



City of Palo Alto

City Council Staff Report

(ID # 8711)

Report Type: Action Items

Meeting Date: 2/5/2018

Summary Title: Housing Workplan

Title: Review and Accept a Proposed Housing Work Plan for 2018-2019 and Refer Specific Elements to the Planning & Transportation Commission for Preparation of Related Zoning Ordinance(s)

From: City Manager

Lead Department: Planning and Community Environment

Recommendation

Staff recommends that the City Council:

1. Debrief their February 3rd retreat discussion on the draft work plan for 2018-2019 in Attachment A and accept its recommendations to:
 - A. Complete ongoing projects and initiatives designed to stimulate the production of affordable and workforce housing;
 - B. Develop and adopt one or more zoning amendment ordinances with provisions designed to encourage production of a diversity of housing types in appropriate locations;
 - C. Prepare the economic analyses necessary to prepare and consider ordinances increasing inclusionary requirements from 15% to 20% for new development, applying inclusionary requirements to new rental housing, and requiring payment of in-lieu fees or off-site replacement if existing units are removed from the housing stock resulting in a net loss of units;
 - D. Use the City's affordable housing funds to stimulate the rehabilitation and development of new affordable housing; and
 - E. Partner with other agencies and organizations to meet the needs of underserved members of our community and to engage in community conversations about the use of publicly-owned land for affordable housing.

2. refer work plan items 2.1 through 2.6 to the Planning and Transportation Commission (PTC) for input on the preparation of a 2018 housing ordinance and a recommendation for consideration by the City Council; and
3. refer work plan items 3.1 through 4.2 to the Policy & Services Committee for input on possible policy changes and on the use of City housing funds.

Executive Summary

The attached Draft Housing Work Plan recommends concrete steps that can be taken during calendar years 2018 and 2019 to address housing production, affordability, and preservation in Palo Alto. Recommendations are based on a review of the City's past performance, goals for the future, and available resources, and take into consideration recent changes in State law.

This document has been prepared by staff in response to the City Council's November 6, 2017 request that staff outline the process, priorities, and staff resources available to study and implement a number of specific proposals outlined in a Colleagues Memo considered on that date, as well as other relevant recommendations, including exploration of strategies to assist community based workers such as PAUSD and City Staff to reside in Palo Alto. The Colleagues Memo (Attachment B; see <https://www.cityofpaloalto.org/civicax/filebank/documents/62351> for related minutes.) stated the desire for zoning updates to encourage diverse housing near jobs, transit, and services, and discussed a number of specific concepts, many of which are also called for within the City's Housing Element (adopted November 2014) and Comprehensive Plan (adopted November 2017).

Background & Discussion

See the draft work plan attached for a discussion of housing conditions in Palo Alto, existing policies, available resources, and strategies for addressing items outlined in the Colleagues Memo, the Housing Element, and the Land Use & Community Design Element of the City's Comprehensive Plan.

Policy Implications

See the draft work plan in Attachment A for a discussion of relevant policies and programs in the Housing and Land Use & Community Design Elements of the City's Comprehensive Plan. A list of completed and ongoing policies and programs is provided in Attachment C.

Resource Impact

See the draft work plan in Attachment A for a discussion of available resources for housing initiatives, including staff and Council resources as well as financial resources available in the City's housing funds. These funds are comprised of impact and in lieu fees paid by developers and can only be used for the preservation and construction of affordable housing.

Timeline

See the draft work plan in Attachment A for a timeline of actions recommended over the course of calendar year 2018 and 2019.

Environmental Review

The draft workplan is intended as a statement of the City's intent to pursue various actions, each of which will require separate review to determine applicability of the California Environmental Quality Act (CEQA). For this reason, it can be seen with certainty that acceptance of the work plan itself will not have the potential to cause a significant environmental impact does not require review pursuant to CEQA Guidelines Section 15061(b)(3).

Attachments:

Attachment A: Housing Work Plan Draft (PDF)

Attachment B: ID# 8630 November 6, 2017 Colleagues Memo on Housing (PDF)

Attachment C: Completed Ongoing Comp Plan and Housing Element Programs_12-21-17 (PDF)

Attachment D: Turner CASA presentation 10.25_Costs of Housing (PDF)

Attachment A

Housing Work Plan

February 5, 2018

Hard copy provided separately for City Council only. Electronic copy available at: <http://bit.ly/2F9hLWI>. Hard copies to also be available at City libraries and City Hall fifth floor.



