

# THOUSAND OAKS CITY COUNCIL



## Supplemental Information Packet

**Agenda Related Items - Meeting of October 10, 2023  
Supplemental Packet Date: October 6, 2023**

**2:00 p.m.**

### **Supplemental Information:**

Any agenda related public documents received and distributed to a majority of the City Council after the Agenda Packet is printed are included in Supplemental Packets. Supplemental Packets are produced as needed, typically a minimum of two—one available on the Thursday preceding the City Council meeting and the second on Tuesday at the meeting. The Supplemental Packet is available for public inspection on the City's website at [toaks.org/agendas](http://toaks.org/agendas) or by contacting the City Clerk Dept at (805) 449-2151 during normal business hours [main location pursuant to the Brown Act, G.C. 54957.5(2)].

### **Americans with Disabilities Act (ADA):**

In compliance with the ADA, if you need special assistance to participate in this meeting or other services in conjunction with this meeting, please contact the City Clerk Department at (805) 449-2151. Assisted listening devices are available at this meeting. Ask City Clerk staff if you desire to use this device. Upon request, the agenda and documents in this agenda packet, can be made available in appropriate alternative formats to persons with a disability. Notification at least 48 hours prior to the meeting or time when services are needed will assist City staff in assuring reasonable arrangements can be made to provide accessibility to the meeting or service.

THE FOLLOWING 47  
PAGES ARE RELATED TO  
ITEM 10B

**TO:** Andrew P. Powers, City Manager

**FROM:** Kelvin Parker, Community Development Department Director

**DATE:** October 6, 2023

**SUBJECT:** **Item No. 10B Municipal Code Amendment 2023-70004 Update to Inclusionary Housing Program and Nonresidential Development Linkage Fees**

There was an error in uploading Attachment #1 of the staff report for the above-captioned agenda item. The draft Ordinance was inadvertently added.

Attached to this memo is the correct Attachment #1 – PC Staff Report and Attachments including Inclusionary Housing Policy Recommendations.

CDD:430-30/IAH\H:\COMMON\Planning\Advanced Planning\Inclusionary Housing Plan and Linkage Fee Update\City Council Supplemental



# STAFF REPORT

2100 Thousand Oaks Boulevard • Thousand Oaks, CA 91362  
Phone 805/449.2121 • Fax 805/449.2125 • www.toaks.org

**TO:** Planning Commission

**FROM:** Kelvin Parker, Community Development Director

**DATE:** September 11, 2023

**SUBJECT:** **MCA 2023-70004 Update to Inclusionary Housing Program and Nonresidential Development Linkage Fees**

**APPLICANT:** City of Thousand Oaks

**LOCATION:** Citywide

## **REQUEST:**

To amend the Thousand Oaks Municipal Code Title 9 Planning and Zoning, Chapter 10 Affordable Housing by amending: Article 1 General Provisions, Article 2 Affordable Housing Trust Fund, Article 3 Inclusionary Housing Program, Article 4 Nonresidential Development Linkage Fees and Article 6 Compliance Procedures establishing requirements toward the production of affordable housing as part of new development. The amendment establishes provisions for the construction of affordable housing as part of new rental and ownership development and alternative options for the provision for affordable housing by paying in-lieu fees or off-site construction.

## **RECOMMENDATION:**

That the Planning Commission adopt a Resolution thereby forwarding the following recommendations to City Council:

1. Find that this Municipal Code Amendment is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Section 15061(b)(3) of the CEQA Guidelines; and
2. Adopt an Ordinance approving amendments to Chapter 10 of Title 9 of the Thousand Oaks Municipal Code.

**PLANNING COMMISSION REVIEW:**

Due to the relationship of the Planning Commission's responsibility in evaluating land use entitlement and other planning-related matters related to zoning, staff solicits the Planning Commission's review and recommendation of the proposed amendment to the Chapter 10 Affordable Housing to City Council (Attachment #s 1 & 2).

**BACKGROUND:**

Inclusionary housing describes a local government requirement that a specified percentage of new housing units be reserved for, and affordable to, extremely-low, very-low, lower and moderate-income households. The goal of inclusionary housing programs is to increase the supply of affordable housing commensurate with new market-rate development in a jurisdiction. This can result in improved regional jobs-housing balances and foster greater economic and diversity within a community.

Non-residential development linkage fees provide a mechanism for producing housing affordable to extremely low-, very low-, lower-, and moderate-income households by requiring applicable non-residential development to pay an impact fee to be used for the production, preservation, or rehabilitation of affordable housing units.

Before local agencies can adopt an inclusionary housing in-lieu fee, a market analysis and feasibility study are necessary to inform the decision-making body what the market can feasibly accommodate and the appropriate amount to incentivize construction of affordable housing. As a development impact fee, a Linkage Fee may legally only be established when there is a demonstrated nexus (reasonable relationship) between the fee and the development's impacts. In this case, the employment growth of a commercial development will have an impact/reasonable relationship with the unmet housing needs in a community.

**City of Thousand Oaks Affordable Housing Ordinance History**

In 2008, the City adopted an ordinance creating affordable Housing Programs including the Housing Trust Fund, Inclusionary Housing Program, Nonresidential Linkage Fee Program and Density Bonus Program. The Inclusionary Housing Program requires a specified percentage of affordable units or payment of an in-lieu fee for certain residential development projects (TOMC Section 9-10.301 et seq.). This ordinance required that 10 percent of a for-sale, residential development of six or more dwelling units be available to moderate-income households or payment of specific fees.

**Inclusionary Housing Program and Nonresidential Development Linkage Fees  
(MCA 2023-70004)  
September 11, 2023  
Page 3**

The Nonresidential Development Linkage Fee Program established fees applied to nonresidential development in order to mitigate the demand for affordable housing in the City caused by new employment resulting from development (TOMC Section 9-10.401 et seq.). This ordinance required payment of fees for developments of 7,500 square feet or more of new gross floor area. The fees were initially set at the following rates:

- Commercial/ Retail - \$ 4.50/square foot building area (s. f.)
- Office - \$ 2.50/ s. f.
- Hotel/ Lodging - \$ 2.50/ s. f.
- Industrial - \$ 0.00/ s. f.
- Research & Development Flex Space - \$ 0.00/ s. f.

In 2009, City Council set the optional in-lieu fee at zero, and therefore new projects are not required to provide a specified number of affordable units through this mechanism. In 2010, 2011, and 2012, the City Council continued to set both the inclusionary housing in-lieu fee and the non-residential development linkage fees at zero dollars.

**Council Direction**

On January 25, 2022, City Council adopted the 2021-2029 Housing Element, which includes many implementation actions to address housing issues. To facilitate the development of affordable housing, Program 6 of the Housing Element contains an implementation objective that requires an update to the Inclusionary Housing Program and Nonresidential Development Linkage Fees.

On April 26, 2022, the City Council approved a Professional Services Agreement with Keyser Marston Associates, Inc. (KMA) for preparation of inclusionary housing program feasibility and non-residential linkage nexus analysis and fee studies.

