



DATE: March 28, 2023

TO: Mayor and City Council

FROM: Assistant City Manager

SUBJECT: Hayward Municipal Code: Introduce an Ordinance Amending Chapter 10, Article 17 of the Hayward Municipal Code Updating the Affordable Housing Ordinance; and Adopt Resolutions Amending Resolution No 17-167 to Increase the Affordable Housing In-lieu Fees for Lower Density Ownership Housing and Amending the FY 2024 Master Fee Schedule and Finding the Action is Exempt from CEQA Review

RECOMMENDATION

That the City Council:

- 1) Holds a public hearing to obtain input on proposed amendments to the Affordable Housing Ordinance and the adoption of Affordable Housing In-Lieu Fees; and
- 2) Adopts a resolution (Attachment II) finding that enactment of amendments to Chapter 10, Article 17, of the Hayward Municipal Code regarding affordable housing requirements for new housing developments is exempt from the California Environmental Quality Act (CEQA); and
- 3) Introduces an ordinance (Attachment III) amending Chapter 10, Article 17 of the Hayward Municipal Code updating the Affordable Housing Ordinance; and
- 4) Adopts a resolution (Attachment IV) amending Resolution No. 17-167 to increase the affordable housing in-lieu fees for lower density ownership housing; and
- 5) Adopts a resolution (Attachment V) amending Resolution No. 23-066 FY 2024 Master Fee schedule approved on March 21, 2023.

SUMMARY

In early 2020, with the intention of increasing the supply of affordable housing, Council directed staff to evaluate the existing Affordable Housing Ordinance (AHO) as part of the adoption of the "Preserve, Protect, Produce Housing for All" Priority in the Strategic Road Map and the Incentives to Housing Production work plan. To evaluate the AHO, the City contracted with Strategic Economics, Inc to conduct a feasibility study and seek feedback from the Homelessness Housing Task Force (HHTF), the Planning Commission, and

stakeholders. On February 21, 2023¹, Council held a work session to provide feedback on recommendations that resulted from the feasibility study and proposed administrative amendments. The majority of the Council supported the recommendations listed below in addition to supporting the proposed administrative amendments.

On-site affordable housing recommendations:

- For-sale single-family homes and townhomes.
 - Increase inclusionary requirement to 12% of the total units setting affordability levels for half of the units at low-income and the other half at moderate income (deepening the affordability targets)
 - Maintain current 7.5% of units for high density condominiums.
- Rental. Maintain existing affordable housing requirements for rental property due to infeasibility of developing most rental housing product types.

Affordable housing in-lieu fee recommendations:

- Rental. Maintain existing fee (\$21.64 per square foot)
- Ownership.
 - Maintain existing fee (\$17.85) for high density condominiums (35 dwelling units per acre or greater)
 - Increase fee for lower density ownership projects from \$21.64 to \$26 per square foot.
- Existing Fees will increase 8.4% in the Fiscal Year 2024 Master Fee Schedule consistent Resolution No. 17-167 based on the percentage change in the Engineering News Record Construction Cost Index applicable to the San Francisco Area.

The purpose of this report is to consider adoption of the proposed amendments to the AHO including the addition of a new finding stating Council's preference for on-site affordable housing to create mixed income communities, and a proposed increase to the affordable housing in-lieu fee.

BACKGROUND

The AHO was adopted in 2003 to address the need for affordable housing that is created by the development of market rate housing. On November 28, 2017, the Council adopted amendments to the AHO based on feedback from a variety of stakeholders, including the following major revisions:

- Extending applicability of the AHO from projects consisting of 20 units or more to projects that consist of 2 units or more;

¹ February 21, 2023 Staff Report and Attachments: [CITY OF HAYWARD - File #: WS 23-004 \(legistar.com\)](#)

- Increasing the affordable housing in-lieu fee from \$3-\$5 per habitable square foot to \$15-\$18, depending on project density, to encourage on-site inclusion of affordable housing;
- Increasing the on-site affordable housing requirement for ownership housing from 7.5% to 10% of the units targeting moderate income while retaining the lower requirement 7.5% of units for high density ownership projects due to concern over feasibility;
- Reducing the on-site rental housing requirement option from 7.5% to 6% of the units in order to require units for both low-and very-low-income households;
- Allowing a reduced fee for projects less than nine units in order not to disincentivize the development of small-scale infill projects; and
- Allowing the developer to choose their method of compliance, including the following options:
 - on-site affordable units
 - off-site affordable units
 - paying an affordable housing in-lieu fee
 - proposing alternate plans.

