



CITY OF SALINAS COUNCIL STAFF REPORT

DATE: June 6, 2017

DEPARTMENT: COMMUNITY DEVELOPMENT DEPARTMENT

FROM: MEGAN HUNTER, DIRECTOR

BY: CHRISTOPHER VALENZUELA, COMMUNITY DEVELOPMENT ANALYST

TITLE: INCLUSIONARY HOUSING ORDINANCE AMENDMENT

RECOMMENDED MOTION:

A motion to (1) adopt an Ordinance amending Article 3 (Housing) of Chapter 17 (Housing) of the Salinas Municipal Code related to the Inclusionary Housing program; (2) approve a Resolution establishing residential for-sale housing in-lieu fees and rental housing impact fees; and (3) approve a Resolution authorizing amendments to Inclusionary Housing Guidelines.

RECOMMENDATION:

It is recommended that the City Council take action on the following three Resolutions:

1. Approve Resolution authorizing amendments to Article 3 (Housing) of Chapter 17 (Housing) of the Salinas Municipal Code related to the provision of Inclusionary Housing; and
2. Approve Resolution authorizing approval of residential for-sale housing in-lieu fees and rental housing impact fees; and
3. Approve Resolution authorizing amendments to Inclusionary Housing Guidelines.

EXECUTIVE SUMMARY:

The City Council authorized direction as part of the City's 2015-23 General Plan Housing Element under "*Action H-8: Inclusionary Housing*" to update the existing 2005 Ordinance (Ordinance No. 2451). The proposed 2017 Ordinance will provide much greater flexibility and options to better reflect current and future market conditions and strives to achieve the primary goal of inclusionary units being produced.

On May 16, 2017, a draft of the Inclusionary Housing was presented to City Council with five outstanding items that the Technical Advisory Committee (TAC) could not agree upon. City Council continued its action on the draft Ordinance and directed staff to hold another TAC meeting to try and reach a consensus on the five remaining provisions prior to this June 6, 2017

City Council meeting. The TAC met on May 23, 2017 and was able to reach a consensus on the remaining five outstanding draft Ordinance items as further discussed below.

BACKGROUND:

As discussed in the May 16, 2017, staff report, City Council directed staff during in the City's 2015-23 General Plan Housing Element to update the existing Inclusionary Housing Ordinance and to complete a nexus study. City Council also established the Technical Advisory Committee (TAC) to serve as the recommendation committee regarding the draft Ordinance update. The TAC is made up of various members from the development community and community stakeholders. In addition, the City contracted with Baird and Driskell Community Planning to assist with drafting the Ordinance update.

The TAC worked with city staff, inclusionary housing consultant and members of the public during the draft Ordinance update process. The CDBG/Housing Subcommittee also serves as a recommendation committee regarding general housing policies to the City Council. The CDBG/Housing Subcommittee is a three-member committee consisting of current City Council members. During the development of the draft Ordinance, the TAC, CDBG/Housing Subcommittee, Planning Commission and City Council met a total of twenty-one times.

DISCUSSION:

The goal of the draft Ordinance update is to achieve a more balanced Ordinance with the greater likelihood that inclusionary units will be constructed on-site. Prior to this June 6, 2017 City Council meeting, there were five key outstanding draft Ordinance items in which the TAC was unable to reach a consensus. As a result, the City Council directed staff at their meeting on May 16, 2017 to have the TAC conduct an additional meeting in an attempt to reach a consensus on the remaining five outstanding draft Ordinance items. The TAC conducted a meeting on May 23, 2017 and was able to reach a consensus on the remaining five outstanding draft Ordinance items. Table 1 below shows the prior five outstanding draft Ordinance items along with the TAC's final recommendation.