City of Palo Alto

COLLEAGUES MEMO

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DATE: November 6, 2017

TO: City Council Members

FROM: Council Member Fine, Vice Mayor Kniss, Council Member Wolbach

SUBJECT: COLLEAGUES' MEMO REGARDING ZONING UPDATES TO ENCOURAGE DIVERSE HOUSING NEAR JOBS, TRANSIT, AND SERVICES

Objectives:

Palo Alto and the Bay Area region are experiencing a housing crisis, years in the making, which causes significant economic, social, and environmental harm. While Palo Alto may never be a truly affordable place to live, the City Council has an obligation to current and future residents to explore policies that expand housing choices for people of different incomes, generations, and needs. This memo intends to begin the process to:

1. Update and improve the zoning code and other regulations to facilitate a greater variety and quantity of both below market rate (BMR) and moderately-sized market-rate housing; and
2. Increase housing density near jobs, transit, and services; and
3. Streamline the approval process for new housing projects.

Recommendation:

We recommend our colleagues refer this memo to staff to return to Council with a Work Plan outlining the process and resources to study and implement the proposals listed in the Discussion section (and other relevant recommendations to support the Objectives). Following Council approval of the Work Plan, proposals should be reviewed by the Planning & Transportation Commission (PTC) and ultimately by Council for adoption. Some proposals will require less work than others, and so may be considered in advance of others.

Discussion:

There are many policy tools to promote additional moderately-sized and reasonably-priced homes, especially near job centers, transit, and services. The following suggestions should be considered by the PTC and staff as a starting point. Any changes should be appropriately applied in different areas of our community with sensitivity to location and current land use patterns. For example, CD, CN, CS, CC1, CC2 zones in Downtown should be treated differently than an RM zone in a predominantly residential neighborhood.

- Housing Floor Area Ratio (FAR):
 - Increase housing FAR where appropriate.

- Allow non-retail commercial FAR to convert to residential FAR.
- Affordable Housing:
 - Explore increasing affordable housing (Below Market Rate - BMR) percentage requirements in market-rate developments up to 20%, based on economic analysis.
 - Explore implementing inclusionary BMR program for rental units.
 - Height and density for BMR projects: Allow additional height (not exceeding the city-wide height limit) or FAR for projects that contain substantially more BMR units than required.
- Units/Acre:
 - Explore eliminating housing unit limits where/when possible, and use FAR in place of units/acre.
 - Explore housing unit minimums rather than unit maximums (e.g. require building at least 80% of the units allowed under applicable zoning or land use designation).
 - Implement a no net-loss policy when housing is redeveloped and preserve existing non-conforming cottage clusters.
- Parking:
 - Allow residential projects to consolidate parking and TDM efforts with other projects or the Palo Alto TMA.
 - Explore bringing underutilized parking spaces into a public market.
 - Car-light housing: Explore car-light housing with reduced or eliminated off-street parking requirements. (e.g. TransForm's GreenTRIP Certification)
 - Transportation Demand Management (TDM): explore reducing residential parking requirements for projects which provide effective TDM measures.
- Retail/Residential Mixed-Use Projects: Encourage mixed-use zoning with ground-floor retail, community, or non-profit space; and one or more floors of housing; but no commercial office uses.
- Transit-Oriented Development: Expand and augment the Pedestrian Transit-Oriented Development (PTOD) zone.
- And other compatible housing-related implementation programs from the Comprehensive Plan update.

Background:

The current housing shortage is a threat to our city's prosperity, diversity, stability, environment, and community character. In City-sponsored polling in 2016, 76% of Palo Alto residents indicated that housing was an "extremely serious" or "very serious" problem. Housing is one of our Council Priorities for 2017. Our new Comprehensive Plan will encourage exploration of policy changes to enable more housing.