In March 2022^{2,3}, the Homelessness Housing Task Force (HHTF) and the Planning Commission reviewed the outcomes and performance of the existing AHO and provided direction to staff regarding the goals and target populations to be served by any future revisions to the AHO. In consideration of the feedback established by the HHTF and the Planning Commission and in order to ensure economic feasibility of any proposed changes to the City’s AHO, the City contracted with Strategic Economics Inc (the Consultant) to conduct a feasibility study (Attachment VI). On September 28, 2022 and December 8, 2022, Strategic Economics presented preliminary findings to the HHTF and the Planning Commission respectively to discuss preliminary findings of the feasibility study and receive feedback. On February 21, 2023, Council held a work session to provide feedback on recommendations that resulted from the feasibility study and proposed administrative amendments. The recommendations included the following:

On-site affordable housing recommendations:

- For-sale single-family homes and townhomes.
 - Increase inclusionary requirement to 12% of the total units setting affordability levels for half of the units at low-income and the other half at moderate income (deepening the affordability targets)
 - Maintain current 7.5% of units for high density condominiums.
- Rental. Maintain existing affordable housing requirements for rental property due to infeasibility of developing most rental housing product types.

² March 3, 2022 HHTF Staff Report and Attachments: [CITY OF HAYWARD - File #: RPT 22-023 \(legistar.com\)](#)

³ March 10, 2022 HHTF Staff Report and Attachments: [CITY OF HAYWARD - File #: WS 22-006 \(legistar.com\)](#)

Affordable housing in-lieu fee recommendations:

- Rental. Maintain existing fee (\$21.64 per square foot)
- Ownership.
 - Maintain existing fee (\$17.85) for high density condominiums (35 dwelling units per acre or greater)
 - Increase fee for lower density ownership projects from \$21.64 to \$26 per square foot.
- Existing Fees will increase 8.4% in the Fiscal Year 2024 Master Fee Schedule consistent Resolution No. 17-167 based on the percentage change in the Engineering New Record Construction Cost Index applicable to the San Francisco Area.

Majority of the Council supported the proposed modification with some interest in the following:

- Increase the requirements for on-site inclusionary homeownership units to 15%
- Increase the rental requirements or set parameters to increase rental requirements once market improves
- Provide information about how the affordable housing in-lieu fees have been used
- Provide information on factors that may contribute to Fremont creating more inclusionary units.
- Incorporate commercial development timeline in the affordable housing phasing plan
- Add language to indicate that on-site inclusionary housing is the City's preference
- Include information about other strategies used by the City to improve housing stability and affordability

State Law and Inclusionary Housing

Effective January 1, 2018, AB 1505 reaffirmed the authority of local governments to include rental units within inclusionary ordinance requirements, as well as added a limited California Department of Housing and Community Development (HCD) review of inclusionary ordinances, under certain circumstances. One of the key provisions includes requiring local jurisdictions to conduct economic feasibility studies to demonstrate that an inclusionary ordinance does not unduly constrain the production of housing. Due to potential scrutiny by HCD and the City's intention to increase the supply of affordable housing, staff recommends that any increase to the City's affordable housing requirements adhere to the findings in the feasibility study to minimize the potential that the any modifications to the AHO requirements will unduly constrain or halt the production of housing.

Hayward Housing Need

The City's displacement study, prepared by HR&A Advisors, draws a picture of low-income households, particularly renters and Black and Hispanic households, who are experiencing intense economic pressure and housing need in Hayward. Study findings demonstrate that those pressures have intensified in the last decade and have already resulted in a loss of low-income Hayward residents. Those who are still living in Hayward are struggling with cost burden, especially Black and Hispanic households, as housing supply does not align with

household income. **Figure 1** below illustrates the housing supply gap and a need to develop housing with rents below \$1,250 per month which equates to very-low-income housing.

