PLAN

The proposed Code Text Amendment would be compatible with the General Plan.

- Per Objective B.3.ii.2 of the City Housing Element, the City will explore the adoption of an inclusionary housing program, and alternative compliance options.
- Per Objective B.3.iii. the City will encourage the development of affordable housing for lower-income workers employed in Vallejo.
- The proposed inclusionary ordinance may assist in achieving Objective A.1.ii.1.b. Review of regulations that might unduly constrain housing development, such as allowing density bonuses only for projects in the PD zone. The inclusionary ordinance can include current state density bonus provision to comply with State law.
- Objective B.1.iv is to increase types of new development that will qualify for density bonuses, which would be an effect of the inclusionary ordinance.
- By including condominium conversions as subject to the inclusionary ordinance, the ordinance also serves to facilitate Objective B.1.v. to ensure that condominium conversion applications will not adversely affect housing affordability, choice, and balanced neighborhood goals.

4. PUBLIC COMMENTS

Sixteen members of the public spoke at the Planning Commission hearing on February 21, 2007. They are listed in Section 6, Staff Analysis, under Public Comments, and their issues are listed and addressed in this report.

5. REFERENCES

City of Vallejo General Plan

6. STAFF ANALYSIS

History. The consideration of an inclusionary zoning policy originated with the City Council adoption of the Housing Element in 2002. The Housing Element was certified by the State as the City's plan to meet its affordable housing goals through 2006 and

beyond. Specifically, Objective B.3.ii.2 of the City Housing Element, states that the City will explore the adoption of an inclusionary housing program, and alternative compliance options.

Public Process. Since the 2002 Housing Element adoption, public discussion on Inclusionary zoning began most recently with the City Council Study Session on Affordable Housing in June 2006, and has continued for the past nine months through March 2007. Staff has taken the following steps to notify the public and hold meetings on this topic:

- June 5, 2006: City Council Study Session on Affordable Housing, introducing Inclusionary Zoning- direction from Council to draft an ordinance.
- July 2006: Firm of David Rosen and Associates (DRA) hired to prepare comprehensive impact study of inclusionary zoning in Vallejo.
- October 22, 2006: Public Notice in Times Herald notifying of Resolution of Intent to consider an Inclusionary Ordinance.
- November 2, 2006: Mailing sent to 99 interested stakeholders regarding the November 7, Council meeting, and as an invitation to Focus Group meetings held on the background study. Sent to developers, nonprofits, social service agencies, housing advocates, and others.
- November 6, 2006: Inclusionary background report posted on City Housing website.
- November 7, 2006: Council adopted a Resolution of Intent to consider an Inclusionary Zoning Ordinance.
- November 14, and November 15, 2006: Focus Group meetings held with averaging 20 people attending each.
- December 5, 2006: Council Study Session on Inclusionary Housing held direction from Council to proceed with Draft Ordinance.
- January 3, 2007: Additional focus group meeting held- about 20 attending.
- January 22, 2007: Notice of public hearing for the proposed Chapter was published in the Vallejo Times Herald.
- February 13, 2007: Staff meeting with 16 members of Solano County Realtors Association.
- February 5, 2007: Staff meeting with Bob Glover of Homebuilders Association.

- February 20, 2007: Staff meeting with Vallejo Unified School District representatives.
- Ongoing: NPH and the Greenbelt Alliance have also done considerable outreach on this issue and held specific workshops on this issue and have received signatures in support of inclusionary zoning from over 700 Vallejo residents.
- February 21, 2007: Planning Commission Public Hearing on Draft Inclusionary Ordinance—About sixteen speakers representing a variety of interests spoke at the meeting.
- Ongoing: On the City’s website, under Housing and Community Development, Inclusionary Housing Study, all previous staff reports, presentations and background reports have been posted for public review.
- March 20, 2007: Planning Commission hearing continued.

Comments received by Public and Commissioners. The following is a summary overview of the recommendations received by staff from the public and Commissioners at the Planning Commission meeting on February 21, 2007. It is not intended to list each and every comment but to generally categorize the primary concerns raised, and to address common themes.

The public speakers on this item represented a variety of organizations and interests. The list of speakers and their issues is divided into those that were supportive with suggested revisions to the ordinance and those that were opposed to the ordinance.

Supportive of Ordinance with Suggested Revisions

- Bob Stalker—Legal Services of Northern California: Target Very Low income renters, rather than Low.
- Bob Glover—Northern California Homebuilders Association: Allow builders to request 1 for 1 market rate unit bonus for each affordable unit provided, allow in-lieu fees as an alternative compliance measure in all cases, phase in the ordinance over 12 months to allow for developers in the pipeline.
- Evelyn Stivers—Nonprofit Housing Association of Northern California: Lower targeted income levels for owner and rental, allow rental development to be an alternative compliance option for ownership projects.
- Nicole Byrd—Greenbelt Alliance: supportive of the ordinance, expedite the planning process.
- Cole Carter—developer: Requested exemption for his specific 17-unit project.
- Deborah Pugh, Kimberly Leslie, Don Jordan—residents: supportive of the ordinance.
- Solano County Realtors Association, Lori Collins, George Oakes, Diana Lang, Corinne Oakes, Beth Brittenbach, and Jennifer Wilson: Resale Restriction Agreement on ownership units limits appreciation to homebuyers of affordable

units, may be a disincentive to maintain the units, and made it difficult for buyers to move up since appreciation was limited. Liked the model of a silent second subsidy program administered by Vallejo Neighborhood Housing Services. Thought 5% downpayment was too high, and recommended live/work preference for Vallejo, and allowances for hardship cases such as divorce, layoff, or serious illness.

- Western Center on Law and Poverty Letter: supportive of ordinance, lower targeted incomes to Very Low and Extremely Low households, strengthen condo conversion ordinance, require acquisition and rehabilitation option to target affordability levels to existing tenants.

Opposed to Ordinance

- Erin Hannigan—Chamber of Commerce: ordinance imposes constraints on development, may slow development, and limits equity appreciation for affordable homebuyers.
- Dan Glaze—Vallejo Unified School District: ordinance results in a potential decrease of approximately \$2.5 to \$3 million in the purchase price of four sites that the School District is selling to help defray a \$60 million VUSD loan.

Commissioners

Planning Commissioners gave verbal comments at the meeting and three Commissioners submitted e-mailed comments to staff after the meeting. Those comments are attached to this report with staff responses where appropriate.

Manning: Suggested increasing threshold number, concerned about developers caught in the pipeline with active projects, felt inclusionary zoning was a useful tool but not a silver bullet to address affordable housing, need more incentives if possible such as expedited review, reduced fees, allow in-lieu fees for all projects and use these for downpayment assistance, lower targeted income for rental.

McConnell: Significant issues raised and addressed in Attachment to this report. In general, concern about keeping units dispersed throughout the city, limit parking reduction to transit-proximate developments, add hardship criteria, how will fees be used, preference for live/work in Vallejo, include mobile home parks, and other issues.

Legalos: Consider other funding sources for affordable housing, look at using houseboats for affordable housing, include eligibility criteria and add preference for living or working in Vallejo, find ways to incent the proper maintenance of affordable housing stock, take out different interior finishes from incentives list- not useful.

Salvadori: Felt this affected only developers, did not see how this was part of City's comprehensive strategy. Felt alternative ways to address affordable housing should be explored, rather than inclusionary zoning. Public input process should be extended through the summer.

Turley: Opposed ordinance, thought affordable housing could be provided through Habitat for Humanity's sweat equity model, mobile home parks, and pre-fabricated housing.

Peterman via March 6 e-mail: Concern that limited equity is disincentive for maintenance and will not allow owners to move up, concerned about allowing different product types would not blend in, increase the threshold, concerned about negative impact on landowners and rental market, likes VNHS model of providing affordable ownership housing which requires City funding.

The following sections of the staff report are intended to describe the revisions made to the draft ordinance and to address the Commissioners and public's issues raised, beginning with a description of how the inclusionary ordinance fits into the City's housing strategy as codified in the Housing Element, and other Housing planning documents.

A. Inclusionary Zoning as Part of the City's Comprehensive Affordable Housing Strategy

An inclusionary ordinance is one tool available to cities as part of a comprehensive approach to address the critical affordable housing shortage in Vallejo. The City participates in the affordable housing solution through land use zoning and administering publicly funded housing subsidy programs, which also leverage private and public lender resources, while an inclusionary ordinance will require participation from the private development community.

Who contributes to affordable housing creation:

The residents of Vallejo already participate in affordable housing programs through payment of federal taxes. Federal funds come to Vallejo in the form of Community Development Block Grant funds, HOME funds, and Housing Authority funds. Homebuyers participate in affordable housing through payment of property taxes in Redevelopment areas, of which a portion is required under State Law to be used for affordable housing development. In addition, all residents contribute by accommodating new development growth in the city.

The City of Vallejo has contributed through the land use policy by zoning land for multifamily development at higher densities.

Currently residential developers in Vallejo do not contribute to affordable housing development, except where Redevelopment has required participation through a negotiated Disposition and Development Agreement, as the case with Triad. In fact, residential developers decrease opportunities for affordable housing development as sites are developed with housing affordable to only Above Moderate income categories. Staff is recommending Inclusionary Zoning to include private developer participation in affordable housing.

Commercial developers also do not currently contribute to affordable housing in Vallejo. In some cities a jobs-housing linkage fee, also known as a commercial linkage fee, is collected on new commercial development, and those funds are used for new affordable housing development, based upon the demand for affordable housing that is created by the new jobs in commercial development. Staff is not recommending a linkage fee at this time, but it is a policy that could be addressed in the future.

The following are components of the City's current strategy to provide affordable housing in the City of Vallejo. Existing City programs are targeted to Extremely Low, Very Low, and Low income households primarily. Inclusionary zoning is a way to provide additional Low and Moderate income units, which have been the income groups the City has least been able

to serve. Targeting these groups minimizes the financial impact to developers and allows the City to create mixed-income communities for the local workforce.

Public Participation through City Programs:

1. Vallejo Housing Authority Housing Choice Voucher Program – Through the receipt and administration of Federal funds, Vallejo’s Housing Division, which includes the Vallejo Housing Authority, provides direct rental subsidy to up to 2,266 families who are predominantly **Extremely Low income** (below 30% AMI).

2. Subsidized Rental Housing – Through the provision of Redevelopment Housing set-aside funds, HOME funds, and CDBG funds, Vallejo subsidizes the new construction or substantial rehabilitation of rental housing primarily for **Very Low-income** families. The Housing division currently has a Request for Qualifications and Proposals out for new affordable rental developments targeted to Very Low income.

3. City Downpayment Assistance and Home Rehabilitation Loan Programs – Through HOME and CDBG funds, the City works directly with Vallejo Neighborhood Housing Services to provide loan assistance to **Low-Income** Households to purchase a home, or rehabilitate an owner-occupied home. The funds for these programs are limited however, and each of these programs is able to serve approximately 5 families per year.

Private Residential Developer Participation: An Inclusionary ordinance as drafted would require that all residential developers set aside a minimum percentage of affordable units in each new project: Ownership at 10% Moderate and 5% Low, and Rental, 10% at Very Low, and Condominium Conversion at 15% Low. Alternative compliance measures, such as acquisition and rehabilitation may achieve additional units at Very Low income levels.

B. Proposed Changes to the Ordinance

In response to the comments listed above, staff has made the following revisions to the draft Inclusionary Ordinance, which is attached as a redlined document to this report:

1. Reduced targeted income level of rental housing to Very Low Income, or 50% AMI under Applicability.
2. Included mobile home parks, and adaptive reuse as projects to which the ordinance would apply under Definitions, for Residential Projects, to which ordinance is applied.
3. Exempted the projects in Planning’s Residential Activity List as of November 7, 2006, from the ordinance, under Exemptions. This would exempt Sandy Beach Estates and Skyline Estates.
4. Increased threshold to five units or more, under Definitions, for Residential Project, to which ordinance will apply. Five lots is the threshold number for a major subdivision.
5. Under Eligible Household, in Definitions, added a preference indicated for households that live or work a minimum of 30 hours per week in Vallejo.

6. Delineated specific uses for the fees collected under this ordinance, under Use and Expenditure of Fees, split fees collected under the ordinance, beyond costs to administer the ordinance, equally between rental development and homeowner downpayment assistance.

7. Increased the allowable density bonus requested by developers to a 1 market-rate unit per 1 affordable unit, subject to State Density Bonus Law, under Incentives.

C. Discussion of Alternative Options

The following recommendations were raised but have not been included in the revision, with the rationale for that described below. The Planning Commission may wish to recommend certain alternatives be considered for inclusion in the ordinance by the City Council.

- Alternative compliance measures for projects receiving tentative map approval in the first 12 months from the date the ordinance is adopted (“grandfathering”)
- Allowing rental housing development as an alternative compliance measure for ownership developments
- Additional incentives, such as deferred fees and expedited Planning review
- Allowance of in-lieu fees payments for all projects
- Equity share mortgages for ownership units
- Shorter Term of affordability
- Addressing maintenance issues and HOA dues
- Exploring other means of providing affordable housing

Alternative Compliance Measures for First 12 months: It was suggested by several parties, including the Homebuilders Association that a phased in approach might allow developers to minimize financial impacts to projects that are already in the planning stages, such as KB Homes who is in a purchase contract with the Vallejo Unified School District. These alternative compliance measures would be a lesser cost burden to the developer but still allow them to contribute toward affordable housing development. An alternative compliance measure for projects that receive tentative map approval in the first 12 months after ordinance adoption might include **land dedication** sufficient to allow the development of a minimum number of affordable multifamily rental units, **and/or in-lieu fee payments** that would contribute toward the needed local subsidy. The developer could partner with a non-profit or for-profit to development the rental housing affordable to Very Low income. A minimum project size would be established at 40, and land would be required to be graded and improved with all off-sites. An in-lieu fee subsidy of approximately \$50,000 per unit might also be required of the developer. This is the average per unit local subsidy for affordable rental housing. For example if a 30-unit affordable component is required, the developer could meet this through the dedication of land sufficient to build a minimum of 40 units and provide an in-lieu fee of \$50,000 times 30 units or \$1 million toward affordable housing development. Any units built beyond the 30-unit requirement might be sold as credit to another market-rate developer. Or some combination of land dedication and in-lieu fee might be required. The land dedication option, in the case of the KB Homes and Vallejo Unified School District site, would minimize the cost to that developer and the Vallejo School District because it would be less than the cost of providing the affordable units within the project, but would still provide needed land or funding for affordable housing development.

Allowing Rental Housing targeted to Very Low Income as an Alternative Compliance Measure: This option would allow the construction of rental housing either on-site or off-site, concurrently with market-rate ownership units, to meet the inclusionary requirement. It has not been recommended because there is a need for the creation of affordable ownership units in the Low and Moderate-income categories, and this would result in no new ownership units in those categories, and may result in off-site construction.

Deferred Fees: As is publicly known, the City is in a financial deficit situation at this time, and for the foreseeable future staff does not recommend the City to defer fees that defray staff costs for Planning, Building, and Engineering review.

Expedited Planning Review: A recent organizational study indicates that Planning is understaffed compared to other Bay Area jurisdictions based on project caseload. Until revenues increase, Planning staff cannot expedite review any further than current deadlines established by City policy. If staffing were to increase, the expedited review could be revisited.

Allowing In-Lieu Fee Payments for all Residential Projects, versus only for Fractional Units: A suggestion was made to allow developers the option to pay in-lieu fees rather provide units on the site or through another alternative compliance measure. This option was not recommended by staff for several reasons: 1) This does not result in the simultaneous construction of affordable units and market-rate units, the affordable units would be built at a much later time; 2) this does not result in mixed-income communities, which Council has emphasized as one goal of the inclusionary program; 3) It takes a substantial accumulation of fees into a housing fund to be able to subsidize a new affordable rental development. City subsidies to create new affordable rental housing for Very Low income renters averages approximately \$50,000 or more per unit. A minimum size project for many nonprofit developers is about 50 units, which means the City subsidy would need to be at least \$2.5 million before a commitment could be made to a new project. This would greatly delay the provision of new affordable housing, and the sites available for affordable housing would continue to decrease as new market-rate development occurs. This alternative would allow the creation of housing for a lower income group.

If in-lieu fees were used for homebuyer downpayment assistance loans, as some have suggested, the amount per loan is estimated to anywhere from \$80,000 to \$100,000 per loan. This would allow buyers to purchase an existing home, but would not increase the affordable housing stock within the City of Vallejo, unless a deed restriction were recorded on the unit as well. Once a unit is sold, and the down payment loan repaid to the City, the unit does not remain affordable, unless a deed restriction that requires sale to a Low or Moderate-income buyer is also put in place. If the loan repayment to the City is insufficient to loan to another Moderate or Low-income buyer to make a unit affordable, then no other unit could be made affordable until the City had sufficient funds to finance another downpayment assistance loan. Staff is recommending that in-lieu fees collected under the proposed ordinance be split equally between rental and ownership subsidies. Equity share loans are discussed further below.

