

**REPORT TO THE
CITY COUNCIL**
City of Salinas, California

DATE: June 17, 2014

FROM: Jeffrey H. Weir, Director, Community &
Economic Development Department

THROUGH: Grace Aston, Planning Manager

BY: Joel Alvarez, Housing Services Supervisor

**SUBJECT: INCLUSIONARY HOUSING PROGRAM -
ADOPT 2014 INCOME LIMITS AND AFFORDABLE RENT LEVELS**

RECOMMENDATION:

It is recommended that the City Council adopt a resolution adopting the revised Exhibit C to the Inclusionary Housing Guidelines to reflect the 2014 income limits and affordable rent levels for inclusionary housing.

DISCUSSION:

On November 21, 2006, the City Council adopted Inclusionary Housing Guidelines implementing the Inclusionary Housing Ordinance (No. 2451). The general requirements for inclusionary housing are contained in the Ordinance; operational details and procedures are contained in the Guidelines.

Because the Inclusionary Housing Ordinance is keyed to “area median income,” published income and rent levels should be updated annually. Each year the State of California publishes the tables showing maximum income limits for *very low income*, *low income* and *moderate income* households. Staff then calculates the income levels, after adding a category for *workforce income* households.

Section 2, Paragraph A of the Inclusionary Guidelines calls for the City Council to adopt a table of affordable rents once a year, once the new income limits have been announced by HUD and published by the State. City staff prepares income limits for the fourth category: Workforce, pursuant to the Ordinance. Staff also calculates the affordable rent levels in accordance with the Ordinance and Guidelines. Attached to this report is a revised Exhibit C from the Guidelines that reflects the new income levels and maximum rent levels for 2014.

The City Council should also be aware that the specific provision of the Ordinance that limits affordable rent levels for inclusionary units has been undermined by a State Appeals Court decision: *Palmer/Sixth Street Properties v. City of Los Angeles* (2009). After careful review, the City Attorney’s office has determined that, due to the *Palmer* decision, the requirements of the Inclusionary Housing Ordinance do not apply to rental projects that do not receive any City subsidies. Currently the Inclusionary Housing Ordinance only applies to projects that have “For Sale” units or properties wherein the developer will receive City subsidies. The California Supreme Court will be considering when a city may insist on inclusionary housing in new developments in a case involving the City of

San Jose. In the meantime, alternatives to inclusionary rents will need to be considered during a review of the Ordinance once the Supreme Court makes a ruling, anticipated this summer. Staff anticipates an update to the Ordinance in FY 2014-15.

ISSUE:

Shall the City Council adopt 2014 income limits and affordable rent levels for the inclusionary housing program?

ALTERNATIVES:

The City Council may defer a decision at this time and provide direction to staff.

TIME CONSIDERATIONS:

The Inclusionary Housing Guidelines require updated income limits and affordable rent levels to be consistent with annual updates from HUD and the State of California.

CONCLUSION:

The inclusionary housing program contemplates annual updates of both area income figures and maximum rent levels for restricted units. Staff has revised Exhibit C to the Guidelines using the published data and the established process. Staff recommends the City Council adopt the attached resolution adopting the 2014 revised Exhibit C to the Inclusionary Housing Guidelines.

Distribution:

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Supporting Pages:

Draft Revised Exhibit C
Draft Resolution