

COMMUNITY HOUSING COMMITTEE RECOMMENDATIONS

Joint City Council / Community Housing
Committee Meeting

September 17, 2018



Recommended Action

Receive report and:

- 1) Consider and discuss the recommendations of the Community Housing Committee along with the following next steps and direct staff to:
 - a) Further evaluate identified funding options and how these funding options should be allocated to increase housing supply;
 - b) Revise the Growth Management Ordinance Policies and Procedures after the November 2018 election;
 - c) Develop a work plan for a comprehensive program to encourage development of Accessory Dwelling Units;
 - d) Revise the Inclusionary Housing Ordinance and associated in-lieu fee.

Tonight's meeting

- Purpose: Present CHC recommendations and receive Council direction on implementation
 - Present each work task and recommendations at high level
 - Provide status and next steps for each work task
 - Provide CHC members opportunity to discuss recommendations with City Council

Community Housing Committee

- Established 2015 to advise and make recommendations to address workforce and affordable housing
- Reestablished in 2017 with 5 main assignments:
 - Update Housing Action Plan to reflect existing Growth Management (Adopted by Council February 2018)
 - Review GMO Policies & Procedures to align with housing objectives
 - Update Inclusionary Housing Ordinance to meet housing objectives
 - Assess funding options to provide additional affordable housing
 - Review the Accessory Dwelling Unit Ordinance to encourage

Healdsburg Housing Programs

- Serious commitment to housing for all incomes
- Rental and for-sale affordable housing developed in recent years
- City inclusionary requirements ensure all residential projects help meet housing needed in community
- Typically affordable for at least 55 years through binding agreements

Affordable Housing Progress

- Substantial progress meeting Regional Housing Needs (18 additional very low income need remaining)
- Not subject to SB 35 streamlining due to housing progress
- Acquired 8 units at 721 Center St. - 6 Low, 2 Moderate
- Healdsburg Glen Apartments - 12 very low and 12 low units
- Citrine Apartments – 8 low and 29 moderate units
- 14 acres dedicated for affordable housing at Montage site
- 155 Dry Creek (behind Big John's) identified as an affordable housing site

Affordable Housing Progress

- Measure P
 - Measure before Healdsburg voters in November 2018 which would amend City's Growth Management Ordinance
 - Change would allow an average of 50 additional units per year if the units are:
 - Multifamily rental;
 - Subject to a deed restriction requiring that the units be rented only to tenants earning no more than 160% of Sonoma County Median Income, adjusted for household size.
- May encourage the development of multifamily rental units for "middle income" families

COMMUNITY HOUSING COMMITTEE WORK ASSIGNMENTS

Resolution 28-2017

Initial Work Assignments:

- Ø Update the Housing Action Plan to reflect the current Growth Management Ordinance (GMO) remaining in place including omitting reference to amending the GMO and creation of a middle income category of affordable housing. (Adopted February 2018)
- Ø Review the Council adopted GMO Policies and Procedures to ensure they align with the City's affordable housing objectives including assessing the way allocations are currently distributed.

Resolution 28-2017 – Cont.

Secondary Work Assignments:

- Ø Update the Inclusionary Housing Ordinance (IHO) to ensure it is meeting the City's affordable housing objectives including reviewing the affordability requirement to determine the optimal affordability requirement that can be supported without overburdening developers.

- Ø Assess alternatives for providing additional affordable housing including an enhanced infrastructure financing district, commercial linkage fee, or commercial inclusionary housing ordinance.

- Ø Review the Accessory Dwelling Unit (ADU) Ordinance for further local amendments in order to further encourage ADUs.

Housing Action Plan

- Contains objectives promoting affordable housing, ADUs, middle income housing, small multifamily units, mixed product types
- Revised to reflect existing Growth Management Ordinance remaining in place
- Status: Recommended by the CHC for adoption and adopted by City Council February 5, 2018

Funding Options

- CHC studied full spectrum of funding options, along with estimated revenue, in forming its recommendation:
 - Inclusionary housing in-lieu fee – update as a “full cost” fee.
 - Commercial Linkage Fee and Hotel Inclusionary – consider both.
 - Development agreements – use formal and informal agreements.
 - Sales tax – consider using a portion for housing when reauthorized.
 - General Obligation Bond – consider local measure.
 - Parcel tax – Consider flat rate, exempting low income property owners.
 - Partnerships – seek them with religious entities, school/hospital districts.
 - Grants – Ensure City funding/staff to pursue housing grants.

Funding Options - Status

In early 2018 as part of the CHC's work, the City's consultant prepared preliminary revenue forecasts for the funding options outlined on the previous slide

- Ø A consultant to the City has completed background technical work regarding the Inclusionary Housing In-Lieu Fee which is the basis for updated residential in-lieu fees as well as any future hotel inclusionary fee, which would be part of an inclusionary requirement for hotel development, recently directed by Council.
- Ø Staff suggests that the residential fee revision, the hotel inclusionary requirement and fee, and the update to the Inclusionary Housing Ordinance be considered together.