Allowing Equity Share Deferred Mortgages rather than Requiring a Resale Restriction Agreement capping Equity at Increase in Area Median Income:

Local Realtors have expressed disagreement with restricting the sales price on affordable units, which in turn limits the Realtors' sales commission on resale of these units, as commission is

based upon the sales price of the unit. It also limits the appreciation on the unit for the eligible buyer. Realtors have mentioned that it is a disincentive for maintaining the unit, or even of purchasing the unit. It is true that buyers of Inclusionary Units will not benefit from a surge in home appreciation. It is not the purpose of the inclusionary ordinance to create a windfall profit in the form of appreciation for single households. It is the purpose to add affordable units to the housing stock over the long term, to increase housing opportunities for Low and Moderate income buyers. However, neither are market-rate homebuyers guaranteed appreciation. Inclusionary units allow families who would not otherwise be able to purchase a home, the ability to own a home without spending over 35% of their income on monthly payments, putting them at risk of foreclosure. The foreclosure rate for Vallejo was recently the 15th highest in the nation, indicating that the demand for ownership units has pushed families to stretch beyond their reasonable financial limits, and has threatened their health and safety by putting them at risk of foreclosure and bankruptcy which has lasting negative impacts.

The limited appreciation for buyers under a Resale Restriction Agreement is not a perfect solution because it may make it more difficult for a buyer to be able to move into another home later. One possible compromise would be to allow equity to increase the longer the household lives in the unit. For example, the sales price might be allowed to increase by 5% in addition to the AMI after 5 years, 10% after 10 years, and so on. This would mean the City may have to commit additional downpayment assistance to the unit upon future resale to keep it affordable to an eligible household, but it would be an incentive to maintain the unit over time, and would allow greater appreciation. Also, if a buyer's income increases over time, they may be able to save additional funds toward a down payment of a new home rather than putting those toward a high mortgage payment. The City is not in the position to create a windfall profit for a limited few, but it is the public interest to increase the available affordable housing stock for ownership in Moderate and Low income categories.

Vallejo Neighborhood Housing Services (VNHS) has been cited as a model for homeownership assistance. In fact, the City provides funding through CDBG and HOME funds every year toward downpayment assistance loans administered by VNHS. During this fiscal year and last year, VNHS had provided three (3) downpayment assistance loans, which have been primarily in conjunction with assistance from the City's Section 8 Homeownership Assistance program. Loans have average \$115,000 per unit and above. The City has extremely limited resources for down payment assistance. Even if funds were increased under the City's downpayment assistance program, only an added one or two units might be made affordable per year. Whereas, under an inclusionary ordinance, private developers would be contributing to the affordable housing solution by limiting to affordable prices, which requires no additional City funding at the first sale.

Requiring A Shorter Term of Affordability for Ownership Units: To ensure that all inclusionary units may be counted by the State toward Fair Share Affordable Housing goals, many cities find it prudent to use the same terms of affordability and definitions of affordability as set by the State Housing and Community Development Department, which would be a minimum of 45 years for ownership and 55 years for rental development. Special exemptions for market-rate sales would be allowed in very limited hardship circumstances. Staff is recommending the 45 year restriction to ensure that all units created are counted toward State Housing Element goals.

Addressing Maintenance Issues and HOA dues: Several Realtors and Planning Commissioners raised concerns about whether the limitation on equity appreciation on ownership units would be a disincentive to maintain ownership units. Based upon conversations with jurisdictions, including Emeryville, Palo Alto, and Pleasanton, that have had inclusionary ordinances in place, this has been an issue in only a small number of resales of affordable units. There is a provision included in the Resale Restriction Agreement that requires inspection of an inclusionary unit for basic maintenance requirements prior to resale. If a unit is in need of repair for habitability, funds would be retained from sales proceeds in escrow for this purpose, or the seller would be allowed to make repairs prior to sale. The very circumstance of owning a unit is incentive for upkeep of property. In addition, requisite Homeowner Association dues will ensure exterior property maintenance. The escalation of homeownership association dues is a valid concern as there is little control the buyer has over this. The initial qualification of the buyer does include the HOA fees as part of the 35% housing costs, so it is taken into account as an expense in the sale of the unit. A mandatory educational workshop for first-time buyers will be included as part of the implementation procedures manual for the Inclusionary Ordinance, if adopted. This course will address budgeting and maintenance issues.

Exploring Other Methods of Providing Affordable Housing: Several commissioners raised the question of what other methods of providing affordable housing are available to the City. The City of Vallejo is currently in the fortunate position of having a variety of resources and programs already in existence that facilitate affordable housing. These programs are described in the Comprehensive Affordable Housing Strategy in section A above. The difficulty is that the City is already maximizing all of its federal and local dollars through rental housing development, or downpayment and home rehabilitation loans, or Housing Choice Vouchers, and we are still unable to meet our ABAG Fair Share Housing Goals. Resources are limited, and through Inclusionary Zoning, the City can bring the private sector developers to the table as part of the housing solution. The proposed ordinance provides many incentives, concessions, and flexibility to allow developers to propose creative solutions within their project. It was not within the purview of this study to consider other alternatives, such as a commercial linkage fee, or raising revenue through a ballot measure; however, the Planning Commission could recommend to City Council to pursue these options in the future.

Fiscal Impact. It is estimated that approximately \$250,000 might be generated per year in in-lieu fees. This estimate is based on at least two projects with fractional unit payments. The cost of administering the inclusionary program will initially be lower, but as more units become part of the City's affordable housing inventory, a half-time staff position would be required to administer the program. Alternatively the City might contract with a consultant to monitor the units. This cost is estimated to range from \$75,000 to \$125,000 per year after full program implementation, as estimated by costs incurred by other Bay Area cities.

Conclusion. The City wishes to encourage the balanced and integrated provision of housing affordable to all income levels. The proposed inclusionary ordinance assists the city in achieving this goal.

7. STAFF RECOMMENDATION

Staff recommends that the Planning Commission make the recommendation to City Council to **APPROVE** the Inclusionary Housing Ordinance as revised as CTA #007-

0001 subject to the following findings; or to recommend alternatives as described in this report to City Council for incorporation into the ordinance. Alternatively, the Planning Commission may recommend not approving an inclusionary ordinance to City Council.

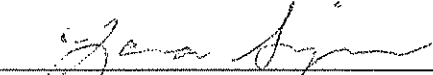
Findings:

- A. Persons of low and moderate income are experiencing increasing difficulty in locating and maintaining adequate, safe and sanitary affordable housing within the City of Vallejo, as housing costs have risen faster than incomes over the past decade. Many persons who work in Vallejo, or who wish to live in Vallejo, cannot afford housing in the city.
- B. An inclusionary background study was prepared by consulting firm, David Rosen and Associates in November 2006, calculating the affordability gap between sales prices and affordable prices in Vallejo, and demonstrating the potential impact of inclusionary requirements in Vallejo; and
- C. An Inclusionary Housing Ordinance has been drafted that would require new ownership and rental residential projects or condominium conversions to provide a specified percentage of affordable housing for Moderate or Low-income households; and
- D. As noted in the City's Housing Element, a regional shortage of affordable housing is contributing to overpayment for housing accommodations, sometimes leading to temporary or permanent homelessness. According to the Association of Bay Area Governments' Regional Housing Needs Projections, the City of Vallejo needs to provide housing affordable to persons of very low, low and moderate income.
- E. Increasing the production and availability of affordable housing is problematic. Prices and rents for affordable housing remain below the level needed to attract new construction. At the same time, escalating land costs and rapidly diminishing amounts of land available for development hinder the provision of affordable dwelling units solely through private action. Federal and State housing finances and subsidy programs are not sufficient by themselves to satisfy the affordable housing needs; however, programs and activities to expand affordable housing opportunities can be accomplished through public/private partnership action.
- F. The ordinance meets Objective B.3.ii.2 of the City Housing Element, which indicates that the City will study the adoption of an inclusionary housing program, and alternative compliance options.
- G. The ordinance meets Objective B.3.iii. of the City Housing Element to encourage the development of affordable housing for lower-income workers employed in Vallejo.
- H. The ordinance assists in achieving Objective A.1.ii.1.b. of the City Housing Element, the review of regulations that might unduly constrain housing development.

- I. The ordinance includes provisions to bring the City into compliance with State Density Bonus law.
- J. The ordinance supports Objective B.1.iv of the City Housing Element to increase types of new development that will qualify for density bonuses.
- K. By including condominium conversions as subject to the inclusionary ordinance, the ordinance also assists in meeting Objective B.1.v. to ensure that condominium conversion applications will not adversely effect housing affordability, choice, and balanced neighborhood goals.
- L. Requiring affordable units within each housing development serves the goal of maintaining an economically balanced community. Requiring developments of new housing to include some housing affordable to households at a range of incomes is fair, not only because new development without affordable units contributes to the shortage of affordable housing but also because zoning and other ordinances concerning new housing in the city should be consistent with the community's goal to foster an adequate supply of housing for persons at all economic levels.

ATTACHMENTS

- Attachment 1 – Proposed Ordinance
- Attachment 2—Proposed City Council Fee Resolution
- Attachment 3—Planning Commission Resolution
- Attachment 4—Staff responses to McConnell and Peterman questions and Manning's comments
- Attachment 5—NPH Study of 30 years of Inclusionary Zoning, Appendix A
- Attachment 6—Correspondence since February 21, 2007
- Attachment 7—Current Affordable Sales Prices and Rents

Prepared by: 
 Laura Simpson, Housing and Community Development Manager

Reviewed by: _____
 Don Hazen, Planning Manager

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF VALLEJO ADDING
CHAPTER 16.56 TO THE VALLEJO MUNICIPAL CODE

WHEREAS, Persons of low and moderate income are experiencing increasing difficulty in locating and maintaining adequate, safe and sanitary affordable housing within the City of Vallejo, as housing costs have risen faster than incomes over the past decade. Many persons who work in Vallejo, or who wish to live in Vallejo, cannot afford housing in the city; and

WHEREAS, As noted in the City's Housing Element, a regional shortage of affordable housing is contributing to overpayment for housing accommodations, sometimes leading to temporary or permanent homelessness. According to the Association of Bay Area Governments' Regional Housing Needs Projections, the City of Vallejo should facilitate the provision of housing affordable to persons of very low, low and moderate income; and

WHEREAS, Increasing the production and availability of affordable housing is problematic. Prices and rents for affordable housing remain below the level needed to attract new construction. At the same time, escalating land costs and rapidly diminishing amounts of land available for development hinder the provision of affordable dwelling units solely through private action. Federal and State housing finances and subsidy programs are not sufficient by themselves to satisfy the affordable housing needs; however, programs and activities to expand affordable housing opportunities can be accomplished through public/private partnership action; and

WHEREAS, An inclusionary background study was prepared by consulting firm, David Rosen and Associates in November 2006, calculating the affordability gap between sales prices and affordable prices in Vallejo, and demonstrating the potential impact of inclusionary requirements in Vallejo; and

WHEREAS, An Inclusionary Housing Ordinance has been drafted that would require new ownership and rental residential projects or condominium conversions to provide a specified percentage of affordable housing for Moderate or Low-income households; and

WHEREAS, The proposed Inclusionary Housing Ordinance meets Objective B.3.ii.2 of the City Housing Element, which indicates that the City will study the adoption of an inclusionary housing program, and alternative compliance options; and

WHEREAS, The ordinance meets Objective B.3.iii. of the City Housing Element to encourage the development of affordable housing for lower-income workers employed in Vallejo; and

WHEREAS, The ordinance assists in achieving Objective A.1.ii.1.b. of the City Housing Element, the review of regulations that might unduly constrain housing development; and

City of Vallejo Inclusionary Housing Ordinance, _____ March 20, 2007

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WHEREAS, The ordinance includes provisions to bring the City into compliance with State Density Bonus law; and

WHEREAS, The ordinance supports Objective B.1.iv of the City Housing Element to increase types of new development that will qualify for density bonuses; and

WHEREAS, By including condominium conversions as subject to the inclusionary ordinance, the ordinance also assists in meeting Objective B.1.v. to ensure that condominium conversion applications will not adversely effect housing affordability, choice, and balanced neighborhood goals; and

WHEREAS, Requiring affordable units within each housing development serves the goal of maintaining an economically balanced community. Requiring developments of new housing to include some housing affordable to households at a range of incomes is fair, not only because new development without affordable units contributes to the shortage of affordable housing but also because zoning and other ordinances concerning new housing in the city should be consistent with the community's goal to foster an adequate supply of housing for persons at all economic levels.

THE COUNCIL OF THE CITY OF VALLEJO DOES ORDAIN AS FOLLOWS:

SECTION 1. Chapter 16.56 is hereby added to the Vallejo Municipal Code to read as follows:

INCLUSIONARY HOUSING ORDINANCE

- 16.56.010 Purpose
 - 16.56.020 Definitions
 - 16.56.030 Applicability
 - 16.56.040 Incentives
 - 16.56.045 Affordable Housing Plan Required
 - 16.56.050 Time Performance Required
 - 16.56.060 Continued Affordability; City Review of Occupancy
 - 16.56.070 Alternatives to On-Site Construction
 - 16.56.080 Use and Expenditure of Fees
 - 16.56.090 Affordable Housing Agreement
 - 16.56.100 Enforcement
 - 16.56.110 Severability
 - 16.56.120 Exemptions
- SECTION 2. Effective Date

16.56.010. Purpose.

The provisions of 16.56.010 through 16.56.130 inclusive, shall be known as the Inclusionary Housing Ordinance. This Ordinance is enacted under the City's general police power. The purpose of this Ordinance is to provide for the development of

City of Vallejo Inclusionary Housing Ordinance, March 20, 2007

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affordable housing concurrently and in an integrated manner with market-rate housing, and to require new development to provide affordable housing in a fair and consistent manner, to implement that City's General Plan, including its Housing Element, and to enable the City to comply with State Housing Element law.

16.56.020. Definitions.

A. **Affordable Housing Plan.** Affordable Housing Plan means the plan submitted by the developer of a Residential Project and approved, or modified and approved, by the City that describes how the inclusionary housing requirements will be met by the Residential Project, including but not limited to the number, location, and type of affordable units that will be provided, the timing of the construction of the affordable units for phased developments, buyer screening and selection methodology, and compliance with all other requirements of this chapter and of the rules and regulations adopted to implement this chapter.

B. **Affordable Ownership Price.** Affordable Ownership Price means a sales price that results in a monthly housing payment consistent with California Health and Safety Code Section 50052.5(b), as amended from time to time. The affordable price shall be the sum of the affordable mortgage as calculated in this Section plus a five (5) percent down payment. In addition, eligible buyers shall be responsible for paying customary closing costs. For Low Income Households, average monthly housing payment during the first calendar year of a household's occupancy, including mortgage interest and principal payments on a thirty-year fixed rate mortgage based on the then current Freddie Mac thirty-year mortgage rate or successor index, property taxes, assessments or other government assessments or special taxes, such as special taxes imposed under a community facilities district on the subject Residential Project and applicable to the Affordable Unit, mortgage insurance, homeowner's insurance, homeowners or condominium association dues which apply to the unit being purchased by the eligible homebuyer, allowances for utilities as published annually by the Vallejo Housing Authority, or successor index, and any assessments paid by homeowners, is equal to or less than one-twelfth (1/12) of thirty percent (30%) of seventy percent (70%) of the area median income adjusted for household size.

For Moderate Income Households, average monthly housing payments, during the first calendar year of a household's occupancy, including mortgage interest and principal payments on a thirty-year fixed rate mortgage based on the then current Freddie Mac thirty-year mortgage rate or successor index, property taxes, mortgage insurance, homeowner's insurance, actual homeowners association dues which apply to the unit being purchased by the eligible homebuyer, allowances for utilities as published annually by the Vallejo Housing Authority, or successor index, and any assessments paid by homeowners, is equal to or less than one-twelfth (1/12) of thirty-five percent (35%) of one hundred ten percent (110%) of the area median income allowed for Moderate Income Households, adjusted for household size.

C. **Affordable Rent.** The definition of Affordable Rent shall be consistent with California Health and Safety Code Section 50053, as amended from time to time. Monthly rent, including allowances for utilities as published annually by the Vallejo

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Housing Authority or successor index, and all fees for housing services, must be equal to or less than one-twelfth (1/12) of thirty percent (30%) of fifty percent (50%) of the area median household income, adjusted for household size for Very Low Income Households.

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D. Affordable Unit. Living Units that are required under this chapter to be rented at an Affordable Rent or available at an Affordable Ownership Price to specified households, and initially occupied by specified households. Subject to 16.56.020B and C. Affordable Units shall be comparable in overall number of bedrooms, proportion of units in each bedroom category, quality of exterior appearance and overall quality of construction to market rate units in the same residential project. Interior features and finishes in affordable units shall be durable, of good quality and consistent with contemporary standards for new housing. A minimum of one (1) full bathroom must be provided in two bedroom Affordable Units. All other Affordable Units shall have the identical bathroom count to those in market rate units in the development subject to this chapter and of identical bedroom count.