On November 1, 2022, City Council discussed and provided initial direction for an update to the Inclusionary Housing Program Update Parameters and Policy. After the City Council received a presentation on the general framework and policy considerations, Keyser Marston and Associates (KMA) facilitated the City Council's discussion and initial direction for an Inclusionary Housing Financial Evaluation.

City Council provided comments generally summarized as follows:

- Require on-site production of lower income categories in apartment developments.
- Explore a minimum inclusionary requirement of 10% or greater of total units in a project for both rentals and ownership.
- Explore applicability of inclusionary housing to projects of 5 units or more.
- Do not allow apartment developments the option for offsite production of affordable units.
- Explore allowing in-lieu fee as an option on a sliding scale.
- Discourage land dedication as option.
- Explore preference for on-site production.
- Explore options for ownership housing project to include on-site parcel or off-site parcel with apartment development.
- Explore for off-site ownership or apartment development.
- Explore in-lieu fee payment on sliding scale based on project size and ownership type.

On February 28, 2023, City Council was presented the findings of the Inclusionary Housing Financial Evaluation Study, Nonresidential Development Linkage Fee Nexus Study and Financial Feasibility Analysis of Nonresidential Development Linkages Fees results.

The Inclusionary Housing Financial Evaluation identified parameters for the update to the Inclusionary Housing Program, including an explanation of key legislation, legal standards, and various parameters to be considered and explains the methodology to determine feasible levels of those parameters. KMA then conducted analyses on both ownership and rental developments to create prototypes representative of development types in Thousand Oaks to recommend parameter levels.

After consideration and general concurrence with the reports' findings the City Council provided direction on completing updates to the Inclusionary Housing Program and Nonresidential Development Linkage Fees ordinances. The following table provides a summary of KMA's recommendation and the City Council's direction.

<b>Inclusionary Program Applicability</b>
Apartment and Ownership projects of 10 units or more
<b>Apartment Housing Development</b>
10% of projects units in Low-income category
In-lieu fee of \$25.70 per square foot of leasable area
Allow an optional In-lieu fee payment for projects with 20 or fewer units
Allow the discretionary imposition of an In-lieu fee based on extreme hardship for apartment developments of more than 20 units
Affordability covenants for 55 years or more, as long as property remains as residential use
<b>Ownership Housing Development</b>
Townhomes - 10% of projects units in Moderate-income category
Single Family Detached - 5% of projects units in Moderate-income category
Townhomes - In-lieu fee option of \$14.60 per square feet of saleable area
Single Family Detached - In-lieu fee option of \$16.80 per square feet of saleable area
Affordability covenant for a 45-year cumulative period
<b>Off-site Production of Inclusionary Units</b>
Apartments - No off-site production
Ownership projects – On-site parcel for development of affordable apartments concurrently
Ownership projects - Off-site production of affordable apartments option
<b>Other Fulfillment Options</b>
Land Dedication only at the discretion of City Council, but subject to detailed requirements ensuring timely construction of affordable housing
Rehabilitation and Acquisition <u>not recommended</u> to satisfy for inclusionary housing requirement due to ability to obtain RHNA credit
<b>Nonresidential Development Linkage Fee</b>
No fee required for all five of the nonresidential development categories. \$0 per square foot

As part of the conclusions of the financial feasibility analyses of the non-residential development linkage fees, the industrial prototype was the only nonresidential development scenario that resulted in a financially feasible estimated return on investment. However, based on threshold return requirements established by KMA, the retail/commercial, office, research and development, and hotel prototypes did not demonstrate an ability to realize a return on investment even without the application of a linkage fee. As such staff's initial recommendation on



applying a nonresidential development linkage fee only applied to the industrial uses. After consideration of the recommendation, City Council gave direction not to apply the linkage fee to industrial uses due to the limited value of potentially collecting nominal fees from only one non-residential land use.

#### General Plan Consistency

The proposed Municipal Code Amendment is consistent with the following Goal and Policy of the General Plan:

##### *Goal*

- *To develop appropriate additional tools enabling commercial, industrial and residential development to flourish in an efficient and compatible manner.*

##### *Policies – Housing*

- *Housing: Strive to provide a balanced range of adequate housing for Thousand Oaks Planning Area residents in a variety of locations for all individuals regardless of age, income, ethnic background, marital status, physical or developmental disability.*

#### **EVALUATION:**

KMA prepared an Inclusionary Housing: Policy Recommendations report (Attachment #3) providing a summary of the financial evaluation findings, Inclusionary Housing Program policy considerations, implementation recommendations and case studies. The recommendations are based on the results of the Inclusionary Housing Financial Evaluation Study presented to City Council and an evaluation of the different fulfillment options that can be made to market rate residential developers. The goal of the program is to create a balance between the property owners and developers interests and the public benefits of increasing the inventory of affordable housing. The Inclusionary Housing Program would work in conjunction with the State Density Bonus Law. This Municipal Code Amendment would create a requirement that qualifying projects will be subject to the review against the Inclusionary Housing Program during the entitlement review and discretionary review by the decision-making authority.

The full code language is contained in Attachment #2 and the following provides an outline and synopsis of the amendments to Chapter 10 Affordable Housing.

*Article 1. General Provisions*

1. Definitions: Includes revisions to definitions for Affordable Housing Costs, Eligible Household, Ventura County Area Median Income.

*Article 2. Affordable Housing Trust Fund*

1. Purpose and use of monies in the Fund: Includes revisions to the purpose that affordable housing funds are prioritized for the construction of affordable housing. Funds can be used for preservation or rehabilitation of affordable housing in the event there is limited opportunity for the creation of new affordable housing.

*Article 3. Inclusionary Housing Program*

1. Purpose and Intent: Revises section to include intent statements as opposed to findings.
2. Applicability:
  - a. All residential developments of 10 units or more.
  - b. Apartment developments shall provide at least 10% of the total units as low-income inclusionary units.
  - c. Ownership condominium/townhome projects would be required to provide 10% of the total units as moderate-income units.
  - d. Single-family detached developments shall provide 5% of the total units as moderate-income units.
  - e. Additional units authorized under State Density Bonus Law are not subject to Inclusionary Housing.
  - f. Any fractional number of inclusionary units required in a residential development shall be provided through an in-lieu fee.
3. Standards for inclusionary units
  - a. *Design*: Inclusionary units shall be comparable in design, infrastructure, construction quality and exterior to market rate units. The number of bedrooms and bathrooms in the inclusionary units shall be proportional to the bedroom and bathroom mix of market-rate units.
  - b. *Location*: Inclusionary units shall be equally distributed through the development. Common entrances shall not be separated between inclusionary and market-rate units.
  - c. *Timing of construction*: Inclusionary units shall be constructed and occupied concurrently with or prior to the construction and occupancy of market-rate units. In phased developments, inclusionary units may be constructed and occupied in proportion to the number of dwelling units in each phase of the development.
  - d. *Access to common amenities*: Same rights of access to parking, open space, storage, and recreational space as market-rate units.

