

CITY COUNCIL MEETING

OCTOBER 18, 2022

PRESENTATIONS

**DENSITY BONUS
ORDINANCE
UPDATE**

ITEM #4

WS 22-033



Density Bonus Ordinance Update

Jeremy Lochirco, Planning Manager
Christina Morales, Housing Division Manager
Rozalynne Thompson, Senior Planner

Background

- City's Density Bonus Ordinance was adopted in 2005.
- Ordinance *Does Not Comply* with State Legislation.
- City was awarded SB2 grant monies in 2019 for this project.
- On February 1, 2022, the City held a Joint Work Session with the City Council and Planning Commission to establish priorities for further analysis.
- On June 26, 2022, the Homelessness Housing Task Force held a work session to review staff recommendations and provided feedback on the proposed Ordinance updates.



Purpose of the Density Bonus

Help make the development of affordable housing and housing for specific target populations economically feasible by:

- Reducing development cost by providing concessions
- Increasing revenue by allowing development at a higher density (more units)
- Streamlining the Review and Approval Process for Density Bonus Applications

Summary of Feedback Received

Feedback from the City Council, Planning Commission, and Homelessness Housing Task Force include support for:

- **Creating a flexible ordinance** to accommodate future changes by citing State law instead of codifying full state legislation
- **Aligning density bonus approval process** with standard entitlement process to streamline housing permitting
- **Offering incentives above what State law offers**
- **Tailor the ordinance** to meet Hayward's housing need
- **Provide additional incentives/concessions**



Basis For Staff's Recommendation

- Feedback from the Joint City Council/Planning Commission Work Session
- Feedback from the Homelessness Housing Task Force
- Feedback from Targeted Stakeholder Interviews
- Comprehensive Review of Ordinances from Other Local Jurisdictions
- History of Previous Density Bonus Requests Approved by the City
- Results of the Displacement Study, completed in 2021
- Best Practices in Density Bonus Ordinances

Three Main Components of the Ordinance Update

Staff is proposing three main changes:

- Exceed the State's Density Bonus Maximum by 5% for all density bonus projects that meet State's on-site affordable unit requirement;
- Exceed the State's Density Bonus Maximum by 10% for projects that meets State's on-site affordable unit requirement and target special populations; and
- Increase the number of incentives/concessions for projects that exceed the minimum on-site affordable housing requirements under the City's Affordable Housing Ordinance (AHO) in order to encourage development of more affordable units.



Targeting Special Needs Populations

Increase overall density bonus and provide additional density bonus increase for projects with special targeting of certain populations. Special targeting includes:

- Mixed income rental projects that provide more than 20% of the rental units for large families (3+ bedrooms)
- Mixed income projects incorporating universal design principles
- Mixed income senior housing
- Mixed income college student housing
- Mixed income housing with unit set-asides for foster youth, disabled vets, or individuals experiencing homelessness

Existing vs. Proposed Density Bonus

Target Population Served State Density Bonus	State Required Restricted Affordable Units	State maximum Density Increase	Proposed Hayward Maximum Density	Proposed Hayward Maximum Density Increase for Special Targeting
Very Low Income	15%	50%	55%	60%
Low Income	23%	50%	55%	60%
Moderate Income	44%	50%	55%	60%
Foster Youth/Disabled Vets/Unhoused people	10% restricted at very low Income	20%	25%	30% (15% restricted at very low income)
College Students	20% Low-Income Student	35%	40%	45% (25% restricted low-income students)
Market Rate Senior*	No Income Restriction	20%	n/a	n/a

What is a Concession?

A concession/incentive is defined as:

- A reduction of site development standards or a modification of zoning code or architectural design requirements, such as a reduction of minimum square footage requirements;
- Approval of mixed-use zoning; or
- Other regulatory incentives or concessions which result in identifiable and actual cost reductions.



Existing State vs. Proposed Hayward Concessions

No. of Incentives/ Concessions Required by State	Proposed No. of Incentives/ Concessions	Percentage of VLI Units	Percentage of LI Units	Percentage of MI Units
1	1*	5%	10%	10%
2	3	10%	17%	20%
3	4	15%	24%	30%
4	5	100% (LI/VLI) or 100% (MI 20% /LI 80%)		

*The first tier is not increased because compliance with the Affordable Housing Ordinance's on-site affordable housing requirement makes the project eligible for one incentive/concession.



Other Components of Ordinance Update

- Streamline the review process for all Density Bonus applications;
- Default to the State guidelines, when applicable, to ensure the City's Ordinance reflects any changes to State law;
- Simplify the new Ordinance so that developers and staff can implement the new regulations with ease; and
- Develop a checklist and informational handout for perspective developers to promote the updated program

Additional Financial Incentives

Fee Waivers, Reductions and Deferrals

Fee Waivers: The City could promote existing waivers and reductions for park in-lieu fees and traffic impact fees for housing projects that provide on-site affordable units as part of a mixed-income project.