Figure 1. Hayward Housing Supply Gap (2019)



Housing Element and Regional Housing Needs Allocation Compliance

Local jurisdictions report progress annually on meeting their Regional Housing Needs Allocation (RHNA) goals. **Table 1** demonstrates progress made toward meeting Hayward’s RHNA goals for the period between 2015-2023 as of the last report year (2021) and estimates potential compliance by including approved projects and projects pending approval. Permits to construct the units must be issued in order to count toward the City’s RHNA goals. The City already exceeded its goal for above moderate income units.

Table 1. 2023 RHNA Goal Progress in the City of Hayward

Income Category	Unit Goal	Reported 2021		Approved		Pending Approval		Estimated Compliance		Estimated Deficiency	
		Units	% of Goal	Units	% of Goal	Units	% of Goal	Units	% of Goal	Units	% of Goal
Very low	851	168	20%	345	41%	20	2%	533	63%	318	37%
Low	480	174	36%	197	41%	0	0%	371	77%	109	23%
Moderate	608	128	21%	66	11%	0	0%	194	32%	414	68%

*The City has achieved the Above Market Rate housing goals for the 2015-2023 RHNA cycle.

The AHO is one important tool to help the City to comply with its RHNA goals by providing on-site inclusionary units (mostly targeting moderate income households) and by providing fee revenue that the City can use to subsidize the development of affordable housing (targeting low, very low and extremely low income households). To maximize the number of affordable units produced under the AHO and to ensure that and increase to the requirements under the AHO do not unduly constrain development, the City contracted with Strategic Economics to conduct a feasibility study.

DISCUSSION

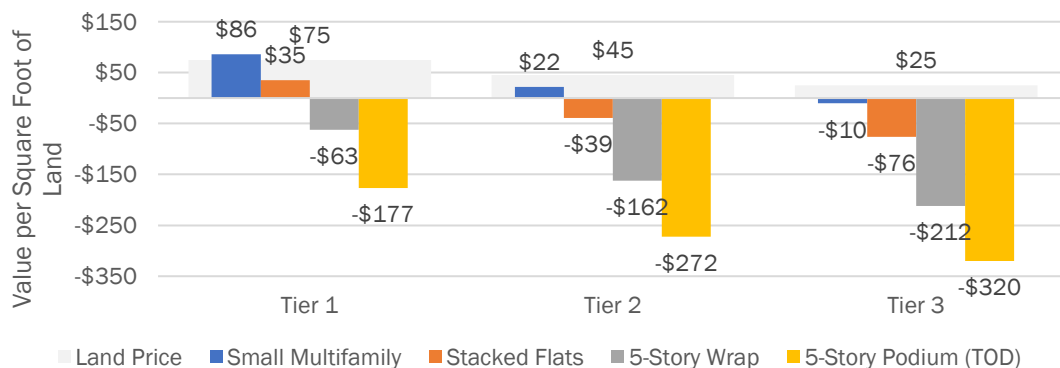
Staff, with the support of Strategic Economics, evaluated the feedback from the Council Work Session. Further analysis continues to support the recommendations made during the work session. However, language was added to the findings of the AHO to state the preference for providing on-site affordable units when feasible to create mixed-income communities. The purpose of this discussion is to address some of the outstanding questions and to provide requested information.

Challenges for Increasing Inclusionary Rental Housing Requirements

While the feasibility study illustrates that development of high-density rental housing is infeasible with or without the affordable housing requirements, there was still a minority of Councilmembers interested in either increasing the inclusionary requirement for rental housing or including language that would increase the requirements when market conditions change. Staff does not recommend increasing the inclusionary housing requirements for rental units for the following reasons:

- Strategic Economics’ analysis found that the rental housing prototypes were financially infeasible under nearly all circumstances. The prototypes can support minimal or negative land value in most circumstances, as shown in **Figure 2**. The only exception was the “Small Multifamily” prototype, which was potentially feasible in the “Tier 1” strongest market locations in Hayward.