Table 1 – Outstanding Ordinance Items

Outstanding Item	Ordinance Item	Recommendation			
		Staff	Non-Profit Development Community/Housing Advocates	Market-Rate Development Community	TAC Recommendation
#1	10+ Units Mixed Ownership/Rental	<u>20%</u> 4% - Very Low (R/O) 8% - Low (R/O) 4% - Moderate (O) 4% - Workforce (O)	No Change	<u>18%</u> 4% - Very Low (R/O) 6% - Low (R/O) 4% - Moderate (O) 4% - Workforce (O)	<u>20%</u> 4% - Very Low (R/O) 8% - Low (R/O) 4% - Moderate (O) 4% - Workforce (O)
	10+ Units Ownership	<u>15%</u> 6% - Median (O) 6% - Moderate (O) 3% - Workforce (O)	No Change	<u>12%</u> 4% - Median (O) 4% - Moderate (O) 4% - Workforce (O)	<u>15%</u> 6% - Median (O) 6% - Moderate (O) 3% - Workforce (O)
	10+ Units Rental	<u>12%</u> 8% - Very Low (R) 4% - Low (R)	No Change	No Change	<u>12%</u> 8% - Very Low (R) 4% - Low (R)
Outstanding Item	Ordinance Item	Recommendation			
		Staff	Non-Profit Development Community/Housing Advocates	Market-Rate Development Community	TAC Recommendation
#2	Ownership In-Lieu Fee	\$12.00/sq. ft.	No Change	\$2.00/sq. ft. - \$8.00/sq. ft. Sliding Scale Based On Unit Size w/Max Fees	\$12.00/sq. ft.
#3	Rental Housing Impact Fee	\$2.00/sq. ft.	\$5.00/sq. ft. or \$2.00/sq. ft. (w/Section 8 Housing Vouchers for 12% of Units)	\$2.00/sq. ft. or No Fee (w/Section 8 Housing Vouchers for 12% of Units)	\$2.00/sq. ft. & Acceptance of Section 8 Housing Vouchers for 12% of Units
#4	Timing of Production (# of Market-Rate Building Permits Allowed Prior to Inclusionary Units)	50% or 75% (w/non-profit)	No Change	70% or 100% (w/non-profit)	70% or 100% (w/non-profit)
#5	Rental Restriction Term	30 yrs.	55 yrs.	No Change	30 yrs.

R = Rental, O = Ownership

In addition to the five outstanding draft Ordinance items mentioned above, the TAC recommended additional modifications to the draft Ordinance at their May 23, 2017 meeting. Table 2 below shows the additional proposed modifications to the draft Ordinance as recommended by the TAC.

Table 2
Additional Inclusionary Housing Ordinance
Proposed Modifications

Modification #	Ordinance Item	TAC Recommendation
1	“Small Attached Development” Definition	Modify language by eliminating “Small Attached Development” definition and change to “Attached Development” definition and eliminate prior cap of 12 units and increase to 120 units to allow for larger complexes.
2	Mixed (Ownership/Rental) 20% Option	Allow rental housing impact fees to satisfy the rental obligation under this option.
3	On-Site Rental Options	Applicant may submit a request to provide different on-site percentages and affordability levels in order to comply with the requirements of CTCAC 4% or 9% low-income housing tax credit programs. Request must be reviewed and approved by the City.

CEQA CONSIDERATION:

The City of Salinas has determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378). In addition, CEQA Guidelines Section 15061 includes the general rule that CEQA applies only to activities which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Because the proposed action and this matter have no potential to cause any effect on the environment, or because it falls within a category of activities excluded as projects pursuant to CEQA Guidelines section 15378, this matter is not a project. Because the matter does not cause a direct or foreseeable indirect physical change on or in the environment, this matter is not a project. Any subsequent discretionary projects resulting from this action will be assessed for CEQA applicability.

STRATEGIC PLAN INITIATIVE:

The adoption of the Ordinance, Guidelines and proposed residential ownership in-lieu and rental housing impact fees are in concurrence with the following City goals, policies and plans.

- 2016-19 Salinas City Council Strategic Plan
 - Goal IV - Well Planned City and Excellent Infrastructure
 - Objective - Update and adopt a new Inclusionary Housing (or Housing Fee) Ordinance to support affordable housing
- 2015-23 General Plan Housing Element
 - Action 8: Inclusionary Housing
- 2015-19 HUD Consolidated Plan

FISCAL AND SUSTAINABILITY IMPACT:

On April 4, 2017, the City Council authorized approval of a budget transfer from the Community Development Housing Division General Fund account (1000.30.3220-61 Salaries & Benefits) to the Inclusionary Housing Ordinance Update (CIP 9041) account (5800.30.9041) for \$50,000 (Resolution No. 21149). Sufficient funding is available for remaining legal, consultant and staff expenses to complete the draft Ordinance update.

If adopted, residential for-sale in-lieu fees and rental housing impact fees will go in effect 60 days after City Council adoption. Residential for-sale in-lieu fees and rental housing impact fees will be added to the City fee schedule and future revenues will be deposited into the Inclusionary Housing Trust Fund.

ATTACHMENTS:

- Inclusionary Housing Ordinance Resolution
- Inclusionary Housing Ordinance
- In-Lieu and Rental Housing Impact Fee Resolution
- Inclusionary Housing Guidelines Resolution
- Inclusionary Housing Guidelines
- Nexus Study
- Supplemental For-Sale Feasibility Study
- Supplemental Rental Feasibility Study