4. Alternative Compliance Procedures

a. In-lieu Fees

- i. Any fractional number of inclusionary units
- ii. Ownership developments
- iii. Rental developments with 20 or fewer units
- iv. Rental developments of more the 20 units provided the decision-making authority for the development finds that constructing the required inclusionary units on site would be an extreme hardship, based on factors such as project size, site constraints, and/or excessively large affordability gaps. One way this can be achieved is for the developer to demonstrate that the imposition of the affordable housing production requirement would violate the California and/or United States Constitutions.
- v. In-lieu fees shall be paid according to a fee schedule adopted by the City Council and will be adjusted annually based on the percentage change in new home prices and average apartment rent increases in Ventura County.
- vi. In-lieu fees shall be paid prior to issuance of building permit or may pay pro-rata share for phased developments.

b. Production of Rental Inclusionary Units as part of an Ownership Housing development.

i. Two Criteria

1. Separate inclusionary housing parcel is created within the development for market rate housing.
2. Site located within one mile of the market rate development site.

ii. City Council Approval authority

1. Off-site inclusionary production option.
2. On-site parcel option for the size and location within the market rate for sale project site.

iii. Rental Inclusionary Requirements

1. Fifteen (15%) percent applied to the total number of ownership housing and apartment units being developed.
2. Low-income level, unless developer volunteers to fulfill the requirement with very low income units.
3. Bedroom mix is not required to match the unit mix provided in the market rate ownership housing development. However, the off-site inclusionary units shall meet the following requirements:

- a. No more than 15 percent of the off-site inclusionary units shall be studios.
      - b. At least 40 percent of the off-site inclusionary units shall include two or more bedrooms.
    - iv. A market-rate developer may enter into an agreement with an affordable housing developer to construct, own and operate the off-site inclusionary units required to fulfill the inclusionary housing requirement, provided certain conditions are met.
  - c. Land dedication
    - i. Only allowed at discretion of decision-making authority.
      - 1. Land conveyance to the City at no cost.
      - 2. Payment of all property and special taxes prior to conveyance.
      - 3. Inclusionary housing shall be 15% of rental units shall be very-low income.
      - 4. Location must be within one mile or within a moderate of high resources are as defined by the California Tax Credit Allocation Committee (TCAC) Opportunities Mapping and must not result in overconcentration as specified within the ordinance.
    - ii. Developer must demonstrate control of land, free of any liens, disclosure of all property encumbrances, disclosure of hazardous materials history and free of any current hazardous materials.
    - iii. Specific submittal requirements, including a pro-forma analysis to demonstrate how funding will fill financial gaps.
5. Inclusionary Housing Incentives
- a. Revised to reflect the provisions of regulatory incentives for qualifying residential projects consistent with Density Bonus Law.

*Article 4 Nonresidential Development Linkage Fees*

- 1. The City Council direction was to not apply a linkage fee at this time due to the lack of financial feasibility of four out of the five non-residential land uses. Article 4 remains as written in terms of applicability, exemptions and use categories subject to linkage fee if adopted in the future. Purpose and Intent section to be revised reflecting the intent behind the linkage fees.

*Article. 6 Compliance Procedures*

1. This section includes clarification that on-site and off-site affordable housing may be used to comply with the Inclusionary Housing Program and the types of documents necessary to be included as part of the recording housing agreement.

**ENVIRONMENTAL REVIEW**

The proposed amendments are exempt from the requirements of the California Environmental Quality Act (CEQA) Guidelines in accordance with Section 15061(b)(3), also known as the “common sense” exemption that exempts activities that can be seen with certainty to have no possibility for causing a significant effect on the environment. Moreover, additional CEQA review would be required on a case-by-case basis prior to the issuance of any approvals to construct units with funds generated by the in-lieu fees. The activity of amending development standards is covered by the common sense exception that CEQA applies only to projects that have the potential for causing a significant effect on the environment.

**CONCLUSION:**

The proposed Municipal Code Amendment will provide inclusionary housing as a means to provide affordable housing in an effort to meeting the Regional Housing Needs Assessment for the City of Thousand Oaks. Staff recommends that the Planning Commission approve the draft resolution recommending that the City Council approve MCA 2022-70004 as set forth in the attached ordinance (Attachments #1 and #2). In addition to the Planning Commission’s recommendation for the Municipal Code Amendment, the City Council will be considering resolutions setting the recommended inclusionary in-lieu fees and re-setting the nonresidential development linkage fees at zero dollars.

**PREPARED BY:** Iain Holt, AICP, Senior Planner

**Attachments:**

- Attachment #1 – Draft Planning Commission Resolution
- Attachment #2 – Draft Ordinance
- Attachment #3 – Inclusionary Housing: Policy recommendation

**ATTACHMENT #1**  
To the 9/11/2023 PC Report

The draft PC Resolution has been replaced with the final, signed PC Resolution here.

CITY OF THOUSAND OAKS

PLANNING COMMISSION

RESOLUTION NO. 14-2023 PC

A RESOLUTION OF THE PLANNING COMMISSION  
OF THE CITY OF THOUSAND OAKS  
RECOMMENDING APPROVAL OF A MUNICIPAL  
CODE AMENDMENT TO THE CITY'S AFFORDABLE  
HOUSING REGULATIONS INCLUDING THE  
INCLUSIONARY HOUSING PROGRAM AND  
NONRESIDENTIAL DEVELOPMENT LINKAGE FEES

Application: MCA-2023-70004

Applicant: City of Thousand Oaks

Location: Citywide

SECTION 1

The Planning Commission of the City of Thousand Oaks, California DOES  
RESOLVE AS FOLLOWS:

WHEREAS, on June 9, 2020, the City Council initiated a Municipal Code  
Amendment to address recent housing legislation and evaluation of the existing  
Inclusionary Housing Program to respond to the state housing crisis;

WHEREAS, on January 25, 2022, the City Council adopted the 2021-2029  
Housing Element, which includes implementation actions to address housing  
issues. In order to facilitate the development of affordable housing, Program 6 of  
the Housing Element contains an implementation objective that requires an update  
to the Inclusionary Housing Program and Nonresidential Development Linkage  
Fees;

WHEREAS, the updated Inclusionary Housing Program will contribute  
towards the City's share for the regional housing need for affordable housing as  
identified in the Regional Housing Need Assessment (RHNA) allocation for the  
City;



WHEREAS, the Planning Commission, upon giving the required notice, did, on the 11<sup>th</sup> day of September 2023, conduct a duly-advertised public hearing as prescribed by law to consider said application; and

WHEREAS, at the September 11, 2023 public hearing, oral and written evidence, including a staff report, were presented and received, and arguments were heard from all interested parties appearing in the matter.

NOW, THEREFORE, BE IT RESOLVED that said MCA-2023-70004 is recommended to City Council for approval.