Figure 2: Residual Land Value Results Under Existing AHO On-Site Inclusionary Requirements for Rental Products, by Market Tier

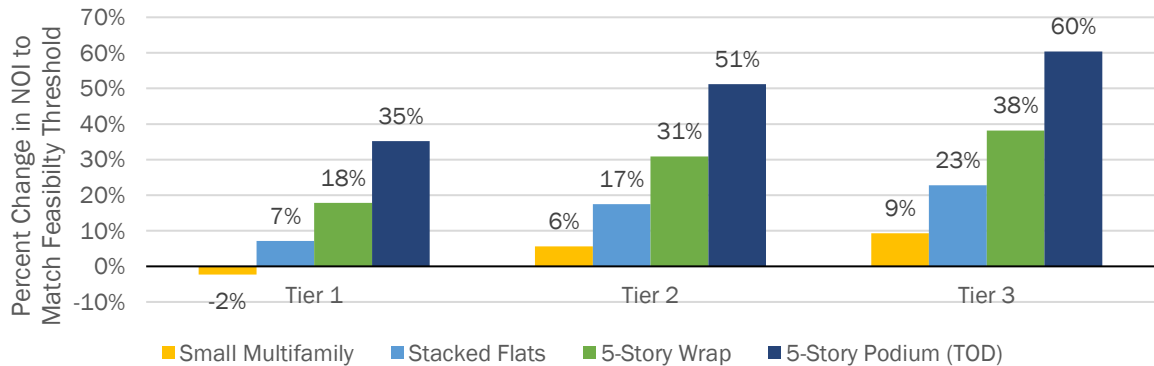


Source: Strategic Economics, 2023.

Figure 1 is a reproduction of Figure 26 in Strategic Economics’ report, but excludes the ownership housing products.

- Current residential rents would need to increase significantly for most rental product types to become feasible even under the existing requirements. **Figure 3** shows the net operating income increase needed to support rental housing development under current market conditions. The actual corresponding increase in rents for the market rate housing units would be even higher than the net operating income increase since the affordable housing units’ rents are restricted.

Figure 3: Percent Change in Net Operating Income Required to Match Feasibility Threshold Under Current AHO Requirements, by Product Type and Market Tier



Source: Strategic Economics, 2023.

- Increasing the inclusionary requirements for already largely infeasible rental housing development would add a further constraint to achieving the City’s housing production goals. The increased inclusionary requirements would increase the financial barriers to developers choosing to pursue rental housing development projects—especially higher-density rental projects that are prioritized by City policy in locations such as near BART stations.
- While the existing AHO also creates a financial constraint on production, maintaining the existing requirements represents a moderate approach. The existing rental inclusionary requirements ensures affordable units or in-lieu fee revenue would be delivered when or if rental housing becomes feasible, while also not worsening the financial constraint to housing production that would be created by increased requirements.

Staff also considered if there was an index that could be used to determine when to raise the inclusionary requirements for rental housing. However, there are so many factors (rents, cost of materials, labor costs, financing costs, changing development standards, etc.) that contribute to project feasibility that it is difficult to predict what combination of changes would be required to address the feasibility issues. As illustrated in Figure 3, a substantial increase to net operating income is currently necessary to achieve financial feasibility even if construction costs do not increase. *Staff does not recommend increasing the inclusionary rental requirements without a future feasibility study.*

Infeasible to Increase Homeownership Unit Requirements to 15% While Including Low-Income Units

Strategic Economics, Inc evaluated the possibility of increasing the on-site inclusionary requirement for for-sale units to 15% and determined:

- Increasing ownership inclusionary requirements beyond the recommended 12% would make many ownership housing projects no longer financially feasible if construction costs increase even slightly. *Error! Reference source not found.* demonstrates that with a

12% inclusionary requirement (split evenly between low and moderate-income units), the single family and townhome prototypes can maintain feasibility while sustaining hard cost increases of up to four percent. In comparison, *Error! Reference source not found.* demonstrates that these prototypes cease to achieve feasibility with cost increases as low as two percent if a 15% inclusionary requirement is used instead.