Growth Management Ordinance P & P

- GMOPP provide structure in the issuance of growth management allocations; they were last revised and adopted by City Council in 2008
- GMOPP are complex; CHC's understanding of finer points is unsurpassed

Growth Management Ordinance P & P

- CHC's basic recommendation:
 - Allow more than 30 allocations be issued in a calendar year, but not more than 90 over 3-year period, with 15 Category A and 75 Category B allocations. This will allow more annual flexibility while maintaining consistency with ordinance allowance of average of 30 units per year.
 - Category B priority housing types have no maximum allocation. This includes multifamily rental or for-sale units and units restricted to households earning between 121 and 160% of area median income ("middle income")
 - Single family Category B subdivisions with at least 50% of lots including a primary unit and an ADU are allowed 15 allocations
 - All other projects subject to 10 allocation maximum

Growth Management Ordinance P & P

- CHC's basic recommendation (con't):
 - Allow allocations to be reassigned to utilize and not lose them
 - Promote priority housing types in City staff meetings and conversations with residential developers
 - Multifamily rental projects including smaller units
 - Middle income with agreement restricting to households 121-160% AMI
 - Middle income with no agreement
 - Multifamily for-sale projects including smaller units
 - Single family project with at least 50% including a primary and ADU (deed restricted for local preference)
 - Single family project with at least 50% including a primary and ADU (no deed restriction)
 - Single family project of 5 units or more.

Growth Management Ordinance P & P - Status

GMOPP ready to present to City Council; present after November election

- Ø Staff recommends proceeding after the election results are known, either with the current draft GMOPP or with a revised version reflecting an amended GMO, utilizing the CHC recommended changes to the GMOPP as a base.

Accessory Dwelling Units

- CHC reviewed existing City policy and other jurisdictions' work in forming its recommendation to adopt a comprehensive ADU program including:
 - Suspend City impact and permitting fees for at least 5 years - \$100/unit
 - Develop a marketing plan for ADUs
 - Promote use of existing prototype ADU plans; consider City “pre-approval”
 - Develop informational brochure to encourage development/answer questions
 - Consider increasing maximum size of ADUs to 1,000 or 1,200 square feet
 - Investigate feasibility of a loan program to finance ADUs with repayment through annual assessment on property tax bill

Accessory Dwelling Units - Status

Staff is ready to develop a work plan, including needed budget and consultant help, for ADU program.

- Ø Staff will evaluate cost to the City for the ADU program, including the need to subsidize fee waivers (with funding possibly from the General Fund or Measure S) as well as to provide consultant assistance in development of a marketing plan and ADU building prototype plans.
- Ø A comprehensive program with the components identified in the previous slides requires staff to develop a work plan which would identify any needed budget and consultant assistance, and bring this back for Council consideration.
- Ø Changes to the Land Use Code, which would be needed if maximum ADU size is changed, would need to be reviewed by both the Planning Commission and the City Council.

Inclusionary Housing Ordinance

- CHC studied components typical in inclusionary programs in forming its recommendation:
 - Require projects to build affordable units on site, but maximize fees
 - 20% for SF projects of 5 or more units with 5% low (80%); 10% moderate (120%); 5% middle income (160%).
 - 10% for MF projects of 10 or more units 5% moderate (120%); 5% middle income (160%).
 - Index in-lieu fee to adjust to the market
 - Allow interior of inclusionary units to be different but exterior consistent and compatible with market rate units
 - Allow alternative compliance and innovation in meeting IHO requirements
 - Use incentives as possible to reduce development costs
 - Consider a grace period for tenants who no longer meet rent profile to move

Inclusionary Housing Ordinance - Status

- Staff is ready to prepare amendments to IHO, including hotel inclusionary and in-lieu fee
 - Staff suggests Council discuss inclusionary requirement for middle income households. Considerations:
 - Challenges to sell or rent due to income restrictions;
 - Some of a project's inclusionary units no longer exempt from GMO;
 - Diminishes in-lieu fee, particularly for multifamily units.
 - Revision to the IHO will require review of the Planning Commission and City Council

Inclusionary Housing Fee Preview

- Current single family fee (1,500 sf unit): \$3,455
- Potential single family in-lieu fee: (1,500 sf unit):
\$32,350
Based on inclusionary requirement for single family units (5% low (80%), 10% moderate (120%), 5% middle income (160%))
- Current multifamily fee (1,200 sf unit): Exempt
- Potential multifamily fee (1,200 sf unit): \$400
Based on inclusionary requirement for multifamily units (5% moderate (120%) and 5% middle income (160%))

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