## SECTION 2

WHEREAS, the findings of the Planning Commission for recommending approval of said Municipal Code Amendment application MCA-2023-70004 are as follows:

1. *"The project is consistent with the Thousand Oaks General Plan and any applicable specific plan or redevelopment plan" per TOMC Sec. 9-4.2803(c)(1).*

The proposed Municipal Code Amendment is consistent with the following Goal and Policy of the General Plan because the City is using an appropriate tool of inclusionary housing to help ensure that rental and ownership residential and mixed-use development contribute towards the production of affordable housing to meet the needs of the community and the City's Regional Housing Needs Assessment allocation:

### *Goal*

- *To develop appropriate additional tools enabling commercial, industrial and residential development to flourish in an efficient and compatible manner.*

### *Policies – Housing*

- *Housing: Strive to provide a balanced range of adequate housing for Thousand Oaks Planning Area residents in a variety of locations for all individuals regardless of age, income, ethnic background, marital status, physical or developmental disability.*



Therefore, the proposed MCA is consistent with the City's adopted General Plan.

2. *"The project complies with all applicable laws, regulations and policies, including the Thousand Oaks Municipal Code" per TOMC Sec. 9-4.2803(c)(2).*

The proposed MCA is compliant with all applicable laws, regulations, and policies as the project consists of regulatory amendments to create affordable housing as part of new development and reestablish an in-lieu fee for future affordable housing funding.

Therefore, the proposed MCA is consistent with all applicable laws, regulations, and policies.

3. *"The project will not be detrimental to the public health, safety or general welfare" per TOMC Sec. 9-4.2803(c)(3).*

The proposed MCA consists of amending the current Affordable Housing provisions associated with the Inclusionary Housing Program to require new development to contribute towards the production of affordable housing. There is no associated physical development proposed as part of this Municipal Code amendment. Any new construction or major alteration/addition that would be subject to the adoption of this Ordinance is required to undergo its own separate review as part of the City's Development Permit process.

Therefore, the proposed project will not be detrimental to the public health, safety or general welfare.

4. *"The project has been reviewed in conformance with the provisions of the California Environmental Quality Act" per TOMC Sec. 9-4.2803(4).*

The proposed amendments are exempt from the requirements of the California Environmental Quality Act (CEQA) Guidelines in accordance with Section 15061(b)(3), also known as the "common sense" exemption that exempts activities that can be seen with certainty to have no possibility for causing a significant effect on the environment. Moreover, additional CEQA review would be required on a case-by-case basis prior to the issuance of any approvals to construct units with funds generated by the in-lieu fees.

The activity of amending development standards is covered by the common sense exception that CEQA applies only to projects that have the potential for causing a significant effect on the environment.

### SECTION 3

NOW, THEREFORE, BE IT RESOLVED that the Planning Commission recommends that City Council approve the Municipal Code Amendment MCA-2023-70004 set forth and attached hereto as Exhibit A and made a part hereof.

I HEREBY CERTIFY that the foregoing resolution reflects action taken by the Planning Commission of the City of Thousand Oaks at a regular meeting held on the 11<sup>th</sup> day of September 2023, by the following vote:

AYES: Commissioners Farris, Tyler-Ketelhut, Lanson, Link, and Chair McMahon

NOES: None

ABSENT: None

ABSTAIN: None

  
Sharon McMahon, Chair  
Planning Commission

  
Fabiola Zelaya Melicher, Secretary  
Planning Commission

## EXHIBIT A

To avoid duplication, see October 10, 2023 City Council Report Attachment #2

**ATTACHMENT #2**  
(To the 9/11/2023 PC Report)

To avoid duplication, refer to the October 10, 2023 City Council Report Attachment #2



## **KEYSER MARSTON ASSOCIATES**

### **INCLUSIONARY HOUSING: POLICY RECOMMENDATIONS**

**Prepared for:**

**City of Thousand Oaks**

**Prepared by:**

**Keyser Marston Associates, Inc.**

**August 10, 2023**

# TABLE OF CONTENTS

<b>I.</b>	<b>INTRODUCTION.....</b>	<b>1</b>
<b>II.</b>	<b>FINANCIAL EVALUATION FINDINGS.....</b>	<b>2</b>
A.	APARTMENT DEVELOPMENT .....	2
B.	OWNERSHIP HOUSING DEVELOPMENT .....	3
<b>III.</b>	<b>POLICY RECOMMENDATIONS.....</b>	<b>4</b>
A.	THRESHOLD DEVELOPMENT SIZE.....	5
B.	COVENANT PERIODS .....	5
C.	DEVELOPMENT STANDARDS: ON-SITE INCLUSIONARY UNITS .....	5
D.	INCOME AND AFFORDABILITY STANDARDS – APARTMENT DEVELOPMENT .....	6
E.	INCOME AND AFFORDABILITY STANDARDS - OWNERSHIP HOUSING DEVELOPMENT.....	7
F.	ALTERNATIVE MEANS OF FULFILLING INCLUSIONARY HOUSING OBLIGATIONS .....	9
<b>IV.</b>	<b>IMPLEMENTATION RECOMMENDATIONS .....</b>	<b>15</b>
A.	MARKETING REQUIREMENTS .....	15
B.	INCLUSIONARY HOUSING GUIDELINES .....	15
C.	INCLUSIONARY HOUSING PROGRAM UPDATES .....	15
D.	STAFFING PLAN.....	16
<b>V.</b>	<b>CASE STUDIES .....</b>	<b>17</b>
A.	APARTMENT DEVELOPMENT .....	17
B.	TOWNHOME DEVELOPMENT.....	19
C.	DETACHED SINGLE FAMILY HOME DEVELOPMENT .....	22
<b>VI.</b>	<b>SUMMARY .....</b>	<b>26</b>

## I. INTRODUCTION

Keyser Marston Associates, Inc. (KMA) was engaged by the City of Thousand Oaks (City) to assist in reviewing the City's existing Inclusionary Housing program and to make recommendations for ways in which the program could potentially be modified. As the first step in this process, KMA prepared the accompanying *Inclusionary Housing: Financial Evaluation* (Financial Evaluation). Based on the results of the Financial Evaluation, KMA created this Inclusionary Housing: Policy Recommendations report.

This report is organized as follows:

1. The findings of the Financial Evaluation are summarized.
2. The components of the recommended policies are identified.
3. The recommended implementation package is described.
4. Case studies are presented to illustrate how the alternative means of fulfilling the Inclusionary Housing requirements would be applied.

## II. FINANCIAL EVALUATION FINDINGS

The Financial Evaluation identified the following supportable Inclusionary Housing production requirements.