Figure 4: Sensitivity Analysis Results for Ownership Units - Assuming 12 Percent Required Inclusionary and 50/50 Split Between Low and Moderate Income

	Current Costs	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Increase in Hard Costs of Construction	0%	1%	2%	3%	4%	5%
Feasibility by Project Type						
Single Family Development	Feasible	Feasible	Feasible	Marginally Feasible	Marginally Feasible	Marginally Feasible
Townhomes	Marginally Feasible	Marginally Feasible	Marginally Feasible	Feasible	Feasible	Infeasible
Source: Strategic Economics, 2023.						
Notes:						
Projects considered "Feasible" if Return on Cost is greater than 25%						
Projects considered "Marginally Feasible" if Return on Cost is greater than 20%						
Projects considered "Infeasible" if Return on Cost is less than 20%						

Figure 5: Sensitivity Analysis Results for Ownership Units - Assuming 15 Percent Required Inclusionary and 50/50 Split Between Low and Moderate Income

	Current Costs	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Increase in Hard Costs of Construction	0%	1%	2%	3%	4%	5%
Feasibility by Project Type						
Single Family Development	Marginally Feasible	Marginally Feasible	Marginally Feasible	Marginally Feasible	Marginally Feasible	Marginally Feasible
Townhomes	Marginally Feasible	Marginally Feasible	Infeasible	Infeasible	Infeasible	Infeasible
Source: Strategic Economics, 2023.						
Notes:						
Projects considered "Feasible" if Return on Cost is greater than 25%						
Projects considered "Marginally Feasible" if Return on Cost is greater than 20%						
Projects considered "Infeasible" if Return on Cost is less than 20%						

- The recommended policy shift from a 10% moderate-income inclusionary requirement to a 12% inclusionary requirement split between low- and moderate-income units represents a substantial increase in requirements from a financial feasibility perspective. The single-family prototype can feasibly dedicate approximately 3% fewer units as inclusionary housing when split between low- and moderate-income units compared to providing moderate-income units only. Meanwhile, townhomes can feasibly dedicate approximately 7% fewer units as inclusionary housing with the switch from moderate-only units to a 50/50 split between low and moderate-income units.

Staff recommends increasing the inclusionary requirement from 10% to 12% and deepening affordability level for half of the units to provide ownership opportunities for low-income households to ensure that the ordinance can sustain greater changes to market conditions

while maintaining feasibility. Targeting both low and moderate income households will create ownership opportunities for more community members.

Use of Affordable Housing In-lieu Fee

\$9.6 million in-lieu fees (Inclusionary Housing Trust Funds) have funded five affordable housing developments providing a total of 364 units of affordable housing targeting extremely low (ELI), Very Low (VLI), and Low Income (LI) households. Details of the unit mix and the City funding commitments are included in **Table 2**. In addition to the inclusionary housing trust funds, the City has committed nearly \$35 million in funds and land donations to subsidize the development of affordable housing. Most of the non-Inclusionary Trust fund monies are one-time funds and do not represent an ongoing or dedicated source of funds to subsidize affordable housing. Additionally, the City was able to leverage Inclusionary Housing Trust funds to receive nearly \$4 million in Local Housing Trust Funds from HCD which have been allocated to Mission Paradise and Parcel Group 8 Affordable Housing. The City’s Inclusionary Housing Trust Funds are crucial to help grow the City’s affordable housing portfolio and to leverage state funds.

Table 2. City Inclusionary Housing Trust Fund Commitments by Project

Project	Project Type	ELI*	VLI	LI	Total units**	Inclusionary Housing Trust	Other City Funds
Depot Community Apartments	Individuals	67	27	30	125	\$1,610,000	\$22,839,865
Mission Paradise	Senior	36	26	13	76	\$3,764,720	\$2,365,280
Pimentel Place	Family	35	11	10	57	\$2,000,000	\$238,951
Sequoia Grove	Ownership	0	0	10	10	\$200,000	\$600,000
Parcel Group 8 Affordable Housing	Family	0	42	53	96	\$2,000,000	\$8,865,161
Total		138	106	116	364	\$9,604,720	\$34,909,257

*Permanent supportive units

**Includes manager unit where applicable

Factors that May Contribute to Fremont Creating More Inclusionary Units

Rental rate differences between Hayward and Fremont partly explain increased development activity in Fremont. Fremont commands significantly higher residential rental rates compared to Hayward. As an example, the average effective rent per square foot in the Hayward/Castro Valley/Union City market area is approximately 15 percent lower than the effective rent per square foot in the Fremont/Newark market area—as shown in Figure 6. This gap in achievable rents partially explains the greater development activity and interest in Fremont.