The housing crisis has many symptoms including displacement, separated families, long commutes, lack of diversity, environmental impacts, etc. The City is attempting to address several of these. This memo's recommendations focus on the central cause of these symptoms: the lack of adequate housing options to meet current and growing demand.

Government and academic research consistently point to the need for more housing at a variety of price-points as essential to solving the housing crisis. To prevent urban sprawl and congestion, new housing is best located near transit, jobs, and services.

Few Palo Altans prefer to see new office buildings instead of housing, or luxury penthouses instead of apartments which working professionals and families can afford. Rather than indefinitely continue the practice of responding to each site or housing proposal on its own - and rather than struggling to adapt our policies in each case - we suggest proactively identifying and changing policies which are counterproductive toward our housing goals.

Palo Alto has made progress. We preserved Buena Vista and helped keep over 100 families in our community. We are considering new affordable and market-rate housing proposals. We have taken steps toward making permanent an annual office-cap. But we can still do more to address the other side of our jobs-housing imbalance. Doing so requires we understand and reduce some of the barriers to creating more housing.

Some of Palo Alto's regulations operate in practice to skew development away from reasonably-priced housing. Instead, we currently incentivize commercial development over housing, large housing units over smaller ones, and pricier housing over more affordable. Of particular concern are our consistently low limits on numbers of units per-acre, low-FAR allowances for housing (including in mixed-use projects), requirements for more parking than is used, and requirement for on-site (rather than adjacent or nearby) parking.

Creating more housing for a range of ages and incomes is the most equitable and environmentally sustainable path for Palo Alto. As a collective-action problem, the housing crisis requires all cities to share in the solution. Cities which have added to the regional demand by creating jobs have a particular obligation to permit housing in a manner appropriate for their local character. Palo Alto's housing production has lagged behind our commitments, while several neighboring communities have pursued new housing development near jobs, transit, and services. Palo Alto can do its part to address the housing shortage by increasing housing density in a responsible manner.

Resource Impact:

A modest amount of existing planning and legal staff and consultant resources will be required to develop the proposed Work Plan and return to Council. Development of a Work Plan can be accomplished within existing departmental budgets and staff capacity. The amount of detail and supporting analysis associated with elements of the Work Plan that may be required will

be dependent on the process and the time frame desired for this discussion and its return to Council.

Thereafter, depending on what Council chooses to pursue and on what timeline, implementation of some or all of the proposals may require additional resources, such as consultants and specialists, and adjustments to other priorities and timelines. Staff will provide additional information in the initial Work Plan.