### A. Apartment Development

Inclusionary Housing requirements within the following ranges can be supported by apartment developments:

Table II-1 Supportable Inclusionary Housing Production Requirements Apartment Development	
Income Category	Inclusionary Housing Requirement
Low	8% - 11%
Very Low	5% - 8%

Based on all the factors considered in the apartment development evaluation, KMA recommends that a 10% low income Inclusionary Housing production requirement obligation be applied. It is important to note, however, that some developers may choose to mitigate the financial impact created by the Inclusionary Housing requirements by using the density bonus provided by California Government Code Section 65915 et seq. (Section 65915):

1. Based on the structure of Section 65915 in most cases a developer will choose to fulfill the affordable housing requirement with very low income units.
2. Very low income units must be counted towards the fulfillment of the City's low income requirement.<sup>1</sup>

---

<sup>1</sup> Based on the First District Court of Appeal ruling in *Latinos Unidos del Valle de Napa y Solano v. County of Napa*, 217 Cal. App. 4<sup>th</sup> 1160 (*Napa*).



## B. Ownership Housing Development

The following Inclusionary Housing requirements can be supported by ownership housing developments:

Table II-2 Supportable Inclusionary Housing Production Requirements Ownership Housing Development		
Income Category	Townhomes	Detached Single Family Homes
Moderate	10%	5.0%
Low	5%	3.5%

Given the magnitude of the “Affordability Gaps” associated with ownership development in Thousand Oaks, KMA recommends that the Inclusionary Housing production requirements be set at the moderate income level, and that the following percentage obligations be applied:

Table II-3 Recommended Inclusionary Housing Production Requirements Ownership Housing Development	
Development Type	Moderate Income Production Requirement
Townhomes	10%
Detached Single Family Homes	5%

### III. POLICY RECOMMENDATIONS

KMA's Inclusionary Housing policy recommendations cover the following topics:

1. The minimum residential development size that will trigger an Inclusionary Housing obligation.
2. The covenant periods that should be applied to the income and affordability requirements imposed on apartment and ownership housing developments.
3. The development standards that should be imposed on the "Inclusionary Units" that are produced to fulfill the Inclusionary Housing requirements.
4. The income and affordability requirements that will be applied to apartment and ownership housing developments.
5. Assembly Bill (AB) 1505 requires jurisdictions to provide alternative means of complying with the income and affordability requirements imposed by an Inclusionary Housing program.<sup>2</sup> Based on the characteristics of the housing being developed in Thousand Oaks, KMA recommends that the following fulfillment options be offered:
  - a. Development of the required number of Inclusionary Units within the proposed market rate residential development.
  - b. A payment to the City in-lieu of producing some or all of the required Inclusionary Units.
  - c. Dedication of land to the City for the subsequent development of the required Inclusionary Units.
  - d. An option for ownership housing developments to fulfill the Inclusionary Housing requirements with rental Inclusionary Units.

---

<sup>2</sup> AB 1505 only applies the restrictions imposed on apartment development. However, the provision of alternative means of compliance is a best practice and is commonly provided to ownership housing development as well.

6. Implementation activities that should be undertaken by the City.

## **A. Threshold Development Size**

KMA recommends that the threshold development size be set at 10 units. Mathematically, a 10 unit requirement is the first point at which a whole Inclusionary Unit would potentially be required to be produced.<sup>3</sup>

## **B. Covenant Periods**

KMA recommends that the following covenant period requirements be applied:

1. The covenants imposed on apartment developments should be required to remain in place for as long as the property is developed with a residential use, but for not less than a 55 year period.
2. The covenants imposed on the Inclusionary Units in ownership housing developments should be set at one cumulative 45-year period.

## **C. Development Standards: On-Site Inclusionary Units**

KMA recommends that the following standards be applied to the on-site production of Inclusionary Units within both market rate apartment and ownership housing developments:

1. The Inclusionary Units should be required to be constructed concurrently with the market rate units in the residential development.
2. The Inclusionary Units should be required to comply with the following development scope requirements:
  - a. The Inclusionary Units must be equally distributed throughout the development;

---

<sup>3</sup> A 10-unit threshold would result in a .5 Inclusionary Unit obligation for a detached single family home project.

- b. The bedroom and bathroom mix for the Inclusionary Units must be proportional to the bedroom and bathroom mix of the market rate units;
- c. The Inclusionary Units must have the same exterior finishes as the market rate units in the development; and
- d. The Inclusionary Units must have the same type or quality of appliances, fixtures, and finishes as the market rate units in the development.

## **D. Income and Affordability Standards – Apartment Development**

### **HOUSEHOLD QUALIFICATION STANDARDS**

KMA recommends that the household income qualification standards be based on the following California Health and Safety Code (H&SC) definitions:

- 1. Section 50079.5 defines the standards to be applied to low income households.
- 2. Section 50105 defines the standards to be applied to very low income households.

### **AFFORDABLE RENT CALCULATION METHODOLOGY**

KMA recommends that the “Affordable Rents” be based on the following standards:

- 1. Gross Rents:
  - a. The low income rents should be based on 80% of area median income (AMI). This percentage of AMI is based on the standard imposed in AB 1505.
  - b. The affordable rents used in Section 65915 density bonus projects are required to be based on the standards imposed by H&SC Section 50053.
- 2. Housing related expenses are comprised of any costs other than rent that are required to be borne by a tenant in an Inclusionary Unit. These costs include, but are not limited to, the following:

- a. A utility allowance based on the types of interior utilities included in the Inclusionary Units for which payment will be the tenant's responsibility.
  - b. Any costs that are imposed by the project owner on a mandatory basis.
  - c. Any mandatory or optional costs assessed by the project owner on the amenities included in the development.
3. The Affordable Rent is equal to the gross rent minus the housing related expenses.

## **E. Income and Affordability Standards - Ownership Housing Development**

### **HOUSEHOLD INCOME QUALIFICATION STANDARDS**

KMA recommends that the requirements defined in H&SC Section 50093 to qualify moderate income households to purchase Inclusionary Units.

### **AFFORDABLE SALES PRICE CALCULATION METHODOLOGY**

KMA recommends that the City apply the H&SC Section 50052.5 methodology to the calculation of "Affordable Sales Prices". In addition, KMA recommends that the following specific calculation metrics be applied.

#### ***Benchmark Mortgage Interest Rate***

The mortgage interest rate chosen to be applied in the calculations creates a significant impact on the Affordable Sales Price. In establishing a benchmark interest rate it is important to understand that the following issues are commonly faced by moderate income first time homebuyers:

1. Credit history and scores that do not fall within the exceptional level required to obtain the lowest interest rate available in the marketplace;
2. Back-end ratios that are often higher than the typical ratios applied in conventional lenders' underwriting standards for the lowest interest rate mortgages; and

3. There is a limited pool of mortgage lenders that are willing to provide loans on homes that are subject to income and affordability covenants. These lenders do not generally offer the lowest interest rates available in the marketplace.

Given that mortgage interest rates can be expected to fluctuate over time, KMA recommends that the City apply the following conservative methodology in setting the benchmark interest rate used in the Affordable Sales Price calculations:

1. KMA recommends that the benchmark mortgage interest rate be set on the first day of each calendar quarter.
2. In setting the benchmark interest rate, KMA recommends using the interest rate published by Freddie Mac for 30-year fixed interest rate fully amortizing mortgages. However, other sources that provide the same type of information are also acceptable.