E. Area Median Income. Area median income as published pursuant to California Code of Regulations, Title 25, Section 6932 (or its successor provision).

F. Condominium Conversion Project. A rental residential development or mobile home park for which the owner has applied for a tentative or parcel map for the conversion of residential property into a condominium, community apartment project or stock cooperative project.

G. Eligible Household. A household whose household income does not exceed the maximum specified in 16.56.030, for a given Affordable Unit. Affordable Units for ownership shall only be purchased by income eligible households as specified in 16.56.030 who are also First Time Homebuyers. A preference point will be given to households who live and/or work in Vallejo in compliance with State and Federal Fair Housing law, where working in Vallejo is defined as working on a site located in the City of Vallejo for a minimum of 30 hours per work.

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H. First Time Homebuyer. A household which has not owned a home for the three calendar years prior to the date they apply for home purchase, with the exception of households which owned a home during the prior three calendar period but lost it through divorce proceedings or as a result of medical expenses resulting from an uninsured medical emergency.

I. Household Income. The combined adjusted gross income for all adult persons living in a Living Unit as calculated for the purpose of the Section 8 program under the United States Housing Act of 1937, as amended, or its successor.

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J. Living Unit. One or more rooms designed to be occupied or intended for occupancy as separate living quarters with a stove, sleeping and bathroom facilities.

K. Low Income Household. The definition of Low Income Household shall be consistent with California Health and Safety Code Section 50079.5 for lower income households, as amended from time to time. Low Income Household means persons and families whose income does not exceed eighty percent (80%) of area median income, adjusted for household size. "Adjusted for household size" shall be consistent with California Health and Safety Code Section 50052.5(h), as amended from time to time. Maximum annual household income for Low Income Households shall be set based on presumed occupancy levels of one person in a studio apartment, two (2) persons in a one (1) bedroom unit, three (3) persons in a two (2) bedroom unit, and one additional person for each additional bedroom thereafter.

L. Low Income Owner Unit. Low Income Owner Unit means a Living Unit in a Residential Project that is offered for purchase at construction completion at an Affordable Ownership Price to a Low Income Household.

M. Low Income Renter Unit. Low Income Renter Unit means a Living Unit in a Residential Project that is offered at an Affordable Rent to a Low Income Household.

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N. Market Rate Units. Market Rate Units are Living Units in Residential Projects that are not Affordable Units under subsection (c) of this section.

O. Moderate Income Household. The definition of Moderate Income Household shall be consistent with California Health and Safety Code Section 50093, as amended from time to time. Moderate Income Household means persons and families whose income does not exceed one hundred-twenty percent (120%) of area median income, adjusted for household size. "Adjusted for household size" shall be consistent with California Health and Safety Code Section 50052.5(h), as amended from time to time. Presumed occupancy levels shall be one person in a studio apartment, two (2) persons in a one (1) bedroom unit, three (3) persons in a two (2) bedroom unit, and one additional person for each additional bedroom thereafter.

P. Moderate Income Owner Unit. Moderate Income Owner Unit means a Living Unit in a Residential Project that is offered for purchase at construction completion at an Affordable Ownership Price to a Moderate Income Household.

Q. Owner Project. Owner Project is a Residential Project, or portion thereof, which is intended to be sold to owner-occupants upon completion.

R. Rental Project. A Rental Project is a Residential Project, or portion thereof, which is intended to be rented to tenants upon completion.

S. Residential Project. Any mixed-use, adaptive reuse, mobile home park or other residential project that includes five (5) or more living units or residential lots, or living units and residential lots which total five (5) or more in Contemporaneous construction of five (5) or more living units on a lot, or on contiguous lots for which there is evidence of common ownership or control, even though not covered by the same City land use approval, shall also be considered a Residential Project. Construction shall be considered contemporaneous for all units which do not have completed final inspections

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for occupancy and which have outstanding, at any one time, any one or more of the following: planned district, subdivision map, conditional use permit or other discretionary City land use approvals, or building permits, or applications for such an approval or permits.

T. Very Low Income Household. The definition of Very Low Income Household shall be consistent with California Health and Safety Code section 50105, as amended from time to time. Very Low Income Household means persons and families whose income does not exceed fifty percent (50%) of area median income, adjusted for household size. "Adjusted for household size" shall be consistent with California Health and Safety Code Section 50052.5(h), as amended from time to time. Maximum annual household income shall be set based on presumed occupancy levels of one person in a studio apartment, two (2) persons in a one (1) bedroom unit, three (3) persons in a two (2) bedroom unit, and one additional person for each additional bedroom thereafter.

U. Very Low Income Renter Unit. Very Low Income Renter Unit means a Living Unit that is offered at an Affordable Rent to a Very Low Income Household.

16.56.030. Applicability.

Subject to the provisions of this chapter all Residential Projects shall provide affordable units as follows:

A. For Rental Projects:

- (1) At least ten percent (10%) of all new Living Units shall be Very Low Income Renter Units.

B. For Owner Projects:

- (1) At least five percent (5%) of all new Living Units shall be Low Income Owner Units and ten percent (10%) of all new Living Units shall be Moderate Income Owner Units.

C. For Condominium Conversion Projects:

- (1) At least fifteen percent (15%) of all rental units converted to ownership units shall be Low Income Owner Units. In the event this requirement results in a fractional unit obligation, regardless of what fraction, the number of Low Income Owner Units required of the Condominium Conversion Project will be increased by one unit. The alternative compliance options stipulated in Section 16.56.060 of this chapter shall not apply to Condominium Conversion Projects. The number of units in a condominium conversion project are subject to this chapter shall be determined as part of the approval of the housing plan and the tentative or parcel map for the condominium conversion and shall provide for the tenants' rights to purchase units.

D. For purposes of calculating the number of affordable units required by this section, any additional units authorized as a density bonus pursuant to California Government Code Section 65915(b)(1) or (b)(2), as amended, shall not be counted as part of the Residential Project.

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E. When the application of the Affordable Unit requirements set forth in subsections (a) and (b) results in a number that includes a fraction and where the fraction is 0.5 or greater, the developer of the Residential Project must construct the next higher whole number of Affordable Units, and where the fraction is less than 0.5, the developer is allowed to pay a fee to the City in lieu of constructing an Affordable Unit pursuant to 16.56.070C.

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F. Affordable Units must be geographically dispersed throughout the project site.

16.56.040. Incentives.

Residential Projects which are subject to this chapter may request the following as part of the Affordable Housing Plan:

A. Affordable Units may have different interior finishes and features than Market Rate Units in the same Residential Project, so long as the interior finishes and features are durable, of good quality and consistent with contemporary standards for new housing.

B. Affordable Units may be constructed using an alternative housing product type, for example, townhome, in a single-family detached project, than the Market Rate Units in the same Residential Project, but in no case shall Affordable Units be less than 75% of the total square footage of the similar type of Market Rate Units in the Residential Project, and must generally be assimilated into the overall design and character of the Residential Project.

C. A Residential Project with structured parking may provide up to 20% fewer parking spaces per unit than the required number of spaces under Vallejo's zoning code applicable to the Residential Project if the Residential Project developer/owner has prepared a parking study demonstrating that the parking reduction will not have a significant impact on parking in the project vicinity and the City concurs with the findings of the parking study. This parking reduction will not apply to projects with surface parking or stand alone garages constructed at grade.

D. If the Developer commits to four bedroom Affordable Units, each four bedroom Affordable Unit shall be deemed to be 1.25 units for the purpose calculating the total number of Affordable Units in a Residential Project.

E.. The Residential Project developer may request and the City may approve additional zoning code revisions for the Residential Project needed to enable the Project to benefit from all of the incentives offered in this Section 16.56.040 and the provisions of California Government Code Section 65915(b)(1), and (b)(2), as amended, State Density Bonus law. Developers may request an additional market-rate unit per each affordable unit provided in the project. Developers are encouraged to request the highest density necessary for project feasibility. Revisions to the zoning code which qualify for approval under this Section include, and may not be limited to, changes in restrictions on height, floor area ratio, density, set back and side yard requirements.

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F. Funds under the control of the City, City of Vallejo Housing Authority or the City of Vallejo Redevelopment Agency cannot be used to grant, finance, or otherwise subsidize Residential Projects unless:

(1) The Residential Project will provide an amount of Affordable Units in excess of the requirements of this chapter; or,

(2) The Residential Project serves households with lower incomes than required under Section 16.56.020A and B while providing the same, or greater, number of Affordable Units required under Section 16.56.030A and B.

16.56.045. Affordable Housing Plan Required.

A. The developer of a Residential Project shall submit, concurrently with or prior to the submission of an application for the first discretionary approval for a Residential Project, a proposal describing the proposed Affordable Housing Plan for the Residential Project, in accordance with this chapter and the intended method for implementing the plan, including but not limited to: unit floor plans, affordable unit locations on site plan, number and type of affordable units, proposed affordable rents and prices and proposed market-rate rents or prices, proposed construction schedule, and Affordable Unit marketing plan.

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B. Approval Process of Affordable Housing Plans. The approval process for affordable housing plans will include the following steps:

1. Submission of the affordable housing plan as part of the project application submitted to the Planning Division. Staff shall then refer the affordable housing plan to the Director of the Housing and Community Development who will review and either approve or deny the plan based on compatibility with the following: this chapter, adopted city affordable housing goals, and currently identified city housing needs.

2. The Affordable Housing Plan shall be included as an attachment to the staff report in the public hearings for the planning entitlements requested for the Residential Project.

C. Appeal. The Director's decision on the Affordable Housing Plan may be appealed to City Council by filing a Notice of Appeal within ten days of the Director's decision. In considering the appeal, sections 16.56.130 B and C shall govern.

16.56.050. Time Performance Required.

A. No building permit shall be issued for any Market Rate Unit until the developer of the Residential Project has obtained building permits for Affordable Units sufficient to meet the requirements of Section 16.56.030, or received certification from the Housing and Community Development Manager that the developer has met, or made arrangements satisfactory to the City to meet, an alternative requirement of Section 16.56.060. No final inspection for occupancy for any Market Rate Unit shall be completed until the developer has constructed and received certificate(s) of occupancy for the Affordable Units required by Section 16.56.030 or completed corresponding alternative performance under Section 16.56.060.

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B. Conditions to carry out the purposes of this chapter shall be imposed on the first approval for a Residential Project.

C. If the Residential Project is to be constructed in phases, the phasing plan and the Affordable Housing Plan shall delineate the number of affordable units to be built in each phase and the provisions of subsection A shall apply to each phase. If the affordable units are not equally distributed among the phases, then the phasing plan and the Affordable Housing Plan shall determine the manner of compliance with subsection A, and the City may require security or other arrangements satisfactory to the City to assure compliance with this section.

16.56.060. Continued Affordability; City Review of Occupancy.

A. Regulatory agreements consistent with the requirements of this chapter shall be recorded against Residential Projects with rental Affordable Units. For Affordable Units designated for owner occupancy, resale restrictions, deeds restrictions; notes and deeds of trust and/or other documents consistent with the requirements of this chapter shall be recorded against owner-occupied Affordable Units. Only resale restrictions and associated documents will be used to assure continued affordability of owner-occupied Affordable Units, and no equity sharing provisions will be used to assure continued affordability of such Affordable Units.

In the case of Affordable Units that are initially rented, these recorded rent restrictions and associated documents shall be consistent with the California Health and Safety Code Section 33334.3(f)(1)(A), as amended from time to time, but in no case shall the minimum term be less than 55 years.

B. The City Housing and Community Development Manager shall annually certify compliance with rules published by the Manager within six months of the effective date of this chapter to establish rent restrictions, tenant income certification procedures, property management and maintenance standards, occupancy requirements, other compliance standards and associated documents for this chapter. In the case of Affordable Units that are initially sold, these documents shall be consistent with California Health and Safety Code Section 33334.3(f)(1)(B), but in no case shall the minimum term be less than 45 years. In the case of owner-occupied Affordable Units that are transferred during the required term, renewed restrictions shall be entered into on each change of ownership, with a 45 year renewal term. The forms of regulatory agreements, resale restrictions, deeds of trust and other documents authorized by this subsection A, and any change in the form of any such document which materially alters any policy in the document, shall be approved by the City Manager or his designee within six months of the effective date of this chapter.

C. In the case of Affordable Units which are initially owner-occupied, the documents required by subsection A. shall prohibit subsequent rental occupancy, unless approved for hardship reasons by the Housing and Community Development Manager. Such hardship approval shall include provision for United States military personnel who are required to leave the country for active military duty. For Affordable Units which are initially rented, the documents required by subsection A shall provide for continued occupancy for one year, dated from the required annual income certification under the

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Regulatory Agreement by households occupying the units whose incomes increase during their occupancy so that they may exceed the maximum household income otherwise permitted for the Affordable Unit.

D. The maximum sales price permitted on resale of an Affordable Unit designated for owner-occupancy shall not exceed: the seller's purchase price paid by the owner/seller at the time the owner/seller acquired the unit under this chapter, increased by the percentage increase, if any, in the area median income during period of the owner/seller's ownership. The documents required by subsection (a) may authorize the seller to recover the depreciated value at time of sale of capital improvements made by the seller that were approved in writing by the City in advance of construction and the seller's necessary costs of sale and may authorize an increase in the maximum allowable sales price to achieve such recovery. The resale restrictions shall allow the City a right of first refusal to purchase any affordable owner-occupancy unit at the maximum price that could be charged to a purchaser household, at the time the owner proposes any sale. The Housing and Community Development Manager shall publish rules enforcing resale restrictions, disclosure statements to be issued to purchasers of resale-restricted owner-occupied Affordable Units, occupancy requirements, and restrictions on third mortgages and cash out refinancing secured by Affordable Units, and cost recovery for capital improvements to owner occupied Affordable Units.

E. No household shall be permitted to begin occupancy of an ownership or rental Affordable Unit unless the City has approved the household's eligibility. If the City maintains a list of, or otherwise identifies, eligible households, initial and subsequent occupants of Affordable Units shall be selected first from the list of identified households, to the maximum extent possible.

16.56.070. Alternatives to On-Site Construction.

A. Rental Rehabilitation. A developer of a renter or owner Residential Development may satisfy the requirements of Section 16.56.030(a) and 16.56.030 (b) by purchasing and rehabilitating, or make possible another developer's purchasing and rehabilitating blighted, older rental housing, restricted to Very Low Income households, as recorded in an Affordable Housing Agreement and regulatory agreement. When electing this alternative compliance option, the Housing and Community Development Manager will have the authority to approve an Affordable Housing Plan. It is the intention of this subsection (d) that it be used only to rehabilitate rental housing that is at least forty (40) years old, suffers from severe deterioration, and is restored through physical rehabilitation to a renewed useful life of fifty-five (55) years. The unit and bedroom count distribution must remain comparable and proportionate to the market rate Residential Project. A fifty-five year rent restriction must be recorded against the property, and all other provisions of this chapter will apply to the rehabilitated affordable rental housing.

B. In lieu of building Affordable Units within an Owner Project, a developer may elect to construct, or make possible construction by another developer, Affordable Units not physically contiguous to the Market Rate Units. At the discretion of the

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Housing and Community Development Manager or the Manager's designee, off-site construction of Affordable Units pursuant to this subsection (a) may be approved only if:

- (1) construction has started or, if construction not required, certificates of occupancy and a regulatory agreement or resale restriction agreements are recorded for the related Affordable Units before building permits are issued for the related Market Rate Units;
- (2) final inspections for occupancy for the related Market Rate Units must be completed after certificates of occupancy for the off-site Affordable Units are issued;
- (3) the City will require the developer of the Market Rate Units to purchase the site for the off-site Affordable Units, secure all planning entitlements, and record affordability covenants against the site, and secure a building permit for the Affordable Units required of the Market Rate Units prior to issuance of a building permit for the related Market Rate Units; and,
- (4) The City will require that the completion of off-site Affordable Units shall be further secured by a letter of credit from the developer in an amount at a minimum equal to the in lieu fee amount described under subsection (c) and recorded in an Affordable Housing Agreement.

C. In-lieu Fees. At the discretion of the City Council, a developer may pay a fee to the City in lieu of building Affordable Units within a Residential Project only under the following condition:

- (1) When the application of the requirements set forth in 16.56.030A or B results in a number that includes a fraction, a developer is allowed to pay a fee to the City if the resulting fractional amount is lower than 0.5.

In lieu fees shall be paid upon issuance of building permits for Market Rate Units in a Residential Project. If building permits are issued for only part of a Residential Project, the fee amount shall be based only on the number of units then permitted.

The City Council shall establish the in lieu fee by resolution in an amount that is adequate, at a minimum, to cover the difference between the Affordable Ownership Price defined in 16.56.020B and the median price of a newly constructed Market Rate ownership home in Vallejo for the preceding calendar year, weighted for Low and Moderate income requirements. The fee will be revised and published annually by February 15th by the Housing and Community Development Manager based on the percent increase or decrease in the median sale price of a newly constructed home in Vallejo for the preceding twelve (12) month period, using standard accepted real estate data services, e.g. Dataquick.