Figure 6: Average Rent for All Rental Housing Units in Fremont/Newark vs. Hayward/Castro Valley/Union City, 2022

	Asking Rent			Tenant Concessions	Effective Rent		
	Per Unit	Per Sq Ft	Annual Growth Rate		Per Unit	Per Sq Ft	Annual Growth Rate
Fremont/Newark	\$2,646	\$3.18	10.30%	1.10%	\$2,616	\$3.15	11.60%
Hayward/Castro Valley/Union City	\$2,174	\$2.69	5.40%	0.30%	\$2,166	\$2.68	6.60%

Source: CoStar, 2022.

In addition to higher average rents, higher median household income in Fremont demonstrates a capacity to pay higher rents and purchase prices necessary to cross subsidize the inclusionary units. Table 3 compares the median income by tenure in Hayward and Fremont.

Table 3. Median Income comparison Hayward/Fremont by Tenure

	Hayward	Fremont
Renter Occupied	\$73,604	\$121,769
Owner Occupied	\$120,058	\$181,558
Total	\$96,386	\$155,968

Source: American Community Survey 2021

Adding Commercial Development to Affordable Unit Phasing Plan

Staff recommended changing language regarding the affordable unit phasing plan because it was unclear to developers that the phasing plan needed was only in relation to the timing of the affordable units. Adding reference to commercial development timing may only further cause confusion regarding the intent of the affordable unit phasing plan. However, the City’s standard conditions of approval do specify timing of delivery of commercial space in relation to the residential units in mixed-use development. The standard conditions of approval include requirements for the timing of the commercial component of a development in relation to the residential component.

State City Preference for On-site Inclusionary Housing

Language was added to the findings of the AHO to state the preference for providing the on-site affordable units when feasible to create mixed-income communities. This language does not require on-site affordable units but does provide guidance to the developers regarding the Council’s preference.

Include Information about other Strategies used by the City to Improve Housing Stability and Affordability.

The AHO is one tool that creates two strategies for creating affordable housing (on-site inclusionary units and revenue to subsidize the development of affordable housing).

However, the City has implemented and is working on other strategies to improve housing affordability and stability including:

- Residential Rent Stabilization and Tenant Protection Ordinance⁴
- Tenant Relocation Assistance Ordinance⁵ and implementation of the Emergency Relocation Assistance Fund⁶
- Opening a Hayward Navigation Center
- Incentives to Housing Production Work Plan⁷
- Let's House Hayward! Strategic Plan⁸
- Funding contracts with services providers to provide legal service for low-income tenants, tenant/landlord mediation, fair housing testing, housing counseling, rental assistance (no longer active), shallow rental subsidy, foreclosure prevention services providers, fair housing organization, housing counselors, and foreclosure prevention
- Applying for State housing and planning grants

California Environmental Quality Act (CEQA)

The amendments to the AHO and the resolution adopting In-Lieu Fees are exempt from CEQA because they will not have any significant effect on the environment. They only affect the affordability of residences constructed in the City and contain no provisions affecting the physical design or development of residences, and so it can be seen with certainty that there is no possibility that the resolutions may have a significant effect on the environment. (CEQA Guidelines Section 15061(b)(3)). Future projects would go through project specific CEQA review at the time they are proposed.

Recommendation

Staff recommends:

- Modifying the AHO to increase ownership inclusionary requirement for lower-density housing products to 6% low-income and 6% moderate-income and to improve implementation by clarifying language, better aligning some of the requirements with the development process to streamline, and to conform requirements with existing affordable housing agreements and resale restrictions; and
- Adopting a resolution to increase the affordable housing in-lieu fee for lower density ownership projects from \$21.64 to \$26 per square foot.

To ensure that the AHO produces units that meets the diverse housing needs of Hayward community members, the AHO must both produce:

1. Inclusionary units providing ownership opportunities for moderate and low income households (as proposed); and
2. Generate fee revenue to subsidize the development of affordable housing for low, very low and extremely low-income households.