### *Range of Allowable Homebuyer Down Payments*

An Inclusionary Housing program is intended to target homebuyers that could otherwise not afford to purchase a home in Thousand Oaks. To achieve that goal while minimizing the risk of defaults, KMA recommends that the following down payment requirements be imposed:

1. The minimum homebuyer down payment amount should be set at 5% of the Affordable Sales Price:
  - a. A requirement for at least 1% of the down payment to be provided from the homebuyer's own funds should be applied.
  - b. Gifts funds should be allowed to be used to cover the balance of the 5% down payment requirement.
2. The maximum down payment amount should be set at 20% of the Affordable Sales Price.
3. Gift funds of up to \$25,000 should be allowed to be used for the down payment amount that falls between 1% and 20% of the Affordable Sales Price.

## F. Alternative Means of Fulfilling Inclusionary Housing Obligations

### IN-LIEU FEE PAYMENT OPTION

#### *Applicability*

Some form of an in-lieu fee payment option is offered by nearly all Inclusionary Housing programs. KMA recommends that the following standards be applied:

1. When the calculation of the Inclusionary Housing obligation does not result in a whole number, an in-lieu fee should be allowed to be paid for the fraction of an Inclusionary Unit that is required.
2. KMA recommends that the following in-lieu fee payment options be offered to proposed apartment developments:
  - a. Inclusionary Housing requirements have a disproportionate impact on smaller developments, because there are fewer market rate units available to spread the impact created by the income and affordability standards. Apartment developments with 20 or fewer units should be allowed to pay a fee in lieu of producing any Inclusionary Units.
  - b. As a baseline, apartment developments with more than 20 units should be required to produce the requisite number of Inclusionary Units. However, the City Council should be provided with the discretion to allow an in-lieu fee to be paid for apartment developments with more than 20 units if the obligation is deemed to create an extreme hardship circumstance.
3. Ownership housing developments of any size should be provided with the option to pay a fee in lieu of producing any Inclusionary Units.

### Recommended In-Lieu Payment Amounts

KMA recommends that the following in-lieu fees be applied:

Table III-1 Recommended In-Lieu Fee Payment Amounts (2023 Dollars) 10% Low Income Inclusionary Standard Apartment Development	
Per Inclusionary Unit	\$260,400
Per Market Rate Unit in a 100% Market Rate Development	\$26,000
Per Sq. Foot of Leasable Area in a 100% Market Rate Development	\$25.70

Table III-2 Recommended In-Lieu Fee Payment Amounts (2023 Dollars) Townhomes: 10% Moderate Income Inclusionary Standard Detached Single Family Homes: 5% Moderate Income Inclusionary Standard Ownership Housing Development		
	Townhomes	Detached Single Family Homes
Per Inclusionary Unit	\$274,400	\$1,057,200
Per Market Rate Unit in a 100% Market rate development	\$27,400	\$52,900
Per Square Foot of Saleable Area in a 100% Market Rate Development	\$14.60	\$16.80

It is KMA's opinion that an in-lieu fee measured against the square footages of the units in the market rate residential development corresponds more closely to the Affordability Gap than an in-lieu fee that is measured by the number of units in the development. As such, KMA recommends that the in-lieu fee be based on the leasable area for apartment developments and the saleable area for ownership housing developments.



### *In-Lieu Fee Payment Timing*

Developers should be required to pay the in-lieu fee when building permits are obtained for the development. However, for phased projects, the developer should be allowed to pay a pro rata share of the in-lieu fee concurrently with the issuance of building permits for each development phase.

### **LAND DEDICATION OPTION**

The City Council should have the discretion, but not the requirement, to approve a developer's proposal to dedicate property in lieu of producing Inclusionary Units. KMA recommends that the following threshold requirements be imposed for any property put forth for City Council consideration:

1. The developer must be willing to convey the property to the City at no cost.
2. The developer must provide evidence of the following when the land dedication proposal is submitted:
  - a. The developer must have site control with lien-free title. Any encumbrances or easements that adversely impact the property's title must be disclosed and factored into the estimated value of the interests proposed to be conveyed to the City.
  - b. The property cannot contain any hazardous materials at the time the land dedication proposal is submitted:
    - i. The developer must disclose whether any hazardous materials were previously contained on the site; and
    - ii. If hazardous materials were previously remediated, the developer must provide evidence that the cleanup was performed in accordance with applicable law.
  - c. The property cannot have been improved with any residential use for at least five years prior to the submission of a land dedication proposal.

- d. Payment in full of all property taxes and special taxes must have been made when the proposal is submitted, and again prior to conveyance of the property to the City.
3. The following Inclusionary Housing obligations should be applied:
- a. The requirement should be set at 15% of the of units in the development that triggered the Inclusionary Housing obligation; and
  - b. The income and affordability standards should be set at the very low income level.
4. The property must embody the following characteristics:
- a. The property must be within:
    - i. One mile of the development that is subject to the Inclusionary Housing obligation; and/or
    - ii. A High Resource or Highest Resource Area as designated by the California Tax Credit Allocation Committee (CTCAC).<sup>4</sup>
  - b. The construction of Inclusionary Units on the property must not create an over concentration of very low income housing in any specific neighborhood.<sup>5</sup>
  - c. The property must meet the following conditions:
    - i. The site's General Plan and zoning standards must allow for a residential use at a density sufficient to allow for the requisite number of Inclusionary Units to be developed.

---

<sup>4</sup> The CTCAC designation methodology continues to evolve. In general the designations are based on economic, education, health, and environmental indicators.

<sup>5</sup> Over concentration is defined as more than 50 covenanted very low or low income units within ¼ mile, or more than 200 such units within ½ mile of the development that is subject to the Inclusionary Housing obligation.

- ii. The property must be suitable in terms of size, configuration, and physical characteristics to allow for the requisite number of Inclusionary Units to be developed on a cost efficient basis.
  - d. The property must be fully served by the necessary infrastructure prior to conveyance to the City.
- 5. KMA recommends that the City only re-convey dedicated properties to developers with experience developing affordable apartment developments targeted to very low income households. To assist the City in evaluating land dedication proposals, the prospective developer should be required to submit the following documents:
  - a. A conceptual site plan and narrative description of a project that could be developed on the property.
  - b. A identification of the income and affordability restrictions proposed to be imposed.
  - c. A pro forma analysis that quantifies any financial gap associated with the identified development scope, and describes how this financial gap will be filled.
  - d. If a Section 65915 density bonus will be required, an identification of the terms of the requested density bonus; incentives and concessions; and development standards waivers.

Prior to submitting a proposal to the City Council for consideration, the City staff should independently evaluate the information submitted by the developer. Based on that review, the City should determine whether the proposal meets the defined threshold standards.