16.56.080. Use and Expenditure of Fees.

A. The City Council may, by resolution, establish reasonable fees and deposits for the administration of this chapter. The fees collected under this chapter and all earnings from investment of the fees shall be expended exclusively to provide or assure continued provision of affordable housing through acquisition, construction, development assistance, rehabilitation, financing, rent subsidies or other methods, and for costs of administering programs which serve those ends. After reimbursement of program administrative costs funds collected under this program will be split equally between rental housing development, and homeownership downpayment assistance. Funds will

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be tracked separately within an Inclusionary Housing Fund Account. Funds expended to administer this program may be reimbursed through fees collected under this ordinance.

B. The City will charge the seller of any owner-occupied Affordable Unit an asset management fee of one percent (1%) of the restricted resale price to a new Affordable Unit homebuyer. These asset management fees will be used by the City Manager to defray the costs of assuring compliance with the resale restriction provisions of this chapter.

16.56.090 Affordable Housing Agreement.

Developers of Residential Projects will be required to enter into affordable housing agreements with the City to document the obligations of the developer under this chapter. The affordable housing agreement must be approved by the Housing and Community Development Manager and executed by the developer prior to completion of a final map for a single family detached housing development. If the foregoing approvals are not required, then the affordable housing agreement must be approved by the City and executed by the developer prior to issuance of a grading or building permit, whichever occurs first.

For a multifamily development, the Affordable Housing Agreement must be approved by the City and executed by the developer prior to issuance of entitlement approval or design review approval of the market rate residential development.

16.56.095. Rules and Regulations to Implement Inclusionary Housing Ordinance.

The City Manager may adopt rules and regulations to assist in the implementation of this chapter, including but not limited to provisions for the calculation of eligible buyers or tenants, screening and/or prescreening of eligible buyers or tenants, methods of selection of buyers or tenants, suggested design, size, type and location of affordable units, and implementation documentation and requirements, such as deeds of trust, regulatory agreements and the like.

16.56.100. Enforcement.

A. The City Attorney is authorized to enforce the provisions of this chapter and all regulatory agreements and resale controls placed on affordable units, by civil action and any other proceeding or method permitted by law.

B. Failure of any official or agency to fulfill the requirements of this chapter shall not excuse any developer from the requirements of this chapter.

16.56.110. Severability.

If any clause, sentence, section, or part of this chapter, or any fee or requirement imposed upon any person or entity, is found to be unconstitutional, illegal, or invalid, such unconstitutionality, illegality, or invalidity shall affect only such clause, sentence, section or part, or such person or entity, and shall not affect or impair any of the remaining provisions, clauses, sentences, sections, or parts or the effect of this chapter on

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other persons or entities. It is hereby declared to be the intention of the City Council that this chapter would have been adopted had such unconstitutional, illegal, or invalid clause, sentence, section, or part not been included herein, or had such person or entity been expressly exempted from the application of this chapter.

16.56.120. Exemptions.

A. Projects with submitted and accepted planning applications as listed in the Planning Division's Residential Activity Lists of November 7, 2006, or have an executed development agreement with the City prior to the effective date of the Ordinance adopting this chapter will be exempt from this chapter. If such a project is not built and the developer/owner later returns for amendments to the discretionary land use approvals, or because the entitlement has expired, the Residential Project shall then comply with this Chapter to the extent permitted by law.

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Deleted: that have received all discretionary land use approvals necessary under Chapter 16 for the project, including, but not limited to, rezoning, general plan change, major subdivision, vesting tentative map, parcel map, use permit, planned development or site development permit,

16.56.130. Adjustments or Waivers.

A. The requirements of this Chapter may be adjusted or waived if the Developer demonstrates to the satisfaction of the City Council that there is not a reasonable relationship between the impact of a proposed Residential Project and the requirements of this Article, or that applying the requirement of this Article would take property in violation of the United States or California Constitutions.

B. To receive an adjustment or waiver, the Developer must request it when applying for first approval of the Residential Project.

C. The matter shall be considered before the City Council within thirty days. In making the finding or determination, or in considering any appeal, the City Council may assume the following: (1) the Developer is subject to the inclusionary housing requirements in this Article; (2) availability of any incentives, affordable financing, or subsidies; and (3) the most economical affordable housing product in terms of construction, design, location, and tenure. For purposes of a taking determination, the Developer has the burden of providing economic and financial documentation and other evidence necessary to establish that application of this Article would constitute a taking of the property without just compensation.

D. If it is determined that the application of the provisions in this Article would constitute a taking, the inclusionary requirements for the Residential Project shall be modified to reduce the inclusionary housing obligations to the extent and only to the extent necessary to avoid a taking. If it is determined that no taking would occur by application of this Article, the requirements of the Article remain applicable and no approvals for the Residential Project shall be issued unless the Developer has executed an Affordable Housing Plan pursuant to the requirements of this Article.

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SECTION 2. Effective Date.

This ordinance shall take effect thirty days after final passage.

City of Vallejo Inclusionary Housing Ordinance

March 20, 2007

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RESOLUTION NO. ____ N.C.

BE IT RESOLVED by the City Council of the City of Vallejo as follows:

WHEREAS, an inclusionary background study was prepared by David Rosen and Associates (DRA);

WHEREAS, the study was an effort to evaluate the cost of providing a minimum percentage of units affordable to Moderate or Low income households in new ownership and rental residential development;

WHEREAS, the gap to price difference for a Low income household in 2006 is \$602,500 and for a moderate income household is \$454,000, with the weighted in-lieu fee per affordable unit based on this methodology as performed by DRA is \$504,100;

WHEREAS, the proposed inclusionary housing ordinance would allow for an in-lieu fee payment where a fractional unit results from the application of the percentage requirement for a fractional unit below .5;

WHEREAS, the study mentioned above have been read by the Council and incorporated in this Resolution by reference as though fully set forth herein;

WHEREAS, the City Council held a study session on this matter on March ____ 2007;

BE IT RESOLVED that the City Council adopts the attached fee schedule (Attachment B)

BE IT FURTHER RESOLVED, that the City Manger, in consultation with the Finance Director, is directed to update the Fee Schedule annually on January 1st of each year, by the Consumer Price Index For All Urban Consumers, or whatever comparable Price Index the Manager and Finance Director determines to be appropriate to reflect the increase in costs in the San Francisco Bay Area; and,

BE IT FURTHER RESOLVED that the adoption of the above fees is found to be exempt from the California Environmental Quality Act (CEQA) because it can be seen with certainty that there is no possibility that the adoption of this code will have a significant effect on the environment.

ADOPTED by the Council of the City of Vallejo at a regular meeting held on _____ by the following vote:

CITY OF VALLEJO PLANNING COMMISSION

RESOLUTION NO. PC-07-_____

A RESOLUTION OF INTENTION
TO AMEND THE ZONING ORDINANCE
Code Text Amendment #07-0001

Inclusionary Housing Ordinance
citywide

WHEREAS, Chapter 16.56, an Inclusionary Housing Ordinance amending the Title 16 of the Vallejo Municipal Code has been prepared; and

WHEREAS the City of Vallejo Planning Commission conducted a duly noticed public hearing to consider Code Text Amendment #07-0001 on February 21, 2007 and continued to March 20, 2007, at which testimony and evidence, both written and oral, was presented to and considered by the Planning Commission; and

WHEREAS based on evidence received at the public hearing, the Planning Commission recommends that the following findings be adopted by the Vallejo City Council:

I. CALIFORNIA ENVIRONMENTAL QUALITY ACT FINDINGS

Section 1. An Initial Study and Notice of Intent to Adopt a Negative Declaration were prepared by the City and made available to the public for review on January 22, 2007. The Notice of Intent to Adopt the Negative Declaration was duly sent, posted, and available for public review.

Section 2. The Initial Study identifies no potentially significant environmental effects.

Section 3. Based on the entire record, including the environmental findings contained in section 2 "Environmental Review" of the staff report attached hereto and incorporated herein by this reference, the proposed amendment to the zoning ordinance will have no potentially significant environmental effect. The inclusionary zoning ordinance should have no adverse impact on land use and planning, geology and soils, hydrology/ water quality, air quality, biological resources, mineral resources, hazards/ hazardous materials, noise, public services, utilities and significant impacts on population and housing, and transportation/ circulation. Population and housing may increase, but not significantly due to development standards, second unit ordinance requirements, parking standards, design review, etc., which would also impact the number of vehicles domiciled at the respective properties. Additionally, individual CEQA review would be applicable to unites created through subdivision, parcel split and rezonings.

II. FINDINGS RELEVANT TO DETERMINATION OF PROJECT CONSISTENCY WITH APPLICABLE GENERAL PLAN

Section 1. The amendments to the City of Vallejo's Zoning Ordinance are subject to the procedures contained in Chapter 16.86 of the City of Vallejo Municipal Code.

Section 2. The City of Vallejo General Plan contains Objective B.3.ii.2 of the City Housing Element which states that the City will explore the adoption of an inclusionary housing program, and alternative compliance options.

Section 3. The City of Vallejo General Plan contains Objective B.3.iii. which states that the City will encourage the development of affordable housing for lower-income workers employed in Vallejo.

Section 4. The City of Vallejo General Plan contains Objective A.1.ii.1.b. which consists of regulations that might unduly constrain housing development. The proposed inclusionary ordinance may assist in achieving Objective A.1.ii.1.b. The inclusionary ordinance can include current state density bonus provision to comply with State law.

Section 5. The City of Vallejo General Plan contains Objective B.1.iv which seeks to increase types of new development that will qualify for density bonuses. The proposed inclusionary ordinance would increase developments that qualify for density bonuses.

Section 6. The City of Vallejo General Plan contains including condominium conversions as subject to the inclusionary ordinance, the ordinance also serves to facilitate Objective B.1.v. to ensure that condominium conversion applications will not adversely affect housing affordability, choice, and balanced neighborhood goals. This amendment is consistent with the General Plan.

IV. RESOLUTION RECOMMENDING AMENDMENT TO THE ZONING ORDINANCE

NOW, THEREFORE, LET IT BE RESOLVED that the Planning Commission hereby APPROVES this resolution of intent to amend the zoning ordinance by adopting Code Text Amendment 07-0001, recommending to City Council that Title 16 of the Vallejo Municipal Code be amended by adding Chapter 16.56 entitled "Inclusionary Housing Ordinance," based on the findings contained in this resolution, with reference to the staff report and subject to the Conditions of Approval attached herein.

V. VOTE

PASSED and APPROVED at a regular meeting of the Planning Commission of the City of Vallejo, State of California, on the ____ day of _____, 2007, by the following vote to-wit:

AYES:
NOES:
ABSENT:

CHARLES LEGALOS, CHAIRPERSON
City of Vallejo PLANNING COMMISSION
Attest:

Don Hazen
Planning Commission Secretary

Questions from Commissioner McConnell and staff responses.

1. Why is there a difference of 15% for rental set aside vs. 10% for purchases for low and Moderate income?

Because rental development was economically feasible at the time of the study, our consultant recommended putting in place a lower percentage requirement for rental. When the rental market heats up again, the City could consider a higher requirement.

2. Comment on the desirability of the goal of having units distributed evenly throughout the city.

Distributing affordable housing throughout the city allows families to have housing opportunities in all areas of the city, in all communities. This avoids one neighborhood being overly concentrated with very low income housing at a high density, and attendant issues.

3. What can the city do to contest the assignment of required low, very low and moderate income required units by ABAG? What has and will the City of Vallejo do with respect to this assigned figure? How do other cities compare?

The City of Vallejo is not contesting the ABAG figures. Other cities have significant requirements, particularly more urban areas, Oakland, San Francisco, and San Jose. Cities have not met their goals but have not received penalties as long as their city is sufficiently zoned for residential. Some cities have been sued because they do not have a certified Housing Element.

4. What other tools are there to develop affordable housing exist for the City of Vallejo aside from what is discussed this report?

The main options for affordable housing are through land use policy- as we are proposing with inclusionary, setting aside funds from the General Fund-which is already under funded, creating a Commercial Linkage fee for commercial development, or raising revenue which requires 2/3rds or a majority vote, which is extremely difficult to achieve.

5. Do you consider the cut off line of having received a tentative map approval or final planning approval as a fair point of establishing a cut off point? What other alternatives exist or can be utilized?

A cut off must be established at some point--the 40 units in the pipeline could be grandfathered in and exempted.

6. Why is the process and the criteria for selecting buyer and renter qualification for affordable housing not established as a part of this ordinance? It seems we will be anointing a very few select individuals with the blessing of buyer assisted. It only seems proper to establish this criteria at this time. Your presentation indicated as many as 80%

of the population of the City of Vallejo meets the criteria of moderate, low income, or very low income.

The criteria for buyers is in the ordinance. Income eligibility and being a first-time homebuyer is established. If the Council wants to establish preferences such as living or working in Vallejo it can be proposed. However, Fair Housing Law indicates that even with preferences we must still allow anyone to apply.

7. Why the establishment of such a small number as 3 units for requiring compliance with the paying for affordable housing subsidies?

So that all projects are required to comply, with every new project land becomes less and less available for new development. Also, if we set the threshold higher, developers may try to avoid it by building fewer units, which is an undesirable outcome. Could be established at 5 units.

8. Which 40 units and developers will be affected by the establishing of a Nov. 7, 2006 establishment date?

Two projects, Sandy Beach Estates (developer Cole Carter) 17 units, and Skyline Estates 23 units.

9. There are 571 units in the pipeline that have not received a planning approval. After exempting Lennar Mare Island due to a Development Agreement there are only 40 units affected. Which ones and whose are they? Same as above.

10. Will the 223 unit project at Rollingwood & Benician Road project be subject to the requirement. Where are they in the process. Please address the concerns expressed by the Vallejo School Board at the hearing of Feb. 21, 2007.

Yes, they will be subject as stated in the staff report. They have not submitted an application to Planning yet. They are concerned about their land value being impacted by the requirement, however, that dollar estimate was established before the draft Ordinance was made available. In other words, there are incentives and options in the ordinance that would make compliance easier and less costly to the developer. The developer is trying to use this to negotiate a lower land price.

11. The 300 unit project at Crossroads. Where are they in the process of not being subject to this project?

They would be subject to the ordinance, as stated in the staff report.

12. What will be the cost per unit on the remaining Units at both Rollingwood and Crossroads if this ordinance applies to them. Why should they be included since they have already incurred substantial expenses in moving this project along on a foundation that such a requirement did not exist?

Because they have not submitted Planning applications at this point and they will be taking substantial land out of commission that could be used for affordable housing. The Inclusionary ordinance was under direction from Council since June 2006.

13. What is the projected breakdown on the 1,800 projected requirement of very low vs. low vs. moderate income? What number of this will be for rental vs. purchase?

It would likely be primarily for sale housing, given past trends, and therefore, mostly 10% Moderate, and 5% Low based on the draft ordinance. But if the rental market improves, this could change.

14. If Triad is only being required to provide 9% affordable units, why is it not fair and equal to require more from later projects?

Triad is subject to a DDA which was negotiated and under which they receive other benefits such as Redevelopment subsidized land, and because they are a catalyst project, the Agency agreed to take on the 6% Very Low requirement. However, the City does not have resources to meet this Redevelopment Law requirement, beyond that which will be used toward the Triad requirement. Any new development in a Redevelopment Area must meet the 9% Mod, and 6% Very Low Requirement. The Agency does not have any further resources to meet the 9% and 6% requirement on future projects.

15. How can a Low income owner occupied house with a fair market value of \$700,000.00 be afforded under this ordinance with a projected purchase date of summer, 2009?

Because the price will be set to an affordable price in 2009 based on the Area Median Income limit in Solano County in 2009.

16. Are we defining affordable housing based upon the purchase price or upon the ability of very low, low, and moderate income people to pay a pre defined amount? If the definition is based upon the ability to pay, isn't this ignoring the reality of the market place?

Yes, we are, and yes it is.

17. If the fair market value of housing increases by 25% in the next three years, but income increases by only 7% does the developer have to hold the price on sales or does the City have to further subsidize the chosen applicant?

The developer would be limited in the affordable sales price. The city does not have resources to add to make the units affordable.

18. If union members who earn more than non union members are only at 80% of Area Median Income, they are Low Income or below. That either relegates them to rental

subsidy or makes them compete with others for the owner subsidized unit. What do we do about those who don't obtain a purchase subsidy?

There will very likely be a very large demand for the for-sale units, and typically cities hold lotteries to determine an order of application review. Then those who meet all the lender's qualifications will be approved in the order of the lottery selection. We will not be able to meet all of the demand.

19. Why do you represent that rents will continue to rise in 2007? If so, for how long and at what percentage compared to the 2007-2013 ABAG required period of projected required units? What do we do if the housing market tightens even more, or reduces?

The projections are based upon projections from real estate professionals, such as California Apartment Owners Association. We don't know for how long. But the point of the Inclusionary Zoning ordinance is that it is long-term policy and should not be based upon fluctuating market conditions. It is part of the General Plan implementation which is a visioning document.