Completed and Ongoing Comp Plan and Housing Element Programs 2015-2023

Program #	Description	Plan Objective	Time Frame	Status
COMPLETED PROGRAMS				
H1.1.2	Consider modifying development standards for second units, where consistent with maintaining the character of existing neighborhoods. The modifications should encourage the production of second units affordable to very low-, low-, or moderate-income households.	Consider modifying the Zoning Code to provide for additional second units.	December 2017 Conduct a study within three years of adoption of Housing Element	Completed.
H2.1.12	Evaluate developing specific or precise plans for the downtown, California Avenue, and El Camino Real areas to implement in the updated Comprehensive Plan. Adopt plans for these areas, as appropriate.	Evaluate developing plans for downtown, California Avenue, and El Camino Real.		Completed - as part of Comp Plan prep (CAPs to come)
H2.1.4	Amend the Zoning Code to create zoning incentives that encourage the development of smaller, more affordable housing units, including units for seniors, such as reduced parking requirements for units less than 900 square feet and other flexible development standards.	Provide opportunities for 75 smaller, more affordable housing units.	December 2017 Within three years of Housing Element adoption	Completed.
H2.1.8	Promote redevelopment of underutilized sites by providing information about potential housing sites on the City's website, including the Housing Sites identified to meet the RHNA and information about financial resources available through City housing programs.	Provide information to developers about potential housing sites.	Post information on website upon adoption of Housing Element	Completed.
H2.1.9	Amend the Zoning Code to create zoning incentives that encourage the consolidation of smaller lots identified as Housing Inventory Sites and developed with 100% affordable housing projects. Incentives may include development review streamlining, reduction in required parking for smaller units, or graduated density when consolidated lots are over one-half acre. Adopt amendments as appropriate. Provide information regarding zoning incentives to developers.	Amend the Zoning Code to provide development incentives to meet the RHNA.	December 2016 Adopt amendments within two years of Housing Element adoption	Completed.
H2.2.4	As detailed in the Resources chapter of the Housing Element, the City of Palo Alto has committed to providing financial assistance towards the conversion of 23 multi-family units to very low-income (30-50% AMI) units for a period of 55 years, and is seeking to apply credits towards the City's RHNA (refer to Appendix C - Adequate Sites Program Alternative Checklist). The Palo Alto Housing Corporation (PAHC) approached the City for assistance in converting a portion of the 60 units at the Colorado Park Apartments, to be reserved for very low-income households. The committed assistance will ensure affordability of the units for at least 55 years, as required by law.	By the end of the second year of the housing element planning period, the City will enter into a legally enforceable agreement for \$200,000 in committed assistance to purchase affordability covenants on 23 units at the Colorado Park Apartments. The City will report to HCD on the status of purchasing affordability covenants no later than July 1, 2018, and to the extent an agreement is not in place, will amend the Housing Element as necessary to identify additional sites.	Ongoing	Completed.
H2.2.6	On parcels zoned for mixed use, consider allowing exclusively residential use on extremely small parcels through the transfer of zoning requirements between adjacent parcels to create horizontal mixed use arrangements. If determined to be appropriate, adopt an ordinance to implement this program.	Consider transfer of zoning requirements to create horizontal mixed use.	December 2017 Within three years of Housing Element adoption	Completed as part of Program 2.1.9.
H3.1.1	Amend the City's BMR ordinance to lower the BMR requirement threshold from projects of five or more units to three or more units, and to modify the BMR rental section to be consistent with case law related to inclusionary rental housing.	Provide opportunities for four additional BMR units.	December 2017 Amend BMR Ordinance within three years of Housing Element adoption.	Completed.
H3.1.6	Require developers of employment-generating commercial and industrial developments to contribute to the supply of low- and moderate-income housing through the payment of commercial in-lieu fees as set forth in a nexus impact fee study and implementing ordinances.	Generate in-lieu fees to contribute toward the creation of low- and moderate-income housing.	Continue to regularly update the commercial in-lieu fee.	Completed. The commercial in-lieu fee was updated in June 2017.

