

White Paper: Housing

Policy Direction:

The 2030 General Plan has pointed the City towards producing a greater portion of its housing in infill areas. Flexible development standards and new funding resources will help to provide housing that is available to a diverse population with a range of income levels. Supporting polices include the following:

H-1.3.4 The City shall encourage a range of housing opportunities for all segments of the community as part of the community planning and implementation process for newly annexed, newly developing, re-use and intensification areas.

H-2.2.1 The City shall promote quality residential infill development through the creation/adoption of flexible development standards and with funding resources.

H-2.2.2 The City shall use financial tools to diversify market developments with affordable units, especially in infill areas.

Purpose:

Update current housing programs to facilitate affordable, balanced and sustainable communities in anticipation of the substantial reinvestment and redevelopment of our existing neighborhoods over the next 20 years.

Background:

The primary (non-federally funded) affordable housing programs the City has utilized in the last decade are the Mixed Income Housing Ordinance and the Housing Trust Fund Ordinance.

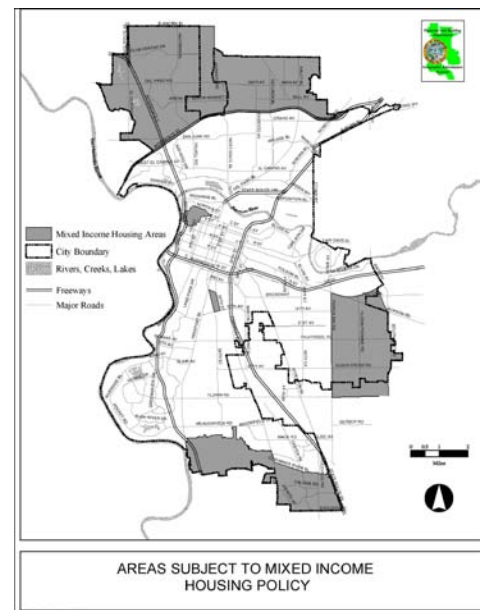
The Mixed Income Housing Ordinance (commonly referred to as the Inclusionary Housing Ordinance) requires residential developments in new growth areas to build 15% of the housing to be affordable to lower income families.

The Housing Trust Fund (HTF) requires nonresidential development to pay a fee that supports affordable housing development required to support new employees. That support is provided through gap financing for new or substantially rehabilitated housing.

For the past 20 years, 2/3 or more of housing production has been in the form of standard single family homes located in new growth (predominantly green field) areas. These new growth areas are largely built out and are becoming infill areas as growth moves to outlying areas. Furthermore, the 2030 General Plan is steering the majority of the City's new development into existing infill areas not subject to the Mixed Income Housing Ordinance. New large subdivisions of single family homes will become increasingly rare.

The Problem:

1. Much of the affordable housing built as a result of the Mixed Income Housing Ordinance is concentrated in very large apartment complexes that are not well-integrated into the surrounding neighborhoods and that result in excessive concentrations of poverty contrary to the concept of "mixed-income housing."
2. The current Mixed Income Housing Ordinance is complicated, inflexible and imposes a heavy financial burden on small and medium-sized development projects subject to it.



3. Small single-family subdivisions are especially hard-hit by requirements to build affordable for-sale units, where finding qualified low-income buyers is difficult. The mandatory deed restrictions for 55 years also limit resale options for low-income families.
4. Much of the new infill residential development anticipated in the coming years will not be required pay for or provide affordable housing.
5. New employment (approximately 140,000 jobs) will generate a need for more affordable housing.
6. Infill development is generally more expensive than green field development. Requirements for on-site, concurrently built affordable housing may make these projects infeasible.
7. The Housing Trust Fund Ordinance lacks clarification on mixed use residential development as well as certain types of nonresidential uses (i.e. a clubhouse for residential development).
8. The Housing Trust Fund Ordinance has two different fee schedules (North Natomas and Citywide) which can cause confusion on the part of city staff and applicants.

Recommended Solutions:

1. To reduce the burden of the current inclusionary ordinance while expanding coverage of a new ordinance citywide, develop a tiered approach to affordable housing that minimizes burdens on small infill projects while giving flexibility to larger projects to pay a fee that may be used to help subsidize affordable housing near transit stations and in mixed-use infill neighborhoods.
2. Develop a nexus study that analyzes the economic impact of an in-lieu fee for new residential infill developments of 9 units or more.
 - a. The study would include a comprehensive analysis of all fees collected from residential and commercial development.
 - b. Funds collected will support the existing Housing Trust Fund Program.
 - c. Ensure the new affordable housing fee burden is lower than the current inclusionary requirement.
 - d. Maintain flexibility in where and how fee proceeds are spent, consistent with existing Housing Trust Fund program.
 - e. Consider allowing large-scale, master-planned communities to continue to provide a portion of the affordable housing obligation on-site.
3. Clarify the Housing Trust Fund for improved interpretation by staff and applicants.
 - a. Merge the two fee schedules.
 - b. Clarify that vertical mixed use projects with a specified proportion of housing units are not to be charged the housing trust fund fee.

Challenges to Achieving the Solution:

Ordinances that require affordable housing fees or construction are very controversial and often can create a polarized debate. On one end of the spectrum, the development community will point to the increasing amount of government regulation and fees, on the other side, advocates for affordable housing will want to see the highest amount of fees collected and/or housing units built as possible. In lieu fees will likely not generate or leverage the same amount of housing as the current build requirement.

Discussion Questions:

1. Should the Mixed Income Housing Ordinance require affordable housing units to be built in infill areas or should it be a fee only system? Or a combination of both?
2. Should land dedication be more emphasized as part of the Mixed Income Housing Ordinance?
3. Are there better ways to encourage the production of affordable housing in infill areas?
4. Should we waive the HTF fee for qualified vertical mixed use projects?
5. Is it better to build a large volume of affordable housing, taking advantage of “economy of scale” or should we build smaller but better designed projects, which are more expensive?