20. The staff report seems contradictory in whether to permit units that appear different on the outside of the structure compared to non subsidized units. What position are you advocating and why?

Affordable units should architecturally blend in with the overall site development and be incorporated into the development in such a way that they do not stand out. The attached units could be placed on corner lots so as to blend in with the single family units. We are trying to allow some flexibility to developers in meeting the requirement, and still reach the goal of mixed-income communities.

21. How many 4 bedroom units will be permitted in a subsidized unit or project?
There is no limit, it is up to the developer.

22. If we permit 4, 5, 6, or more bedrooms in a subsidized unit what restrictions are there from the occupying owner or renter using it as a home business, such as a care home or half way house?

The units would be restricted to be Owner-occupied, not rental. The owner could use them for home business if City zoning allows for that.

23. If we have a limitation of years on a large subsidized unit, what do you envision happening to that unit at the end of the restrictive period? What is to stop a purchaser at that time from buying the unit and using it for a Rehab house for registered sex offenders if it qualifies geographically? Or, a drug or prison parole half way house? This would be a particular concern for the multiple bedroom units.

This question is irrelevant. Anyone can buy any home for sale in Vallejo at anytime and use it for any legal purposes.

24. If we build a mixed use at the lot on Redwood & Sonoma, will there be a subsidized housing requirement at that location?

There will be an affordable housing requirement on all new projects with residential components. The City is not subsidizing inclusionary housing. INCLUSIONARY HOUSING is NOT SUBSIDIZED- subsidized means the City finances the project in some way- inclusionary housing is AFFORDABLE based upon the rent or sales price restrictions required.

25. If a purchaser places the subsidized unit into a living trust there might never be a "sale" where the City recoups it's money. How does the use of a living trust affect the appreciation allocation on the unit? How will the City of Vallejo track this and impose the 45 year limitation if the Recorder does not alert the City?

In the Resale Restriction Agreement the city can designate allowable transfers, if resident remains in unit for 45 years, could will the unit to children. If 45 years is not up, must be sold to eligible buyer.

26. What is to stop a subsidized owner from sub letting or placing the purchased unit in a living trust and then having the trust rent it out? How would the City ever learn of this without a period review process in place?
INCLUSIONARY HOUSING is NOT SUBSIDIZED- subsidized means the City finances the project in some way- inclusionary housing is AFFORDABLE based upon the rent or sales price restrictions required.

27. The report contends that the city has the ability to enforce provisions. The city is widely acknowledged as not being able to enforce it's own codes unless there is a complaint, and then it is limited by staff availability. How do you expect the city to enforce the maintenance of units requirement as contended on page 9 of the staff report, last paragraph.

The ownership units will be inspected upon resale and either the seller would have to pay for repairs, or the funds would have to be deposited out of the sale into escrow to ensure work is completed.

28. If you offer off site construction of affordable units, doesn't that destroy, weaken, or minimize the concept of affordable housing being diffused throughout the entire city? How does the City protect those neighborhoods where there are already many subsidized units in place such as the downtown, historical district, St. Vincent Hill, and the area surrounding Sereno Village?

Off-site construction might result in some units built off-site, but the requirements are stringent and would be useful where a developer owns other land in the City. It would lessen the dispersal effect of the ordinance, but it allows flexibility for the developer.

29. What will be the financial impact of building a small, i.e. 3 unit project if the "in lieu" fee is paid? Page 10 seems to state that the in lieu fee per affordable unit is \$504,100.00 However, the report contends that this results in a fee payment of \$252,050. Explain this.

A fee payment is made where a fractional unit of less than .5 is required, so a fee on a three-unit project would be $3 \times .15 \times 504,100$, equals \$226,845. A fee for a fractional unit would always be less than .5 of the \$504,100, or less than \$252,050.

30. If land dedication is selected as a mitigation, what criteria exists to determine the acceptability of the offered land? Will there be a requirement of the lot being "buildable" or buildable with additional expenses due to slope, slide, noise, or other environmental mitigation requirements?

Yes, I would expect it would have criteria of being buildable and a minimum value.

31. What is the difference in dollars for a 3 unit building if the in lieu fee is based on an affordability gap vs. a cost to build gap formula?

Don't have that information at this time.

32. How far away from tentative map approval or other final planning approval are any of the projects now in the pipeline?

A few months.

33. If we generate \$250,000 of in lie fees and your estimate of one half staff person being required or an outside contractor requiring up to \$125,000 PER YEAR is accurate, isn't the effect of this requirement mostly enabling more government employees?

No, any funds not needed for administration would be used for new affordable housing development or downpayment assistance.

End of questions on staff report material.

Questions generated by a review of the language of the proposed ordinance:

1. How can housing designated as student housing only utilize these provisions? Should student housing such as might be built for the state college Maritime Academy or the private school on Mare Island be subjected to these requirements?

Full-time Students are typically not eligible for affordable housing programs unless the housing is sponsored by the university or academy, because student income is "artificially" low in that it is a short-term situation. Exclusively student housing might not make sense, however, housing that is open to faculty, students, and others, should have a requirement.

2. How much does it cost the agency to buy down an interest rate to a Freddie Mac thirty year mortgage rate? Does or has the agency done this?

The Agency does not do this typically.

3. HSC §50053. (b) reads: for any rental housing development that receives assistance on or after January 1, 1991, and a condition of that assistance is compliance with this section, "affordable rent," including a reasonable utility allowance, shall not exceed:

(1) For extremely low income households the product of 30 percent times 30 percent of the area median income adjusted for family size appropriate for the unit.

(2) For very low income households, the product of 30 percent times 50 percent of the area median income adjusted for family size appropriate for the unit.

(3) For lower income households whose gross incomes exceed the maximum income for very low income households, the product of 30 percent times 60 percent of the area median income adjusted for family size appropriate for the unit. In addition, for those lower income households with gross incomes that exceed 60 percent of the area median income adjusted for family size, it shall be optional for any state or local funding agency to require that affordable rent be established at a level not to exceed 30 percent of gross income of the household.

How do you apply the mandates of this section without nearly everyone in the City of Vallejo compared to the citizens of Vacaville or Lafayette qualifying?

We are using Solano County Area Median Income. Many households in Vallejo will qualify.

4. How many first time home buyers has the agency assisted in the last 3 years? What are the actual dollars placed into a purchase through affordable housing purchases?

Roughly 15 homebuyers through downpayment assistance loans. Loans average around \$80,000 per loan, some are higher.

5. I Recommend to City Council that Section 16.56.030 be amended by adding Paragraph G to read as follows: Affordable Units must be geographically dispersed throughout the City of Vallejo giving consideration to the already existing presence of affordable units whether as authorized by this ordinance or as established or existing under the provisions of the Section 8 program within the City of Vallejo.

6. 16.56.040 provides for alternative housing type, such as townhouses in a single family detached project. Isn't this drawing attention to the difference of anyone who lives there by having observable and known differences? Or, is this a practice that is supported?

This assists the developer financially in meeting the Inclusionary obligation and other cities allow it as well.

7. 16.56.040 permits a 20% reduction in parking spaces. I recommend that this be limited to projects within walking distance of the ferry building or the park and drive lot. Other areas such as the downtown transit station and the Sereno Transit Village are all ready over impacting the area.

8. 16.56.040: provides a credit of 1.25 units for those over 4 bedrooms. I recommend that there be a provision that this credit can not be transferred to projects off site. I recommend specific restriction against any home businesses being conducted at these locations.

9. 15.56.040. What restrictions or controls will exist for the use of funds created by this ordinance as permitted by 15.56.040 F (1) and (2). (Where "excess" of affordable units exists or the project serves households with lower incomes than required under 16.56.020A and B).

10. 16.56.060. I recommend a deed restriction on type of uses that may be permitted at such a unit.

11. 16.56.060B requires restarting the 45 year restriction upon a transfer. I recommend that the deed restriction also include the placing of the unit into trust or the creation of a life estate or any other type of remainder interest in property.

12. 16.56.060C prohibits rental use unless approved for hardship reasons. What are the criteria for hardship exceptions, and, shouldn't they be specified in this ordinance?

We can specify them in the Resale Restriction Agreement in the implementation procedures. Could be life-threatening illness, divorce, or lay offs.

13. 16.56.060D - profit on resale. What is the procedure that a real estate agent or a resident without an agent will be able to determine what the purchase price will be. Should there be a limitation on the commission that can be charged on a subsidized unit? Otherwise, the commission comes out of the equity share that the owner would otherwise have.

The purchase price will be set by the city based upon AMI at the time of sale.

14. 16.56.070B If you permit a developer to "make possible construction by another developer" the building of affordable units not physically contiguous to the market rate units, doesn't this violate the fundamental purpose of having affordable units interspersed throughout the city and not concentrated in the same area time and time again.

15. 16.56.070C(1) requires the City Council to establish the in lieu fee by resolution. Had that fee been established on Feb. 15, 2007, what would the recommended by staff fee have been?

It is in the draft fee resolution.

16. 16.56.080A permits the city to charge administrative fees on funds generated by this ordinance. Section B permits the city to charge the seller 1% of the restricted resale price. What are the projections as to whether the tracking of these funds will cost the city money compared to the 1% fee or will make the City money.

It will not be costly to track fees. They will be deposited into a separate Inclusionary Housing Fund.

17. 16.56.095 enables the City Manger, and thus his designate, to adopt rules and regulations to calculate buyers or tenants eligible under this ordinance. My recommendation is that these rules and regulations be required to be reviewed and specifically approved by a city council.

18. 16.56.120 establishes Nov. 7, 2006 as the deadline for designating projects that will not be required to be under this ordinance. My recommendation is that there be a procedure by which a developer can petition directly to the City Council for an exclusion of this requirement. This seems harsh when applied to Crossroads and the Sandy Beach developer. 16.56.130 seems to be overly restrictive for adjustments or waivers.

19. 16.56.130D exempts the developer if there is a "taking" Who gets to decide whether there is a taking and on what grounds? Isn't this just inviting a law suit?

The courts decide. No Inclusionary ordinance in the country has ever been found to result in a taking.

Questions generated during the hearing process:

1. What is the current and projected vacancy rate for rentals in each of the next 7 years?

Through September 2006, North Bay Apt. vacancy rate was 4.1% compared to 5.3% a year ago. Average apartment rent rose 3.8% through Sept. 06. Hendricks and Partners Apartment Update.

2. Comments suggested that eligibility for entitlement under this ordinance be limited to those who actually work in the City of Vallejo and thus increase our job base. How do we implement such a restriction in an ordinance? What Constitutional rights of freedom of

travel might be restricted? Or, can this be made an enforceable clause of contract? Even if it is, how do we monitor and enforce it?

We can put in preference for live/work in Vallejo as a criteria, but we cannot exclusively limit it to this group under Fair Housing Law.

3. What is the date by which you currently forecast residential build out will occur?

Cannot forecast.

4. Can we use Marina slips as sites for affordable housing? Can houseboats be used?

Staff would not recommend this, for both safety and economic development reasons.

5. The concept of equity share was created by Roy Malone in San Francisco during the 1970's housing increase. He and his partner wrote a book on this subject. It called for a equity share that matched the per-centage of down payment advanced by the investor and the purchaser. It called for sale of the unit within a period of time more limited than 45 years. Shouldn't the City of Vallejo call for a similar approach on the percentage of share and the time limitation in which the unit should be sold?

This is not a wealth creation policy, nor a lottery, it is a policy to create affordable units for the long-term.

6. Please integrate the mobile home park owners into this formula.

New mobile home parks would be required to comply as residential projects.

7. If the ordinance permits credit for the rehabilitation of 40 year plus projects that are deteriorated, it appears to me that this simply further encourages the tax code policies of rewarding deterioration and encumbering enhancement. The good property owner suffers while the "slum lord" prospers without capital expenditure. This practice is what has resulted in Vallejo having so many deteriorated buildings. We need a new and different approach on what units qualify for transfer credit under this ordinance. Otherwise, you simply further encourage those properties that are or shortly will be at the 40 year eligibility and can certainly be let go.

Commissioner Peterman's questions and staff responses:

Inclusionary Housing Ordinance Comments/Questions

I realize that Inclusionary Zoning/Housing is a huge issue. I feel that everyone in Vallejo deserves the opportunity to have a home. I feel that we should be very thoughtful in this ordinance and give our city the best we possibly can. I personally have spent hours reading the material and researching the subject in a variety of sources. Also I must state that I certainly appreciate the many hours of hard work that you have put into this. Thank you for taking the time to read this and respond to my questions and comments.

Kent Peterman
Vice-Chair City of Vallejo Planning Commission

1. I think that we all wish to provide housing opportunities for all members of our community and all segments of our society and I also believe that to do so was the intent of the City Council in requesting this ordinance; I do however have some concerns about the ordinance as presented.
2. I'm concerned about the disincentive to maintain property if the price can't go up.
 - A. The price will rise as the Area Median Income rises. If the owner improves the property, such as adding a bathroom, the price will be adjusted to include the fair market value of improvements. The Resale Restriction Agreement recorded on ownership units and the Regulatory Agreement for rental units will have requirements to meet certain maintenance standards. The city will inspect for-sale units prior to resale to ensure that unit is maintained, and funds would be held in escrow for deferred maintenance or repairs at the resale. Based on information from other inclusionary zoning jurisdictions, deterioration above and beyond normal depreciation was not a significant issue.
3. If the residents can't sell for more money would it not affect people's ability to move up?
 - A. Salaries will likely increase, and because housing costs will be limited, the initial buyer will be more likely to save future funds for a down payment for a move up house. If the market goes up dramatically, it may make it more difficult for an owner to afford another home at time of resale. Alternative language has been proposed in the Planning Commission report that could gradually increase equity in the home (up to fair market value), the longer a family remains in the home.
4. Putting different kinds of houses in a specific area seems to me to counteract the purpose of Inclusionary Housing and would serve to spotlight the residents of inclusionary housing rather than helping them to blend in.

- A. The basic requirement of the ordinance is to provide inclusionary units within the project so that they are indistinguishable. The alternative, which a developer may request, of providing an attached product is an incentive to help the developer defray the cost of the inclusionary units. Allowing alternative product type would still allow for mixed-income communities. The off-site compliance option would not achieve a mixed-income community; however, it would meet the goal of providing new affordable rental housing at a lower targeted affordability level.
5. If price of market rate houses increase might we price a whole other segment out of the market?
A. Answer above.
6. Forty five years seems too long. Many ordinances have a lesser period which would allow people to see a "light at the end of the tunnel" and actually own their house.
A. The 45-year period allows the units to be counted toward State Fair Share goals and Redevelopment goals because it is in compliance with Redevelopment law. Staff recommends keeping the 45-year term.
7. On p. 6 it is stated that waterfront Development is exempt but waterfront Disposition is at 9% can you explain this?
A. The Triad Downtown development has a 9% requirement to be affordable to Moderate-income. The Waterfront Development was very recently amended to include an affordable housing component. There is a clause in the scope of Waterfront development which states a goal to achieve 9% affordability at moderate income for the Kaiser property (Parcel T-1) only.
8. Applying the ordinance to three units or more seems extremely low. I think we should raise that considerably.
A. The draft ordinance is revised to raise the threshold to 5, to conform with the 5 lot parcel threshold for a major subdivision.
9. DRA report says "even in the absence of Inclusionary requirements multifamily rental housing is not economically feasible in the current VJO market." So what would the requirements do to that scenario?
A. The requirements would not affect current projects because there are currently no apartment projects in the pipeline. Land prices will adjust for future rental development proposals to factor in an inclusionary requirement, and this may slow the initiation of new rental projects somewhat as landowners' price expectations adjust.

10. On Page ES-8 of the DRA report there is mention of a Negative impact on landowners. Can you explain this further?

A. The entire report addresses the financial impact of an inclusionary requirement. Powerpoint slides located on the City website under Inclusionary Study on the Housing page show that per square foot land value is reduced with an inclusionary requirement because the sales price and profit of a project are reduced with restricted affordability, so the land price is negotiated downward. However, ownership projects are still well in the threshold for significant profit and overhead for developers, (16%). The impact to the developer is summarized in the November 28, 2006 Memorandum from DRA, which was included in the Planning Commission packet.

11. Concessions:

a. Density bonus: How does that affect quality of life? Might it cause problems? (P.30)

A. Vallejo's existing general plan allows higher density zoning than developer's request, in most cases. Developers tend to request the density needed for their development and usually fall below the maximum, or require a re-zoning. The density bonus could only apply in limited situations so staff does not believe it will affect quality of life in any significant way. Each project will be evaluated as it comes in.

b. Report says "density bonus can reduce market appeal" (p. 39) also states that it may result in different materials making it less attractive to developers "a density bonus with Stacked Flat Condominium prototype substantially reduces land residual value" (p.43) I am concerned about this.

A. Developers need not request the density bonus if it does not improve the bottom line of their project.

c. A reduction in site development standards including architectural design requirements. (Page 31). What would that do to VJO? I think it imperative that we maintain high standards of design.