⁴ June 25, 2019 Staff Report and Attachments: [CITY OF HAYWARD - File #: CONS 19-474 \(legistar.com\)](#)

⁵ July 14, 2020 Staff Report and Attachment: [CITY OF HAYWARD - File #: LB 20-035 \(legistar.com\)](#)

⁶ June 3, 2021 Staff Report and Attachments: [CITY OF HAYWARD - File #: WS 21-029 \(legistar.com\)](#)

⁷ March 2, 2020 Staff Report and Attachments: [CITY OF HAYWARD - File #: CONS 20-120 \(legistar.com\)](#)

⁸ July 13, 2021 Staff Report and Attachments: [CITY OF HAYWARD - File #: LB 21-032 \(legistar.com\)](#)

ECONOMIC IMPACT

Social research indicates that access to affordable housing can improve education outcomes, increase health and wellbeing, boost economic activity, and lower the costs for state and local governments to provide emergency housing, mental health crisis services, emergency medical care, and other services to assist the homeless or families and individuals with a housing crisis. The rent for affordable housing is relative to income levels versus market prices which reduces rent burden. This increases available income to pay for other basic needs or save for other financial goals such as furthering education or homeownership. Stabilizing housing costs can be the first step to creating opportunities for personal economic advancement.

FISCAL IMPACT

There is no fiscal impact to the General Fund associated with this item.

STRATEGIC ROADMAP

This agenda item supports the Strategic Priority of Preserve, Protect, & Produce Housing. Specifically, this item relates to the implementation of the following project:

Project 5, Part 5.b: Evaluate the Affordable Housing Ordinance and hold a work session to discuss potential revisions.

PUBLIC CONTACT

Staff engaged different community stakeholders through both the displacement study and the Let's House Hayward! Strategic Plan process. Through the displacement study, HR&A Advisors interviewed local developers and service providers to gain a more qualitative understanding of displacement trends and housing needs. Through the Let's House Hayward! Planning process, staff and the consultant Homebase held virtual forums and interviews with individuals with lived experience of homelessness, homeless services providers, members of the business community, City staff, and other Hayward residents. Feedback ranged widely and is still being integrated, but initial findings demonstrate that community members broadly favored efforts to prevent displacement and to increase affordable housing development for the City's most vulnerable residents.

Outreach to Developers: The Consultant facilitated a TAC. The purpose was to provide feedback on market conditions, housing needs, development prototypes, and analysis assumptions/results. Members include market rate and affordable housing developers with recent projects in Hayward. The TAC reviewed the preliminary recommendations on November 15, 2022, and had the following comments:

- Maintain flexible AHO compliance options because feasibility related to AHO compliance is project specific;

- Fees and on-site affordable housing requirements increase rents and prices for non-restricted units which gets passed on to the end user;
- The current requirements strike a good balance for the developer, market rate buyer and the affordable buyer;
- Some developers indicated they prefer providing on-site units when feasible but wished the city would loosen requirements regarding implementation;
- There was concern that the sensitivity testing was too conservative with construction costs increasing on average between 5% and 10% and interest rates rising; and
- Would like the AHO to allow affordable housing developers to use Low-income Housing Tax Credit rent and income limits.

Community Outreach: Staff gathered input from community members at two fair housing workshops and a Housing Fair. There were approximately 18 respondents who indicated the following priorities.

- Ownership housing
- Prioritize middle-income households (\$171,350 annual income for 4-person household)
- Prioritize extremely low-income households (\$42,850 annual income for 4-person household)
- Prioritize mixed income housing within new developments
- Prioritize rental housing

While there was limited response, the responses indicated that there is a wide span of housing priorities and that proposed housing policy should meet these diverse needs. The AHO provides a number of tools to address those various housing needs and some tools have been more effective than others at creating units that serve those specific target populations.

Furthermore, staff published a legal notice of the hearing regarding the amendments to the Affordable Housing Ordinance and update to the in-lieu fees in the Daily Review on March 17, 2023 and March 24, 2023.

NEXT STEPS

If the proposed legislation is approved, the second reading will take place on May 2, 2023 and take effect thirty days after adoption. New in-lieu fees will be effective July 1, 2023 under the FY 2024 Master Fee schedule. Staff will notify developers with existing projects of the rate change.

Prepared by: Christina Morales, Housing Division Manager

Recommended by: Dustin Clausen, Assistant City Manager

Approved by:

A handwritten signature in black ink, appearing to read 'Kelly McAdoo', with a long horizontal stroke extending to the right.

Kelly McAdoo, City Manager