#### **PRODUCTION OF RENTAL INCLUSIONARY UNITS TO FULFILL THE INCLUSIONARY HOUSING OBLIGATION IMPOSED ON AN OWNERSHIP HOUSING DEVELOPMENT**

KMA recommends that developers of ownership housing developments be allowed to fulfill the development's Inclusionary Housing obligations with rental Inclusionary Units on a site that meets one of the following criteria:

1. A separate Inclusionary Housing parcel that is created within the development site for the market rate residential development; or
2. A site that is located within one mile of the development site for the market rate residential development.

KMA recommends that the City Council be provided with the following approval rights:

1. For the off-site production option: Approval rights over the development site's location.
2. For the parcelization option: Approval rights over the parcel size and the location within the original development site for the market rate residential development.

KMA recommends that the rental Inclusionary Units be required to comply with the following requirements:

1. The Inclusionary Housing obligation should be set at 15% multiplied times the total number of ownership housing and apartment units being developed.
2. The income standard should be set at the low income level. However, at the developer's sole discretion the requirement should be allowed to be fulfilled with very low income units.
3. The bedroom mix should not be required to match the unit mix provided in the market rate ownership housing development.

If the following criteria are met, the developer of the market rate residential development should be permitted to enter into an agreement with an affordable housing developer to construct, own and operate the Inclusionary Housing units:

1. The affordable housing developer has relevant recent experience, and has been approved by the City.
2. The affordable housing developer may not request any financial assistance from the City.

## **IV. IMPLEMENTATION RECOMMENDATIONS**

As part of the implementation process for the Inclusionary Housing program KMA recommends that the City take the following actions:

### **A. Marketing Requirements**

The City wishes to focus the marketing effort in a manner that focuses on households that live and/or work in Thousand Oaks. To that end, the Inclusionary Housing regulations will require developers to prominently advertise the Inclusionary Units in local publications. In addition, information pertaining to Inclusionary Units that are being developed and marketed should be placed on the City's website.

### **B. Inclusionary Housing Guidelines**

The Inclusionary Housing requirements should be detailed in policies and procedures manuals. Given the significant differences in the development characteristics and Inclusionary Housing requirements, separate manuals should be prepared for apartment and ownership housing development.

### **C. Inclusionary Housing Program Updates**

The Inclusionary Housing program should be updated at regular intervals:

1. The entire program should be re-evaluated at least every five years.
2. To allow in-lieu fees to keep pace with changes in the market place during the intervening periods, the in-lieu fees should continue to be adjusted each year based on the following criteria:
  - a. The increase or decrease in the in-lieu fee should be based on the percentage change in median new home sales prices in Ventura County.
  - b. Median sales value information for "All New Residential Development" produced and published by the Redfin Corporation.

## D. Staffing Plan

A staffing and administrative plan should be created for managing the development process and the ongoing monitoring of the Inclusionary Units once they are built.

## V. CASE STUDIES

The following sections of this report describe case studies for hypothetical apartment and ownership housing developments. The case studies identify each of the recommended alternative means available to fulfill the Inclusionary Housing requirements.

It is important to note that these case studies are based on the policy recommendations provided in this report. If the City ultimately chooses to apply different requirements, these case studies will need to be modified accordingly.

### A. Apartment Development

The key components of the development scope used in the apartment development case study can be described as follows:

1. The market rate residential development includes 105 units.
2. The development's density is set at 30 units per acre.
3. The development site consists of 3.5 acres of land area

The unit mix is presented in the following table:

Table V-1 Unit Mix – Case Study Apartment Development			
Number of Bedrooms	Number of Units	Percentage of Total	Leasable Square Feet
1	42	40%	750
2	58	55%	950
3	5	5%	1,300
Total	105	100%	93,100

## ON-SITE PRODUCTION OF RENTAL INCLUSIONARY UNITS

The default option for fulfilling the Inclusionary Housing obligation is to develop Inclusionary Units on site within the market rate apartment development. The requirements associated with this alternative are:

1. At a 10% Inclusionary Housing requirement, 11 Inclusionary Units must be provided.
2. The income and affordability restrictions are set at the low income level.
3. To match the distribution of the bedroom types included in the market rate apartment development, the Inclusionary Units must be provided in the following mix:

Table V-2 Inclusionary Housing Unit Mix On-Site Fulfillment of the Inclusionary Housing Requirement Case Study Apartment Development		
Number of Bedrooms	Number of Units	Percentage of Total
1	4	40%
2	6	55%
3	1	5%
Total	11	100%

4. The Inclusionary Units must be dispersed throughout the market rate apartment development and developed concurrently with the market rate units.

## IN-LIEU FEE PAYMENT

Under the recommended structure, a 105 unit apartment development would not be allowed to pay a fee in lieu of producing Inclusionary Units. However, if a developer can prove that an extreme financial hardship exists, the City Council has the discretion to approve the payment of an in-lieu fee.



Based on the in-lieu fee payment being recommended by KMA, the case study apartment development would generate the following in-lieu fee payment obligation:

1. The total leasable area of the 105 unit market rate residential development is 93,100 square feet.
2. The recommended in-lieu fee payment is set at \$25.70 per square foot of leasable area.
3. The resulting total in-lieu fee is \$2.39 million, or \$22,800 per unit in the market rate residential development.

## LAND DEDICATION

The use of the land dedication option should be subject to City Council approval. Proposals must meet all of the requirements identified in Section III-F in order to be presented to the City Council for consideration.

The Inclusionary Housing requirements associated with apartment development case study are:

1. The Inclusionary Housing obligation is set at 15% of the units being constructed in the market rate residential development. This equates to 16 units for the case study 105 unit development.
2. The income and affordability standard is set at the very low income level.
3. The allowable density for development on the land dedication site is set at 30 units per acre.

Based on the preceding assumptions, the dedicated site must include at least 23,230 square feet (.53 acres) of land area.

## B. Townhome Development

The key components of the development scope used in the townhome development case study can be described as follows:

1. The market rate residential development consists of 25 townhome units.
2. The development's density is set at 20 units per acre.
3. The development site consists of 1.25 acres of land area.

The unit mix is presented in the following table:

Table V -3 Unit Mix – Case Study Townhome Development			
Number of Bedrooms	Number of Units	Percentage of Total	Saleable Square Feet
2	19	75%	1,800
3	6	25%	2,100
Total	25	100%	46,800

#### ON-SITE PRODUCTION OF TOWNHOME INCLUSIONARY UNITS

The default option for fulfilling the Inclusionary Housing obligation is developing Inclusionary Units on site within the townhome development. The requirements associated with this alternative are:

1. At a 10% Inclusionary Housing requirement, three Inclusionary Units must be provided.
2. The income and affordability restrictions are set at the moderate income level.
3. To match the distribution of the bedroom types included in the market rate townhome development, the Inclusionary Units must be provided in the following mix:

Table V-4 Inclusionary Housing Unit Mix On-Site Fulfillment of the Inclusionary Housing Requirement Case Study Townhome Development		
Number of Bedrooms	Number of Units	Percentage of Total
2	2	67%
3	1	33%
Total	3	100%

- The Inclusionary Units must be dispersed throughout the market rate townhome development and developed concurrently with the market rate units.