A. The draft ordinance does not recommend any change in architectural design requirements.

12. Numbers of parking spaces in tables do not seem to allow for guest/visitor parking. Where will they park? An incentive to change parking requirements would further exacerbate this situation.

A. Parking requirements do include a proportion for visitor parking.

13. Agreement with buyer p.2 Article 2...property may not appreciate/may depreciate and Selling restrictions: Extraordinary sale...no great profit. This is a disincentive again to maintain/improve property.

14. I feel we should explore alternatives:

- a. We have an incredible model in VNHS (Vallejo Neighborhood Housing Services) I think that they are a better way to bring about inclusionary housing that would truly be inclusionary. They place people in various parts of the city and a variety of neighborhoods. They have a proven track record for doing this and they have the infrastructure so it could cost less in the end. (I have attached an information sheet about VNHS and some of their programs.)

A. If you are referring to the Downpayment Assistance Program which VNHS administers for the City, the City has provided an average of about \$300,000 in downpayment assistance loan funds to VNHS over the past two years. VNHS has provided 3 loans per year with an average loan amount of \$163,500 this year, and \$115,000 last year. Inclusionary Zoning would allow as proposed would allow the City to achieve a significantly greater number of affordable ownership units. Using the current VNHS model requires additional resources to be used to provide downpayment assistance loans, and there are not significant other resources available for these loans, other than funds that are currently targeted under City Council direction to City Park and the Country Club Crest. The Staff Report discusses the downpayment loan option in the alternative section under In-lieu fee payments.

- b. Dedicating land to a nonprofit developer or jurisdiction such as VNHS or Christian Help Center or one of the many organizations that are already helping people to acquire homes. This could help with needed infill

A. This option has been included in the discussion in the alternatives section of the Planning Commission staff report for projects that come into Planning for a tentative map approval in the first 12 months after ordinance adoption.

- c. Habitat for Humanity model is a good one
 - i. From what I've read Habitat holds second mortgage for the difference between affordable price and market price and the second is only paid back if the property is sold.

A. The draft ordinance is proposing the same idea, and it also includes a resale restriction agreement, which Habitat also uses, to limit the resale price.

- d. . In lieu fees
 - i. give people a wider choice of housing possibly

ii. Can builders get together to build an “in lieu”?

A. In lieu fees are discussed in the Planning Commission staff report, in general, the City could accept fees for all projects, which does not result in mixed-income communities, or concurrent affordable construction. It also requires waiting to accumulate enough funds to fund a new affordable development, or using the funds for downpayment assistance for homebuyers. This is a policy decision for consideration.

e. Off Site Compliance

i. More affordable houses built

ii. Partner with non profits who have a vested interest (see 14a/b)

A. Off-site compliance is already included in the draft ordinance as an alternative option.

f. Can developer credits be pooled and transferred to other locations?

A. This option has been added under the Alternatives discussion section of the Planning Commission staff report.

g. What about incentives for building? (see p. 5 from HBA...home builders association).

A. HBA's requested incentives have been in some measure incorporated in the revised ordinance or discussed in the Alternatives section of the staff report.

VNHS (included by Commissioner Peterman)

Vallejo Neighborhood Housing Services, Inc. (VNHS) was incorporated in 1980, at which time its target area was the Southside of Vallejo, California. In its 25th year in business, VNHS is recognized as one of the premier providers of home ownership opportunities for low and moderate-income residents of Solano, Napa and Contra Costa counties. VNHS is currently ranked 17th in production in the National NeighborWorks© Campaign for Home Ownership 2002 (which includes over 100 NeighborWorks© organizations), in spite of serving one of the ten least affordable markets in the nation.

Led by a resident-majority volunteer board and managed by an eight-member professional staff,

VNHS offers a variety of programs such as:

- 1) The Homebuyers Club, a six-week training course for potential homebuyers,
- 2) Fastrack, an eight-hour course for more mortgage-ready buyers, below-market rate first mortgage loans
- 3) Second mortgages for down payment assistance,
- 4) Closing cost grants for first time homebuyers
- 5) Post purchase products such as exterior paint grants,

- 6) Very low interest rate housing rehabilitation loans,
- 7) Foreclosure prevention and early intervention delinquency counseling.
- 8) VNHS also builds housing for sale to very low and low-income families,
- 9) Purchases vacant housing and rehabilitates it for sale to first time homebuyers
- 10) Manages its own stock of rental housing available to very low and low-income residents.
- 11) Additionally, VNHS continues its work with the Vallejo Neighborhood Revitalization (VNR) initiative, a multi-agency approach to promote and measure targeted neighborhood revitalization.

(3/6/2007) Laura Simpson - My suggestions on Inclusionary Housing

From: "gailmanning" <gailmanning@pacbell.net>
To: "Don Hazen" <dhazen@ci.vallejo.ca.us>, <lsimpson@ci.vallejo.ca.us>
Date: 2/27/2007 7:20 PM
Subject: My suggestions on Inclusionary Housing

CC: <charles@criticalcontacts.com>, "Brian Dolan" <Bdolan@ci.vallejo.ca.us>
 Don and Laura,

Here are my recommendations and thoughts regarding Inclusionary Housing Ordinance

Ordinance MUST be "benefits-based" including more incentives for Developers to build. All the research I read sites incentives as one of the key success factors.

- * Density Bonus should not be just compliant with the CA density bonus law; it should include >% and more flexibility
- * Building code revisions and incentives such as reduced or fee exemptions and expedited review should be included
- * Please keep in mind in-fill housing in particular as this is where most of our new housing will come from. So things like Adaptive Use (including using building code requirements for historic properties), Mixed Use, Up Zoning should be included
- * Set a threshold of >20 units to start and reduce to 10 units after Ordinance in place for a few years (and program is successful). Don't create an ordinance that reduces the number of smaller in-fill housing. These small projects are crucial to the revitalization of our community. Don't price these out with this ordinance!
- * In lieu fees should be allowed and these \$s could be set aside for funding the new owner's down payments. This also could cover the additional administrative costs needed to administer this ordinance. In the DRA survey all the cities surveyed exempted projects < 5 units. The current Vallejo Ordinance is < 3. There will not be enough profit margin in this smaller build projects. And it sends wrong message. Set the number higher to start and write the ordinance in a way that can be modified later.
- * Exclude the smaller projects already in the pipeline, the Sandy Beach project in particular. What about the six manufactured houses we approved on Illinois street? Would they also be caught in the change? Again, wrong message! They planned, negotiated and filed permits without any knowledge of this ordinance. A large developer can manage these additional costs, but this will take any profit out of these smaller projects like Sandy Beach.
- * Unit interiors or exterior finishes, alternative product type, parking reduction, larger unit incentives: I agree with these incentives. Let's add more!!

Other general comments:

- * Proposed rental fees too high, close to market rate. Suggest you use a percentage of market rate instead
- * Condo conversion % seem very high. We don't have very many large apartment buildings that could become condos. I suggest more analysis based on average Vallejo # of apartment units.
- * I'm still concerned about the little to know equity of the buyers. It seems that this hasn't been a disincentive in other communities. More important is helping them get the down payment.
- * Why did you pick 45 years for ownership? Looking at the survey and the other reports I found on line, the norm seemed to be 30 years.
- * I heard several good ideas during the public hearing, hope you took good notes!
- * I understand the concern raised by the Vallejo School District, however I feel that if this Ordinance is crafted correctly any initial decrease in land value can be kept to a minimum.

Thank you for allowing me to give my input. I learned a lot and I hope my comments help.

Gail Manning

707-373-3079

SUMMARY OF INCLUSIONARY HOUSING SURVEY

Jurisdiction	County	Year Adopted	Minimum Project Size	% Units Required	Target Population	Alternatives to Construction	Units Produced	Length of Affordability
Agoura Hills	Los Angeles	1987	11	10	MI	OSA ILF	50	N/A
Alameda County	Alameda	2000	0	N/A	N/A	N/A	N/A	N/A
Arroyo Grande	San Luis Obispo	1993	5	10	LI	OSA ILF LDA	1	30
Benicia	Solano	2000	10	10	VLI LI	OSA ILF LDA DCT	N/A	30
Berkeley	Alameda	1986	5	20	VLI LI MI	None	75	P
Brea	Orange	1993	20	10	VLI LI MI	OSA ILF	278	30
Calistoga	Napa	1990	5	20	LI MI	None	78	N/A
Carlsbad	San Diego	1993	0	15	LI	OSA ILF	1142	N/A
Chula Vista	San Diego	1981	50	10	VLI LI MI	OSA ILF LDA DCT	1172	55 to Permanent
Clayton	Contra Costa	1995	10	10	VLI LI	OSA ILF LDA	84	N/A
Contra Costa County	Contra Costa	N/A	0	15-25	MI	LDA	756	15-30
Coronado	San Diego	1982	2	20	LI MI	ILF	N/A	N/A
Corte Madera	San Mateo	1989	10	10	MI	None	43	P
Cotati	Sonoma	1985	5	15	MI	ILF	N/A	N/A
Cupertino	Santa Clara	1983	N/A	15	VLI LI MI	ILF	160	99
Danville	Contra Costa	1999	8	10-15	MI	OSA ILF DCT	70	20
Davis	Yolo	1974	5	25-35	VLI LI MI	OSA ILF LDA DCT	1453	N/A
Del Mar	San Diego	N/A	10	10	LI	ILF	N/A	30

APPENDIX A

Jurisdiction	County	Year Adopted	Minimum Project Size	% Units Required	Target Population	Alternatives to Construction	Units Produced	Length of Affordability
Dublin	Alameda	1996	20	12.5	VLI LI MI	OSA ILF LDA DCT	59	30-55
East Palo Alto	San Mateo	1994	2	20	VLI LI MI	OSA ILF	115	50-59
Emeryville	Alameda	1990	30	20	MI	OSA	463	45-55
Encinitas	San Diego	1990	10	10	VLI	ILF	56	55
Fairfax	Marin	N/A	0	N/A	N/A	N/A	N/A	N/A
Fremont	Alameda	2002	7	15	VLI LI MI	OSA ILF LDA	N/A	30-99
Gonzales	Monterey	N/A	0	N/A	N/A	N/A	N/A	N/A
Half Moon Bay	San Mateo	1996	10	20	VLI LI MI	OSA ILF	12	P
Healdsburg	Sonoma	1993	0	15	LI MI	OSA ILF LDA	N/A	10
Hercules	Contra Costa	1997	10	10	MI	OSA	N/A	N/A
Hesperia	San Bernardino	1991	5	**	N/A	LDA	202	30
Huntington Beach	Orange	2001	3	10	LI	ILF LDA	313	30-60
Irvine	Orange	1977	0	5-15	VLI LI MI	OSA ILF LDA DCT	4469	N/A
Isleton	Sacramento	2000	N/A	15	VLI	OSA ILF DCT	N/A	10
Laguna Beach	Orange	1985	3	25	VLI LI MI	OSA ILF	139	30-55
Larkspur	Marin	1990	10	10-15	LI MI	ILF LDA	85	N/A
Livermore	Alameda	1986	N/A	10	LI	OSA ILF LDA	217	55-99
Lompoc	Santa Barbara	1992	10	10	VLI LI MI	OSA ILF	3	30
Long Beach	Los Angeles	N/A	5	N/A	N/A	ILF	N/A	N/A
Los Altos	Santa Clara	1990	2	10-20	N/A	None	50	30
Los Gatos	Santa Clara	N/A	5	10	MI	ILF	N/A	55
Mammoth Lakes	Mono	2000	0	10	LI MI	OSA ILF DCT	2	50
Marin County	Marin	N/A	10	15	LI MI	OSA ILF LDA DCT	N/A	N/A
Menlo Park	San Mateo	1980s	5	10-15	LI MI	OSA ILF	28	55
Mill Valley	Marin	1988	2	10-15	VLI LI MI	OSA ILF	319	case by case

Jurisdiction	County	Year Adopted	Minimum Project Size	% Units Required	Target Population	Alternatives to Construction	Units Produced	Length of Affordability
Monrovia	Los Angeles	1990	0	20	MI	None	280	30-Permanent
Monterey	Monterey	1981	10	15	MI	OSA LDA	438	30
Monterey County	Monterey	1980	7	10-15	N/A	OSA ILF DCT	1388	30-Permanent
Morgan Hill	Santa Clara	1977	0	10	LI MI	ILF	302	45-55
Morro Bay	San Luis Obispo	N/A	0	10	LI MI	ILF	N/A	30
Mountain View	Santa Clara	1999	4	10	LI MI	ILF	N/A	55
Napa	Napa	1999	0	10	VLI LI MI	OSA ILF LDA	56	30-Permanent
Napa County	Napa	1992	0	10	VLI LI MI	OSA ILF LDA DCT	N/A	40
Nevada County	Nevada	1995	20	10	MI	OSA	N/A	10-30
Novato	Marin	1999	0	10-15	LI	ILF DCT	40	P
Oceanside	San Diego	1991	3	10	LI MI	ILF	N/A	55
Oxnard	Ventura	1999	10	10	VLI LI	ILF	15	20
Palo Alto	Santa Clara	1973	5	15-20	LI MI	OSA ILF LDA	274	59
Pasadena	Los Angeles	1991	10	15	LI MI	OSA ILF LDA	14	30-Permanent
Patterson	Stanislaus	1995	5	10	LI MI	ILF	5	P
Petaluma	Sonoma	1984	5	15	LI MI	OSA ILF LDA	1442	P
Pismo Beach	San Luis Obispo	2001	5	10	MI	OSA ILF LDA	N/A	30
Pleasant Hill	Contra Costa	1991	5	5-25	VLI LI	OSA ILF LDA DCT	5	P
Pleasanton	Alameda	1978	0	15-20	VLI LI MI	OSA ILF LDA DCT	300	P
Port Huereame	Ventura	N/A	10	25	LI MI	ILF	20	N/A
Portola Valley	San Mateo	1991	0	15	LI MI	ILF	N/A	N/A
Poway	San Diego	1993	0	15	VLI LI	OSA ILF	N/A	N/A
Rancho Palos Verdes	Los Angeles	1997	5	5-10	VLI LI	OSA ILF	N/A	variable
Richmond	Contra Costa	2001	10	10-17	VLI LI MI	OSA ILF	N/A	30
Rio Vista	Sacramento	2002	400	10	LI	None	N/A	N/A

Jurisdiction	County	Year Adopted	Minimum Project Size	% Units Required	Target Population	Alternatives to Construction	Units Produced	Length of Affordability
Ripon	San Joaquin	2001	5	10	LI	ILF LDA DCT	N/A	P
Rohmert Park	Sonoma	2002	5	15	VLI LI MI	OSA ILF LDA DCT	N/A	30-50
Roseville	Placer	1988	0	10	VLI LI MI	ILF LDA DCT	2000	30-Permanent
Sacramento	Sacramento	2000	10	15	VLI LI	OSA LDA	92	30
Salinas	Monterey	1992	10	12	LI MI	None	453	30
San Anselmo	Marin	1995	10	10	LI MI	OSA ILF LDA	N/A	P
San Benito County	San Benito	1997	0	20	N/A	None	N/A	variable
San Carlos	San Mateo	1991	0	10	LI MI	OSA ILF	40	N/A
San Clemente	Orange	1980	6	4	VLI	OSA ILF LDA	627	N/A
San Diego	San Diego	1994	0	20	LI	OSA LDA	537	N/A
San Francisco	San Francisco	1992	10	10-17	LI MI	OSA ILF	302	N/A
San Juan Bautista	San Benito	2000	6	16.7	VLI LI MI	OSA ILF	1	55
San Juan Capistrano	Orange	1995	2	30	VLI LI	ILF	196	10 - 30
San Leandro	Alameda	1980	20	10	LI	OSA	312	15-55
San Luis Obispo	San Luis Obispo	1999	5	15	VLI LI MI	OSA ILF LDA	N/A	30
San Mateo	San Mateo	1992	11	10	LI MI	OSA	102	30-Permanent
San Mateo County	San Mateo	1994	5	20	VLI LI	None	124	variable
San Rafael	Marin	1988	10	10	VLI LI MI	OSA ILF	611	N/A
Santa Barbara County	Santa Barbara	1993	5	5-20	VLI LI MI	OSA ILF	2244	30
Santa Clara	Santa Clara	1992	10	10	MI	None	N/A	N/A
Santa Cruz	Santa Cruz	1980	5	15	VLI MI	OSA ILF LDA DCT	640	N/A
Santa Cruz County	Santa Cruz	1978	3	15	LI MI	OSA ILF	750	P
Santa Monica	Los Angeles	1985	2	10-20	VLI LI	OSA ILF LDA	N/A	N/A
Santa Rosa	Sonoma	1992	0	15	VLI LI	OSA ILF LDA	385	30

Jurisdiction	County	Year Adopted	Minimum Project Size	% Units Required	Target Population	Alternatives to Construction	Units Produced	Length of Affordability
Sebastopol	Sonoma	1994	3	20	LI	ILF	9	15
Solana Beach	San Diego	1997	4	10	LI	OSA ILF	N/A	30
Sonoma	Sonoma	1995	5	10	VLI MI	None	11	30-45
South San Francisco	San Mateo	2001	4	20	LI MI	ILF	N/A	N/A
Sunnyvale	Santa Clara	1980	10	10	LI MI	ILF	749	20
Sutter County	Sutter	1995	10	5	LI MI	OSA ILF LDA DCT	N/A	N/A
Tiburon	Marin	1988	0	10	LI MI	OSA ILF	19	N/A
Union City	Alameda	2001	2	15	VLI LI MI	OSA ILF	N/A	N/A
Vista	San Diego	N/A	0	6	LI	ILF LDA	N/A	N/A
Watsonville	Santa Cruz	1991	N/A	20	VLI LI MI	OSA ILF	11	40
West Hollywood	Los Angeles	1986	2	20	LI MI	OSA ILF	13	P
Winters	Yolo	1994	5	15	VLI LI MI	ILF LDA	76	55
Woodland	Yolo	N/A	10	10-20	VLI LI	OSA ILF LDA	N/A	40
Yolo County	Yolo	1996	10	10	VLI LI	ILF	N/A	30
Yountville	Napa	1992	5	15	VLI LI MI	OSA ILF LDA	19	N/A

Key:

- OSA Off-site Allowance
- ILF In-Lieu Fees
- LDA Land Dedication Allowance
- DCT Developer Credit Transfer
- VLI Very Low-Income
- LI Low-Income
- MI Moderate-Income
- N/A Not Available
- P Permanent

* Voluntary Policy

** City encourages through a modified version of state density bonus law.

SURVEY INSTRUMENT



For the purpose of this study, "inclusionary" is defined as a mandatory requirement or voluntary goal to reserve a certain percentage of housing units for lower-income households in new residential developments. The affordable units are often expected to be dispersed throughout the development (hence the term "inclusionary"), in an effort to generate a mix of income levels within new residential areas.