Fee Deferrals. The City could explore fee deferrals for utility connections as a concession for providing on-site affordable units, which would save developers the cost to finance the fees.

While Fee Waivers and Deferrals could assist with development of on-site affordable units, staff recommends these options be offered on a case-by-case, as-needed basis following additional collaboration and coordination with the Housing Division and Department of Public Works.

Next Steps

- Following Council feedback, staff will finalize list of proposed density bonus revisions, complete the required CEQA analysis, and present the draft Ordinance framework to the Planning Commission at their regular meeting on November 10, 2022, for feedback.
- Following the Planning Commission meeting, staff will prepare the draft Ordinance and expect to present to City Council on December 6, 2022, for consideration and possible adoption.
- Following adoption, staff will create informational documents to aid developers and staff in processing these applications and promote the City's Density Bonus which will exceed State's required Density Bonus.



Questions?

**ALLOCATION OF
LOCAL
HOUSING
TRUST FUNDS**

ITEM #5

WS 22-054



Allocation of Funds Awarded through California Department of Housing and Community Development Local Housing Trust Fund Program

Christina Morales, Housing Division Manager
October 18, 2022

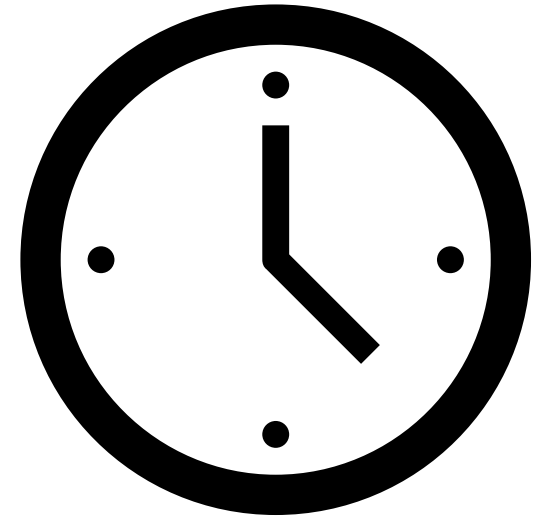
Purpose

Hold a public hearing to fulfill state funding requirements and reaffirm Local Housing Trust Fund allocations for identified projects



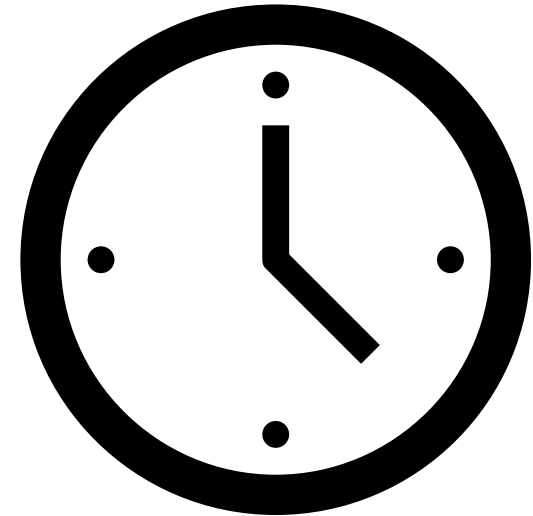
Background Timeline

- **October 2, 2018** – City awarded \$2.5 million to Mission Paradise
- **September 15, 2020** – Council authorized the City Manager to enter into an Exclusive Negotiating Rights Agreement with RCD for the Development of CalTrans Parcel Group 8 (PG8)
- **May 4, 2021** – Council authorized the City Manager to award additional funding of up to \$4.9 million from the Inclusionary Housing Fund to four existing affordable housing projects that are near construction including Mission Paradise and PG8



Background Timeline

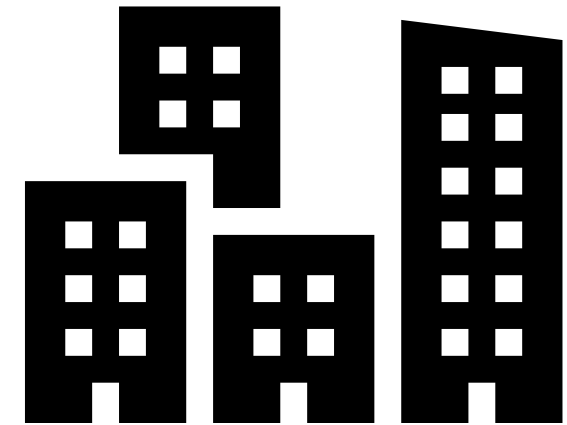
- **July 20, 2020** - Council authorized staff to apply for LHTF Program to Fund Mission Paradise and Parcel Group 8 Affordable Housing
- **August 2, 2021** – City submitted application
- **December 23, 2021** – City awarded \$3,994,906
- **June 28, 2022** – Council authorized DDA for the sale of approximately 2.36 acres of real property at Grove Way and Foothill Boulevard for the development of PG8
- **September 26, 2022** – City entered into a Standard Agreement with HCD