#### IN-LIEU FEE PAYMENT

Under the recommended structure, developers of any townhome development would be allowed to pay a fee in lieu of producing any Inclusionary Units. Based on the in-lieu fee payment amount being recommended by KMA, the case study townhome development would generate the following in-lieu fee payment obligation:

- The total saleable area of the 25 unit market rate residential development is 46,800 square feet.
- The recommended in-lieu fee is \$14.60 per square foot of saleable area.
- The resulting total in-lieu fee is \$683,000, or \$27,300 per unit in the market rate residential development.

#### LAND DEDICATION

Proposals must meet all of the requirements identified in Section III-F in order to be presented to the City Council for consideration. The Inclusionary Housing requirements associated with case study townhome development are:

1. The Inclusionary Housing obligation is set at 15% of the units being constructed in the market rate residential development. This equates to four units for the 25 unit case study townhome development.
2. The income and affordability standard is set at the very low income level.
3. Assuming the land dedication site will be used for apartment development, the allowable density for development on the land dedication site is set at 30 units per acre.

Based on the preceding assumptions, the dedicated site must include at least 5,810 square feet (.13 acres) of land area.

#### OFF-SITE PRODUCTION OR PARCELIZATION OF THE TOWNHOME DEVELOPMENT SITE

The fulfillment requirements for the case study townhome development are:

1. The Inclusionary Housing obligation is set at 15% of the units being constructed in the market rate residential development. This equates to four units for the 25 units in the case study townhome development.
2. The income and affordability restrictions are set at the low income level.
3. The rental Inclusionary Units must be constructed concurrently with the market rate townhome development.

### C. Detached Single Family Home Development

The key components of the development scope used in the detached single family home development case study can be described as follows:

1. The market rate residential development consists of 60 detached single family homes.
2. The development's density is set at six units per acre.
3. The development site consists of 10 acres.

The unit mix is presented in the following table:

Table V -5 Unit Mix – Case Study Detached Single Family Home Development			
Number of Bedrooms	Number of Units	Percentage of Total	Saleable Square Feet
2	6	10%	2,300
3	39	65%	2,950
4	15	25%	4,000
Total	60	100%	188,850

#### ON-SITE PRODUCTION OF DETACHED SINGLE FAMILY HOME INCLUSIONARY UNITS

The default option for fulfilling the Inclusionary Housing obligation is developing Inclusionary Units on site within the detached single family home development. The requirements associated with this alternative are:

1. At a 5% Inclusionary Housing requirement, three Inclusionary Units must be provided.
2. The income and affordability restrictions are set at the moderate income level.
3. To match the distribution of the bedroom types included in the market rate detached single family home development, the Inclusionary Units must be provided in the following mix:

Table V-6 Inclusionary Housing Unit Mix On-Site Fulfillment of the Inclusionary Housing Requirement Case Study Detached Single Family Home Development		
Number of Bedrooms	Number of Units	Percentage of Total
2	0	0%
3	2	67%
4	1	33%
Total	3	100%

4. The Inclusionary Units must be dispersed throughout the market rate detached single family home development and developed concurrently with the market rate units.

#### IN-LIEU FEE PAYMENT

Under the recommended structure, developers of any detached single family home development would be allowed to pay a fee in lieu of producing any Inclusionary Units. Based on the in-lieu fee schedule being recommended by KMA, the case study detached single family home development would generate the following in-lieu fee payment obligation:

1. The total saleable area of the 60 unit market rate residential development is 188,850 square feet.
2. The recommended in-lieu fee is \$16.80 per square foot of saleable area.
3. The resulting total in-lieu fee is \$3.17 million, or \$52,900 per unit in the market rate residential development.

#### LAND DEDICATION

Proposals must meet all of the requirements identified in Section III-F in order to be presented to the City Council for consideration. The Inclusionary Housing requirements associated with case study detached single family home development are:

1. The Inclusionary Housing obligation is set at 15% of the units being constructed in the market rate residential development. This equates to nine units for the 60 unit case study detached single family home development.
2. The income and affordability standard is set at the very low income level.
3. Assuming the land dedication site will be used for apartment development, the allowable density for development on the land dedication site is set at 30 units per acre.

Based on the preceding assumptions, the dedicated site must include at least 13,070 square feet (.3 acres) of land area.

## OFF-SITE PRODUCTION OR PARCELIZATION OF THE DETACHED SINGLE FAMILY HOME DEVELOPMENT SITE

The fulfillment requirements for the case study detached single family home development are:

1. The Inclusionary Housing obligation is set at 15% of the units being constructed in the market rate residential development. This equates to nine units for the 60 units in the case study detached single family home development.
2. The income and affordability restrictions are set at the low income level.
3. The rental Inclusionary Units must be constructed concurrently with the market rate detached single family home development.

## VI. SUMMARY

The preceding report presented KMA's policy recommendations related to modifying the City's existing Inclusionary Housing program. The recommended Inclusionary Housing requirements are based on the results of the Financial Evaluation, and on an evaluation of the array of fulfillment options that can be made available to the developers of market rate residential developments.

It should be City's goal to create an Inclusionary Housing program that balances the interests of property owners and developers against the public benefits associated with increasing the inventory of affordable housing units in the community. To that end, KMA identified supportable Inclusionary Housing production requirements and provided a mix of alternative methods for fulfilling those requirements.



Name	City	Item #	In favor/ Opposed	Comment
Gordon Clint	Newbury Park	10B	In favor	<p>Dear City Council members,</p> <p>I am glad to see you will finally be adopting an Inclusionary Housing Ordinance with collectable in-lieu fees. Please stretch a little and raise the affordable percentage higher than 15% and also raise the in-lieu fees. We don't need more luxury apartments, townhomes or condos. We need workforce housing. For me, it is a moral issue. People who work in T.O. should be able to live here as members of our community.</p> <p>Sincerely,  Gordon Clint  4102 Greenwood Street, Newbury Park</p>
Barbara Leighton	Newbury Park	10B	In favor	<p>As a Newbury Park resident, I urge the T.O. City Council to focus on production of affordable housing to make our city more welcoming, resilient, equitable and able to thrive.</p> <p>The experience of Covid helped highlight the importance of many "essential workers" who are unlikely to be able to find affordable housing in T.O. Adult children who grew up here often leave for the same reason. Employers can have difficulty filling jobs because people avoid long commutes.</p> <p>Production of workforce housing would help to cut down on pollution and greenhouse gases. Since our population is aging, even a coordinated home sharing program may provide additional housing. Please consider multiple pathways to expand affordable housing opportunities, since this is a critical concern in our city.</p> <p>Thank you,  Barbara Leighton</p>