SURVEY OF INCLUSIONARY HOUSING POLICIES

CITY: _____ AGENCY/DEPARTMENT: _____
 RESPONDENT: _____ RESPONDENT TITLE: _____
 ADDRESS: _____ CITY, ZIP: _____
 TELEPHONE: _____ FAX: _____
 EMAIL: _____ DATE: _____

APPENDIX B

GENERAL POLICY	1. Is inclusionary housing produced in your jurisdiction? <input type="radio"/> Yes <input type="radio"/> No
	2. Is there a formal policy for inclusionary housing? <input type="radio"/> Yes <input type="radio"/> No
	3. Is local inclusionary policy documented as a: <input type="radio"/> Local Ordinance <input type="radio"/> General Plan policy <input type="radio"/> Other (please specify): _____
	4. What year was the policy adopted?
	5. Has policy been amended? <input type="radio"/> Yes <input type="radio"/> No If yes, what year?
	6. Does policy impose requirements on both rental and for-sale housing? <input type="radio"/> Yes <input type="radio"/> No If yes, do these requirements differ for rental and for-sale housing? <input type="radio"/> Yes <input type="radio"/> No
	7a. Are projects with less than a certain number of units exempt from all inclusionary requirements (including in-lieu fees)? <input type="radio"/> Yes <input type="radio"/> No If yes, please specify minimum project size that is subject to inclusionary requirements: _____ units
	7b. Are smaller projects permitted to meet inclusionary requirements differently than larger projects? <input type="radio"/> Yes <input type="radio"/> No Example: Some cities allow payment of an in-lieu fee as an option for projects below a certain number of units, but not for larger projects; in this case, the respondent would check "Yes" and explain below. If yes, please explain how projects of _____ units or fewer may meet inclusionary requirements differently:
	8a. What percent of total rental units is required/encouraged to be affordable (for new development permits)? _____ %
	8b. Which income level(s) are rental inclusionary units targeted to? Example: If there is a 10% inclusionary requirement, with half of the units targeted to very low income households at 50% AMI and the other half targeted to low income at 60% AMI, write 5% next to "very low" and 5% next to "low." ____ % very low - at or below 50% of area median income (AMI), as defined by HUD ____ % low - 51% - 80% of AMI ____ % moderate - 81% - 120% of AMI ____ other (please explain): _____
8c. What percent of total ownership units is required/encouraged to be affordable (for new development permits)? _____ %	
8d. Which income level(s) are ownership inclusionary units targeted to? Example: If there is a 10% inclusionary requirement, with half of the units targeted to low income households 80% AMI and the other half targeted to moderate income at 100% AMI, write 5% next to "low" and 5% next to "moderate." ____ % very low - at or below 50% of area median income (AMI), as defined by HUD ____ % low - 51% - 80% of AMI ____ % moderate - 81% - 120% of AMI ____ other (please explain): _____	
9. Does the percentage of units required to be affordable vary depending on project size, density, or at the option of the developer? <input type="radio"/> Yes <input type="radio"/> No If yes, please attach a program description or explain here:	

SUPPLEMENTAL POLICY	9. Inclusionary requirements are: <input type="radio"/> Voluntary <input type="radio"/> Mandatory for all developers <input type="radio"/> Mandatory with exceptions
	10. Does policy require that both market-rate unit inclusionary units required be constructed concurrently? <input type="radio"/> Yes <input type="radio"/> No
	11. Does policy allow inclusionary affordable units to be built off-site? If yes, how many units have been built off-site since implementation? <input type="radio"/> Yes <input type="radio"/> No <input type="radio"/> No Data on Record
	12. Does policy allow land dedications to substitute for construction? If yes, how many units have been built as a result since implementation? <input type="radio"/> Yes <input type="radio"/> No <input type="radio"/> No Data on Record
	13. Does policy contain an in-lieu fee option? If yes, please complete questions 13B - 13G. <input type="radio"/> Yes <input type="radio"/> No
	13B. How many units have been funded partially or in whole by these funds? <input type="radio"/> No Data on Record
	13C. How many dollars have been collected in in-lieu fees since implementation? \$ <input type="radio"/> No Data on Record
	13D. Which of the following are used to trigger the ability to pay fees instead of construction? <input type="radio"/> Minimum parcel size of _____ <input type="radio"/> Maximum parcel size of _____ <input type="radio"/> Minimum unit # of _____ <input type="radio"/> Maximum unit # of _____ <input type="radio"/> Other:
	13E. On what basis is the in-lieu fee calculated? <input type="radio"/> Based on financing gap between affordable rent/sale price and market rent/sale price <input type="radio"/> Based on cost to provide an affordable unit in jurisdiction (replacement cost) <input type="radio"/> Based on assessed value of market rate units <input type="radio"/> Based on square footage of market rate units <input type="radio"/> Other (please explain):
	13F. Please attach a schedule of current in-lieu fees, or list current fee levels here.
	13G. For which of the following housing activities are in-lieu fees used? Please check all that apply. <input type="radio"/> New construction of rental/ownership housing <input type="radio"/> Acquisition/rehab of existing rental/ownership housing <input type="radio"/> Homeownership assistance (e.g. downpayment or mortgage assistance, single family rehab) <input type="radio"/> Rental assistance (e.g. rent subsidies, emergency rent assistance) <input type="radio"/> Other (please explain):
	14. Does policy allow for developer credit transfers? <input type="radio"/> Yes <input type="radio"/> No If yes, how many transfers have been executed since implementation? <input type="radio"/> No Data on Record
	15. Does policy allow for developers to avoid inclusionary requirements by proving infeasibility? <input type="radio"/> Yes <input type="radio"/> No
	16. Are linkage fees used to tie affordable housing construction to commercial growth? If yes, please note the total amount of fees collected since implementation. \$ <input type="radio"/> Yes <input type="radio"/> No <input type="radio"/> No Data on Record
	17. If policy allows for development of units off-site, does it require that more units be built off-site than would have been required on-site? If yes, please explain how this allowance is defined. <input type="radio"/> Yes <input type="radio"/> No
	18. Does policy allow differences in design standards for affordable units? <input type="radio"/> Yes <input type="radio"/> No
	19. Does policy require dispersion of affordable housing units throughout market rate developments? If yes, how is this deconcentration ensured? <input type="radio"/> Yes <input type="radio"/> No
	20. What penalties exist if developers do not comply with inclusionary requirements? <input type="radio"/> Permits refused <input type="radio"/> Extra fees <input type="radio"/> Future development refused <input type="radio"/> None <input type="radio"/> Other (please explain):
	21. Please indicate which additional incentive strategies are used to promote affordable housing construction? <input type="radio"/> Density bonus <input type="radio"/> Fast-track processing <input type="radio"/> Standards reduction <input type="radio"/> Growth control exemption <input type="radio"/> Tax abatement <input type="radio"/> Fee waiver <input type="radio"/> Fee deferral <input type="radio"/> Fee reduction <input type="radio"/> Other (please explain):
	22. Do federal, state and/or local subsidies supplement funding for inclusionary projects? If yes, please identify the average subsidy per unit: For rental units: \$ _____ For for-sale units: \$ _____ <input type="radio"/> Yes <input type="radio"/> No

PRODUCTION	23	How many total residential units have been constructed since policy implementation?	<input type="radio"/> No Data on Record
	24	How many total residential units were constructed in the five-year period 1997-2001?	<input type="radio"/> No Data on Record
	25	How many inclusionary affordable units have been entitled since policy implementation?	<input type="radio"/> No Data on Record
	26	How many inclusionary affordable units have been constructed since policy implementation?	<input type="radio"/> No Data on Record
	27a	How many inclusionary affordable units were constructed by market rate developers directly satisfying their inclusionary obligation either on-site or off-site during the five-year period from 1997-2001?	<input type="radio"/> No Data on Record
	27b	How many affordable units were constructed during the five-year period from 1997-2001 by an entity other than a market-rate developer, such as a non-profit, through land dedication or in-lieu fees?	<input type="radio"/> No Data on Record
	28	Of the inclusionary affordable units constructed by market rate developers, How many were for sale? How many were for rent?	<input type="radio"/> No Data on Record <input type="radio"/> No Data on Record
HOMEOWNERSHIP	29	Since policy implementation, how many inclusionary ownership units have been constructed by a market-rate developer? _____ units	<input type="radio"/> No Data on Record
	30	Since policy implementation, how many inclusionary ownership units have been constructed by another entity, such as a non-profit, through land dedication or in-lieu fees? _____ units	<input type="radio"/> No Data on Record
	31	Affordable sales prices are computed as _____ % of target group's median household income.	
	32	What methods are used to ensure the units are occupied by subsequent targeted income group populations? <input type="radio"/> Deed restrictions <input type="radio"/> Resale controls <input type="radio"/> Recapture mechanisms <input type="radio"/> None <input type="radio"/> Other:	
	33	How are resale prices computed?	
	34	Newly constructed units for homeownership are marketed by: <input type="radio"/> City <input type="radio"/> County <input type="radio"/> Developers <input type="radio"/> Realtors <input type="radio"/> Not monitored <input type="radio"/> Other:	
	35	Long-term affordability requirements for ownership units are monitored by: <input type="radio"/> State <input type="radio"/> City <input type="radio"/> County <input type="radio"/> Developers <input type="radio"/> Realtors <input type="radio"/> Third Party <input type="radio"/> Other:	
	36	How long is affordability required for sale units? <input type="radio"/> _____ years <input type="radio"/> Permanent	
	37	Does the jurisdiction have a way of prolonging affordability beyond this term? If yes, please describe.	<input type="radio"/> Yes <input type="radio"/> No
	RENTAL	38	Since policy implementation, how many inclusionary rental units have been constructed by a market-rate developer? _____ units
39		Since policy implementation, how many inclusionary rental units have been constructed by another entity, such as a non-profit, through land dedication or in-lieu fees? _____ units	<input type="radio"/> No Data on Record
40		Affordable monthly rent is defined as _____ % of target group's median household income.	
41		What methods are used to ensure the apartments are occupied by subsequent targeted income group populations? <input type="radio"/> Deed restrictions <input type="radio"/> Rental restriction agreements <input type="radio"/> Contracts with property owner <input type="radio"/> None <input type="radio"/> Other:	
42		Describe methods used for disposition of the housing after the affordability controls expire? <input type="radio"/> First rights-of-refusal by: <input type="radio"/> City/County <input type="radio"/> Non-profit <input type="radio"/> Other: <input type="radio"/> Other (please explain): <input type="radio"/> Name	
43	Newly constructed rental units are marketed by: <input type="radio"/> State <input type="radio"/> City <input type="radio"/> County <input type="radio"/> Developers <input type="radio"/> Realtors <input type="radio"/> Other (please explain):		

PERMANENT REVIEW	24 Long-term affordability requirements for rental units are mandated by: <input type="radio"/> State <input type="radio"/> City <input type="radio"/> County <input type="radio"/> Developers <input type="radio"/> Realtors <input type="radio"/> Third Party <input type="radio"/> Other (please explain):
	25 How long is affordability required for rental units? <input type="radio"/> _____ years <input type="radio"/> Permanent
	26 Does the jurisdiction have a way of prolonging affordability beyond this term? If yes, please describe. <input type="radio"/> Yes <input type="radio"/> No
	27 Have inclusionary housing practices in your jurisdiction stimulated the production of affordable housing that would not have been built otherwise? Please explain. <input type="radio"/> Yes <input type="radio"/> No
	28 How has the growth of affordable housing compared to the growth of market-rate housing since inclusionary policy was implemented? (Please note if both have been stagnant or booming.)
	29 What have been the primary obstacles to implementation of inclusionary policy? <input type="radio"/> Community opposition <input type="radio"/> Developer opposition <input type="radio"/> Local government processes <input type="radio"/> Lack of funding <input type="radio"/> Scarcity of land <input type="radio"/> Other (please explain):
	30 How has inclusionary policy affected relations with market-rate and non-profit developers?
	31 Please describe the extent to which special groups (e.g., farm workers, seniors) are specifically targeted by inclusionary practices in your jurisdiction.
	32 What changes would make the inclusionary policy more effective in promoting affordable housing development?
	33 Is the inclusionary policy for your jurisdiction available online? <input type="radio"/> Yes <input type="radio"/> No If yes, please indicate the web address: If no, please attach a copy of policy.

*Please return survey to Non-Profit Housing Association of Northern California
 369 Pine Street, Suite 350, San Francisco, CA 94104. Via Fax: (415) 989-8166*

ADDITIONAL READINGS & RESOURCES

Brown, Karen Destorel, *Expanding Affordable Housing Through Inclusionary Zoning: Lessons from the Washington Metropolitan Area*, The Brookings Institution Center on Urban and Metropolitan Policy, Washington, D.C., October 2001.

Calavita, Nico, and Grimes, Kenneth, "Inclusionary Zoning in California: The Experience of Two Decades," *Journal of the American Planning Association*, American Planning Association, Vol. 64, No. 2, Chicago, Illinois, Spring 1998.

Calavita, Nico, Grimes, Kenneth, and Mallach, Alan, "Inclusionary Housing Programs in California and New Jersey: A Comparative Analysis," in *Housing Policy Debate*, Fannie Mae Foundation, Volume 8, Issue 11, Washington, D.C., 1997.

California Affordable Housing Law Project and the Western Center on Law and Poverty, *Inclusionary Zoning: Legal Issues*. Oakland: The California Affordable Housing Law Project, 2002.

California Affordable Housing Law Project and the Western Center on Law and Poverty, *Inclusionary Zoning: Policy Considerations and Best Practices*. Oakland: The California Affordable Housing Law Project, 2002.

Heller, Frederik, Field Guide to Inclusionary Zoning, National Association of Realtors, www.realtor.org/libweek.risf/pages/fg806, Washington, D.C.

Institute for Local Self-Government, *California Inclusionary Housing Reader*. Sacramento: Institute for Local Self-Government, 2003.

Johnston, Robert, and Schwartz, Seymour, *Local Government Initiative for Affordable Housing: An Evaluation of Inclusionary Housing Programs in California*. Davis: Kellogg Public Service Research Program, December 1981.

Judd, Richard, and Rosen, David Paul, "Inclusionary Housing in California: Creating Affordability Without Public Subsidy", in *ABA Journal of Affordable Housing and Community Development Law*, pp. 4-7, 1992.

Judd, Richard, and Seifel, Libby, "Creating Mixed-Income Communities: Inclusionary Housing" in book to be published by Solano Press Books, Point Arena, 2003.

Mallach, Alan, *Inclusionary Housing Programs: Policies and Practices*, New Brunswick, New Jersey, 1984.

National Housing Conference, "Inclusionary Zoning: Lessons Learned in Massachusetts," *Affordable Housing Policy Review*, Vol. 2, Issue 1, Washington, D.C., January 2002.

New Century Housing, "Inclusionary Zoning: A Viable Solution to the Affordable Housing Crisis?" *New Century Housing*, Vol. 2, Issue 1 October 2000. Washington, D.C.: The Center for Housing Policy, July 2000.

Zatz, Shoshana, *Creating Affordable Communities: Inclusionary Housing Programs in California*. Sacramento: California Coalition for Rural Housing, November 1994.