Background

Local Housing Trust Fund Program

- **Type of Funding.** State grant through California Department of Housing and Community Development (HCD)
- **Purpose.** Promote and support affordable housing projects by providing dollar-for-dollar matching grant funds to eligible LHTFs for construction loans or permanent financing loans
- **Allowable Uses.** New construction or rehabilitation projects that serve extremely-low to moderate-income households



Background

LHFT Program Eligibility Criteria

Deeper Income Targeting

- At least 30% of program and matching funds restricted for Extremely Low-Income Households ($\leq 30\%$ AMI)
- No more than 20% of program and matching funds used for eligible projects affordable to, and restricted for, Moderate-Income Households ($\leq 120\%$ AMI)
- Remaining funds must be used for eligible projects affordable to, and restricted for, Low-Income Households ($\leq 80\%$ AMI)
- **Applications score higher the more funds are restricted for Low-Income Households or below.**

Matching Funds

- Minimum – cities must provide dollar-for-dollar match (including value of land donation)
- **Higher scores awarded to applications with:**
 - Higher ratio of City matching funds to requested program funds (i.e. \$3 of City matching funds to \$1 of program funds requested)
 - Higher percentage matching funds that do not come from residential local impact fees



Identified Projects

Mission Paradise

- **Location.** Mission Boulevard and Webster and Hancock Streets
- **Project.** 76-unit affordable rental units for low-income seniors, age 62 or older
- **Amenities:** on-site laundry facilities, community room, computer learning center, an outdoor roof deck, an exercise area and an on-site resource coordinator
- **City Funding.** \$1.2 million from CDBG and HOME and \$3.7 million from the Inclusionary Housing Trust Fund through City NOFA
- **Proposed LHTF Allocation.** \$1,150,000
- **Project Timeline.** Anticipated construction start November 2022



Identified Projects

Parcel Group 8 Affordable Housing

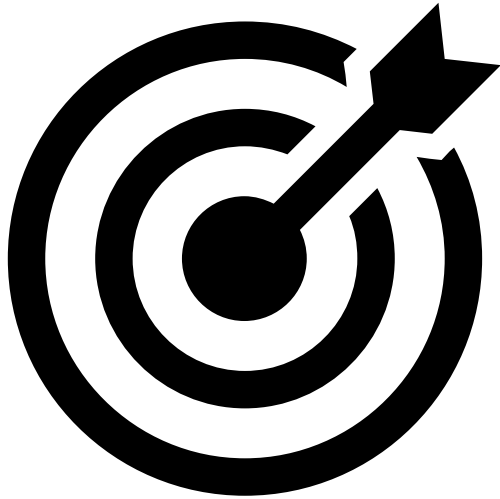
- **Location.** Grove Way and Foothill Boulevard
- **Project.** 105 units of new or rehabilitated affordable, multifamily rental units restricted for households 60% AMI or below
- **Amenities.** Play area, passive open space; a community room; shared laundry; secure bike parking; and resident services.
- **City Funding.** \$2 million from the Inclusionary Housing Trust Fund and land donation
- **Proposed LHTF Allocation.** \$2,645,161
- **Project Start.** Anticipated construction start 2024

Identified Projects

Meeting Competitive Criteria

Competitive Criteria	Criteria Met?	Description
Higher percentage of funds only used for projects affordable to, and restricted for, Low-Income Households ($\leq 80\%$ AMI) or below	YES	Mission Paradise restricted to 80% AMI or below PG8 restricted to 60% AMI or below
Higher ratio of City matching funds to requested program funds	YES	Including the land donation, the City is contributing \$11,984,720 of matching funds, which is \$3 for every \$1 the City requested and was awarded (\$3,994,906)
Higher percentage matching funds that do not come from residential local impact fees	YES	52% of City Matching funds was donated land which counts as a source of funding that does not come from residential local impact fees

Regional Housing Needs Allocation Compliance



- Mission Paradise and PG8 will add a total of 179 affordable housing units to the City's housing stock which will help the City:
 - Meet over 17% RHNA goal for very low-income households
 - Over 6% RHNA goal for low-income households

Recommendation

- That the City Council holds a public hearing and adopts:
 - Resolution (Attachment II) to approve the allocation of LHTF Program grant award to Mission Paradise in the amount of \$1,150,000; and to authorize the City Manager to negotiate and execute loan with EAH not-to-exceed \$1,150,000; and
 - Resolution (Attachment III) to approve the allocation LHTF Program grant award to Parcel Group 8 Affordable Housing in the amount of \$2,645,161; and to authorize the City Manager to negotiate and execute loan documents with the RCD in an amount not-to-exceed \$2,645,161

Public Hearing Format

1. Council Questions
2. Public Comments
3. Council Discussion and Action