WEBSITES WITH ADDITIONAL TOOLS OR RESOURCES

Policy Link: <http://www.policylink.org/EquitableDevelopment/>

Innovative Housing Institute: <http://www.inhousing.org/>

Massachusetts Housing Partnership Fund:
<http://www.mhp.net/termsheets/inclusionaryzoning.pdf>

Inclusionary Housing in California: 30 Years of Innovation was researched and written collaboratively by staff from the California Coalition for Rural Housing (CCRH) and the Non-Profit Housing Association of Northern California (NPH).



The California Coalition for Rural Housing (CCRH) is a statewide network of non-profit housing developers, legal service providers, and public housing agencies who support the production of decent, safe, and low-cost housing for rural and low-income Californians. CCRH advocates at all levels of government and provides technical assistance to community groups and non-profits on housing issues.

CCRH Staff

Robert Wiener,
Executive Director
Andy Potter,
Program Specialist



The Non-Profit Housing Association of Northern California (NPH) works to advance affordable housing as the foundation for thriving individuals, families and neighborhoods. As the collective voice of those who finance, build, operate and support affordable housing, NPH promotes the proven methods offered by the non-profit housing sector and focuses government policy on housing solutions.

NPH Staff

Dianne J. Spaulding,
Executive Director
Doug Shoemaker,
Policy and Program Director
Tina Duong,
*Communications and
Resource Development Director*
Shannon Dodge,
*Fair Share Housing Campaign
Regional Coordinator*
Amy Cardace,
*Sustainable Communities
Leadership Program Fellow*

CCRH and NPH would like to offer special thanks to:

All of the public agency staff who took time out of their hectic schedules to complete our survey.

Bill Higgins of the Institute for Local Self-Government and Chris McKenzie of the California League of Cities for their assistance in encouraging local governments to respond to the surveys.

Deborah Collins and Sima Alizadeh of the California Affordable Housing Law Project for collaborating on early research.

Rick Judd of Goldfarb and Lipman, and David Stoloff for assistance in reviewing drafts of the report.

The Sustainable Communities Leadership Program of the Environmental Careers Organization for providing funding for the initial research.

CCRH would like to thank:

Sociological Initiatives Foundation

Designed by *Janet Fong Design*

ACKNOWLEDGEMENTS

Santa Alicia Apartments, home to 84 very low- and low-income families in Irvine (Orange County), was developed by BRIDGE Housing Corporation

Photo credit: BRIDGE Housing Corporation



CALIFORNIA COALITION FOR RURAL HOUSING

926 J Street, Suite 1400
Sacramento, CA 95814
tel: (916) 443-4448
fax: (916) 447-0458
www.calruralhousing.org



NON-PROFIT HOUSING ASSOCIATION OF NORTHERN CALIFORNIA

369 Pine Street, Suite 350
San Francisco, CA 94104
tel: (415) 989-8160
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www.nonprofithousing.org

4Q2006

Vallejo is 1 of 4 cities in Solano County (with at least 5 communities)

Rent ranking
for cities in Solano County

City	Avg Rent
1. Benicia	\$1,176
2. Vacaville	\$1,148
3. Fairfield	\$1,137
4. Vallejo	\$1,062

Occupancy ranking
for cities in Solano County

City	Avg Occ.
1. Benicia	96.8%
2. Vacaville	94.9%
3. Vallejo	92.0%
4. Fairfield	91.6%

Rent growth % Rankings Yr. over Yr.
for cities in Solano County

City	Avg Rent
1. Vallejo	6.6%
2. Benicia	2.7%
3. Vacaville	2.6%
4. Fairfield	-2.7%

Occupancy growth Rankings Yr. over Yr.
for cities in Solano County

City	Avg Occ.
1. Vacaville	1.9%
2. Fairfield	1.0%
3. Benicia	0.5%
4. Vallejo	-2.5%

3/5/2007

Data source: RealFacts (415)884.2480. Data is deemed reliable but accuracy cannot be guaranteed.



Solano County is 1 of 1 counties in Vallejo-Fairfield CA MSA

Rent ranking
for counties in Vallejo-Fairfield CA MSA

Occupancy ranking
for counties in Vallejo-Fairfield CA MSA

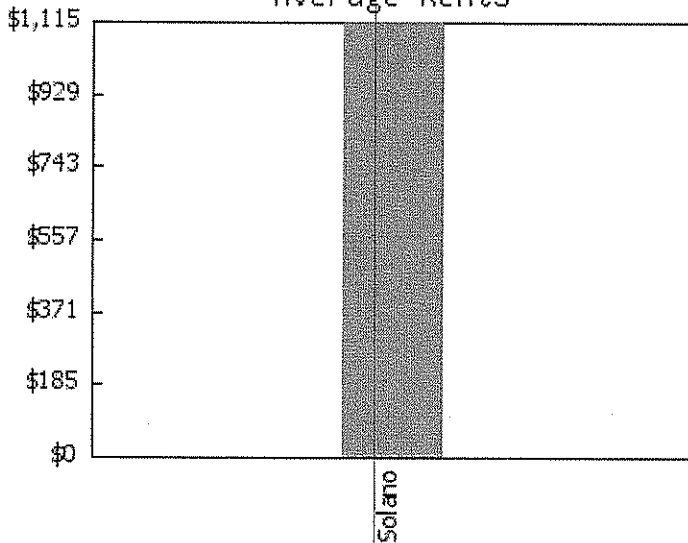
County	Avg Rent	County	Avg Occ.
1. Solano	\$1,115	1. Solano	93.4%

Rent growth % Rankings Yr. over Yr.
for counties in Vallejo-Fairfield CA MSA

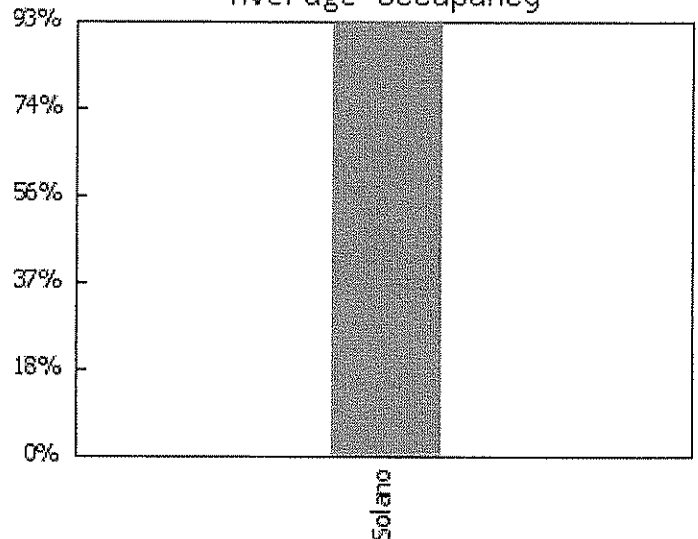
Occupancy growth Rankings Yr. over Yr.
for counties in Vallejo-Fairfield CA MSA

County	Avg Rent	County	Avg Occ.
1. Solano	2.1%	1. Solano	0.4%

Average Rents



Average Occupancy





Market Overview

Inventory Analysis

Vallejo
4Q2006

Properties/Units	21 / 3,187	Average units per property	151
Class A	1 / 133	Average year built	1979
Class B	8 / 1,606	Size range (units)	50 - 560
Class C	12 / 1,448	Age range	1960 - 2005

Unit Mix (all unit types appear in this report)

Totals	Units	% of Mix	Benchmark % of Mix	Average Sq. Ft.	Benchmark Average Sq. Ft.	Average Rent	Benchmark Average Rent	Avg. Rent Sq. Ft.	Benchmark Avg. Rent Sq. Ft.
All	3,187	100.0%	100.0%	838	841	\$1,062	\$1,253	\$1.27	\$1.49
Urban Loft									
studio	40	1.3%	5.1%	450	474	\$713	\$1,065	\$1.58	\$2.25
jr 1bd									
1bd 1bth	1,276	40.0%	38.3%	690	699	\$927	\$1,127	\$1.34	\$1.61
1bd 1.5bth									
1bd TH									
2bd 1bth	659	20.7%	18.2%	879	860	\$1,054	\$1,113	\$1.20	\$1.29
2bd 1.5bth	8	0.3%	1.7%	925	934	\$1,016	\$1,191	\$1.10	\$1.28
2bd 2bth	1,012	31.8%	25.7%	960	1,006	\$1,205	\$1,455	\$1.26	\$1.45
2bd 2.5th									
2bd TH	87	2.7%	3.4%	935	1,067	\$1,112	\$1,461	\$1.19	\$1.37
3bd 1bth									
3bd 1.5bth	12	0.4%	0.3%	1,390	1,088	\$1,375	\$1,615	\$0.99	\$1.48

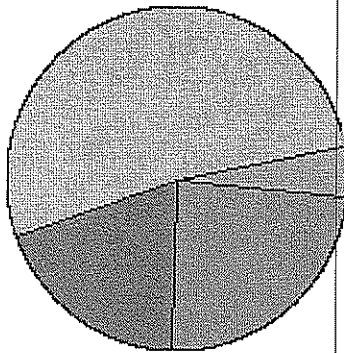
RealFacts Report

3bd 2bth	93	2.9%	3.5%	1,229	1,230	\$1,488	\$1,661	\$1.21	\$1.35
3bd 3bth									
3bd TH									
4bd									
5bd 2bth									
5bd TH									

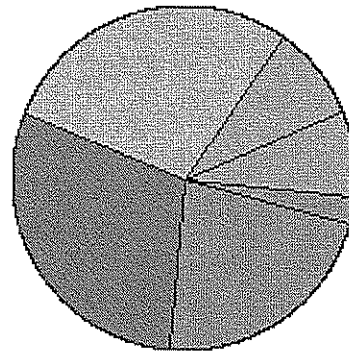
Age of Existing Inventory

Area: Vallejo

Benchmark: Nor Cal Region



- Pre 1960s (0)
- 1960s (5)
- 1970s (4)
- 1980s (11)
- 1990s (0)
- 2000s (1)



- Pre 1960s (47)
- 1960s (408)
- 1970s (553)
- 1980s (532)
- 1990s (167)
- 2000s (150)

3/5/2007

Data source: RealFacts (415)884.2480. Data is deemed reliable but accuracy cannot be guaranteed.

February 24, 2007

Commissioner Charles Legalos
Vallejo City Hall
555 Santa Clara Street
Vallejo, CA 94590

Subject: Follow up and Summary of Cole Carter's comments at the February 21, 2007 Vallejo Planning Commission Meeting.

Dear Commissioner Legalos,

This letter is a follow up and summary of my comments at the February 21 Planning Commission meeting.

I would first like to thank you for the opportunity to speak last week at the meeting on the topic of the Inclusionary Zoning Ordinance.

My partner, Cindy Yip, and I purchased the property located at 201 Sandy Beach Rd, Vallejo in June, 2005. We submitted our Tentative Parcel Map (TPM) application documents to the Planning Department for a 17 unit Planned Development.

During our 1½ year effort to prepare our Tentative Map application we had numerous meetings with planning staff at several levels and as early as July, 2005. We have sat through "track meetings" working with all departments (Public Works, Water, Fire, etc.). We submitted our Tentative Parcel Map application in Oct., 2006. At no time throughout this lengthy process were we ever notified that we might be subject to a proposed Inclusionary Zoning Ordinance. In December, 2006 we were notified of the proposed ordinance via a letter from Laura Simpson.

I would like to make five points.

- 1) It is unfair to make this ordinance retroactive to include those projects already in the Tentative Parcel Map (TPM) pipeline (IE: an in process TPM application). We have committed considerable time and expense to complete our tentative map application. This includes but is not limited to: surveying the property; providing an extensive geological investigation; designing the parcel layout and streets subject to the requirements of Vallejo Planning, Public Works and Fire Department; engaging Chaudhary and Assoc., Civil engineers, to engineer our parcel plan and meet the stringent requirements of our geological engineer; engage our architect to provide 6 different house designs that meet the challenging topography of our parcel; Paying our \$23,760 Tentative Parcel Map application fee and submitting our application to Vallejo with respect to all the known requirements that Vallejo had at the time.
- 2) Our project has unique conditions involving steep slope and problematic soil issues that will require extraordinary expense to mitigate. This will involve extensive excavation and replacement of soil, a sophisticated network of retaining walls and very expensive foundations that cannot be scaled back for the affordable units. Our site preparation costs are extraordinary and will prohibit us from building affordable units of any size without great loss on the affordable units.

- 3) Our project is small at 17 parcels and steep as mentioned above. We originally planned and expected to build 25 units on our property. For a number of reasons that include requirements of Vallejo Public Works and the Fire Department, our project is now reduced to 17. If our project were much larger and less topographically challenged, it would be more feasible to include a portion of affordable housing in our project.
- 4) According to Laura Simpson's presentation, there are approximately 40 units that are presently "In the pipeline" of the tentative map process and might be affected by this inclusionary zoning ordinance. If the "In the Pipeline" developers are subjected to the inclusionary zoning ordinance and must provide 15% of the units as affordable housing, Vallejo will only gain 6 extra affordable housing units. We comprise 17 of those 40 in the TPM "Pipeline" and would need to provide 2.4 units of affordable housing. These "In the pipeline" projects will not provide much to Vallejo in terms of additional affordable housing units although they do present tremendous economic hardship for us.
- 5) One of the points mentioned in the presentation by staff was that the City would be able to, through the ordinance, provide "developer certainty" for interested developers coming to the City to do business. That is a great concept but flies in the face of what it means to us. It is the exact opposite. We feel Ambushed. We already purchased the property and completed all preliminary work to begin physical development before we knew of an impending inclusionary zoning ordinance.

In early 2005 we decided to bring our business to Vallejo. We came in good faith to work with Vallejo as partners and perhaps contribute to your City's future. We were excited about our project. The threat of this Inclusionary Zoning Ordinance is making us feel uncomfortable about our decision to do business in Vallejo.

We respectfully request that you exempt our project from any Inclusionary Zoning Ordinance that might be passed.

Best Regards,



Cole Carter

Cc

Vallejo Planning Commission Members

Katherine Donovan

Brian Dolan

M A N D A R I C H
D E V E L O P M E N T S

March 7, 2007

Laura Simpson
Housing and Community Development Manager
City of Vallejo
200 Georgia Street
Vallejo, CA 94590

Re: Inclusionary Housing Ordinance

Ms. Simpson:

Attached for your information are two proformas for Belvedere, a 336 age-restricted condominium project that we are currently building in the City of Vallejo. Although we are not required to include inclusionary housing for the Belvedere project, for illustration purposes we have prepared two proformas; one with inclusionary housing and one without inclusionary housing. The amounts on the proformas reflect our actual purchase price for the land, contracts for the development work, and costs for the condominium buildings. We are in the process of obtaining landscaping bids and bids for the clubhouse.

The proforma with inclusionary housing has 10% of the homes priced at \$240,194 and 5% at \$200,194. On this proforma, we did not lower the cost for the quality of the interior finishes and fixtures for the homes with the inclusionary housing requirements. The savings to downgrade these features would be approximately \$10,000 per home.

In summary:

Belvedere without inclusionary housing	
Revenues	\$174,158,040
Gross Profit	\$ 21,320,250
Gross Profit Percentage	12.2%

Belvedere with inclusionary housing	
Revenues	\$161,178,004
Gross Profit	\$ 8,340,214
Gross Profit Percentage	5.2%

Adjustment for lower quality fixtures and finishes
51 homes x \$10,000 per home = \$510,000

Revised Gross Profit	\$ 8,850,214
----------------------	--------------

Revised Gross Profit Percentage 5.49%

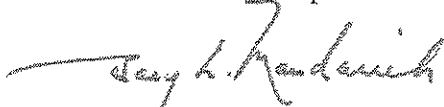
Contribution for inclusionary housing is approximately \$12,470,036
(\$21,320,250 - \$8,850,214)

The difficulty in providing inclusionary housing in the City of Vallejo is that the land and development costs are too expensive. In Belvedere our land cost in this proforma is only \$8,166 per unit, since we bought the land over seven years ago as part of a large purchase. Typically land with offsite improvements completed would be 8-10% of the finished price of the product or \$40,000-\$50,000 per unit. In Belvedere bonds were sold to complete the majority of the offsite improvements and there is an annual mello roos payment of \$377 per home. If land was purchased for Belvedere today, the gross profits would be reduced by at least \$10,000,000 with land at \$40,000 per unit.

Laura, the point of this letter is to demonstrate that the proposed Inclusionary Housing Requirements would have stopped our Belvedere project with very low land basis from proceeding and will stop future housing developments in the City of Vallejo.

Please call me to discuss the proposed Inclusionary Housing Ordinance and these illustrative proformas. I can be reached at (916) 727-1800.

Mandarich Developments



Gary L. Mandarich, President

cc: Don Hazen
Craig Whittom
Marcel Lip

Affordable Sales Prices based upon 2006 AMI

	Low	Moderate
1 bedroom	\$87,000	\$213,800
2 bedroom	\$106,000	\$240,190
3 bedroom	\$125,000	\$272,600
4 bedroom	\$140,000	\$282,441
5 bedroom	\$155,000	\$304,925