Completed and Ongoing Comp Plan and Housing Element Programs 2015-2023

Program #	Description	Plan Objective	Time Frame	Status
H3.1.8	Recognize the Buena Vista Mobile Home Park as providing low- and moderate income housing opportunities. Any redevelopment of the site must be consistent with the City's Mobile Home Park Conversion Ordinance adopted to preserve the existing units. To the extent feasible, the City will seek appropriate local, state and federal funding to assist in the preservation and maintenance of the existing units in the Buena Vista Mobile Home Park.	Preserve the 120 mobile home units in the Buena Vista Mobile Home Park as a low and moderate income housing resource.	Ongoing	Completed. Mobile home park was preserved in September 2017.
H3.3.5	Review and consider revising development standards for second units to facilitate the development of this type of housing, including reduced minimum lot size and FAR requirements. Based on this analysis, consider modifications to the Zoning Code to better encourage development of second units.	Complete study on impact of revised standards, and consider Zoning Code Amendments	Ongoing	Completed. Zoning code updates completed March 2017.
H3.4.3	Periodically review the housing nexus formula required under Chapter 16.47 of the Municipal Code to fully reflect the impact of new jobs on housing demand and cost.	Continue to evaluate the housing nexus formula, and adjust the required impact fees to account for the housing demand from new development.	Ongoing	Completed. Housing nexus study updated in 2016. Fees updated in 2017.
H3.5.2	Amend the Zoning Code to clarify distancing requirements for emergency shelters, stating that "no more than one emergency shelter shall be permitted within a radius of 300 feet."	Amend the Zoning Code to clarify distancing requirements for emergency shelters.	December 2015 Adopt amendments within one year of Housing Element adoption	Completed.
H3.5.3	Amend the Zoning Code to revise definitions of transitional and supportive housing to remove reference to multiple-family uses, and instead state that "transitional and supportive housing shall be considered a residential use of property and shall be subject only to those restrictions that apply to other residential dwellings of the same type in the same zone."	Amend the Zoning Code to revise transitional and supportive housing definitions.	December 2015 Adopt amendments within one year	Completed.
H5.1.7	In accordance with Government Code Section 65589.7, immediately following City Council adoption, the City will deliver to all public agencies or private entities that provide water or sewer services to properties within Palo Alto a copy of the 2015-2023 Housing Element.	Immediately following adoption, deliver the 2015-2023 Palo Alto Housing Element to all providers of sewer and water services within the City.	Within one month of adoption of the Housing Element	Completed.
L-3.2.1	Evaluate and implement strategies to prevent conversion of residential and neighborhood-serving retail space to office or short-term vacation rentals.			Completed - Retail Protection Ordinance
ONGOING PROGRAMS				
H1.1.1	Continue the citywide property maintenance, inspection, and enforcement program.	Continue to provide services which promote rehabilitation of substandard housing.	Ongoing	Ongoing
H1.2.1	When a loss of rental housing occurs due to subdivision or condominium conversion approvals, the project shall require 25 percent BMR units.	Provide 10 additional affordable housing units on sites where rental housing will be lost.	Ongoing	Ongoing program - there have not been any projects subject to this program to date.
H1.3.1	Create community volunteer days and park cleanups, plantings, or similar events that promote neighborhood enhancement and conduct City-sponsored cleanup campaigns for public and private properties.	Coordinate with the City's waste and disposal hauler to conduct a cleanup campaign once a year to promote neighborhood clean-up.	Ongoing	Ongoing
H2.1.2	Allow increased residential densities and mixed use development only where adequate urban services and amenities, including roadway capacity, are available.	Make sure that adequate services are available when considering increased residential densities.	Ongoing	Ongoing
H3.1.10	Annually monitor the progress in the construction or conversion of housing for all income levels, including the effectiveness of housing production in mixed use developments.	Provide information to the City Council on the effectiveness of City programs.	Provide annual reports	Ongoing

Completed and Ongoing Comp Plan and Housing Element Programs 2015-2023

Program #	Description	Plan Objective	Time Frame	Status
H3.1.11	When using Housing Development funds for residential projects, the City shall give a strong preference to those developments which serve extremely low-income (ELI), very low-income, and low-income households.	Provide funding opportunities for development of housing for Extremely Low Income households.	Ongoing	Ongoing program, housing funds provided as needed by housing projects.
H3.1.2	Implement the BMR ordinance to reflect the City's policy of requiring: a) At least 15 percent of all housing units in projects must be provided at below market rates to very low-, low-, and moderate-income households. Projects on sites of five acres or larger must set aside 20 percent of all units as BMR units. Projects that cause the loss of existing rental housing may need to provide a 25 percent component as detailed in Program H 1.2.1. BMR units must be comparable in quality, size, and mix to the other units in the development. b) Initial sales price for at least two-thirds of the BMR units must be affordable to a household making 80 to 100 percent of the Santa Clara County median income. The initial sales prices of the remaining BMR units may be set at higher levels affordable to households earning between 100 to 120 percent of the County's median income. For projects with a 25 percent BMR component, four-fifths of the BMR units must be affordable to households in the 80 to 100 percent of median range, and one-fifth may be in the higher price range of between 100 to 120 percent of the County's median income. In all cases, the sales price should be sufficient to cover the estimated cost to the developer of constructing the BMR unit, including financing, but excluding land, marketing, off-site improvements, and profit. c) If the City determines that on-site BMR units are not feasible, off-site units acceptable to the City, or vacant land determined to be suitable for affordable housing, construction, may be provided instead. Off-site units should normally be new units, but the City may accept rehabilitated existing units when significant improvement in the citywide housing stock is demonstrated. d) If the City determines that no other alternative is feasible, a cash payment to the Residential Housing Fund, in lieu of providing BMR units or land, may be accepted. The in-lieu payment for projects subject to the basic 15 percent BMR requirement shall be 7.5 percent of the greater of the actual sales price or fair market value of each unit. For projects subject to the 20 percent requirement, the rate is 10 percent; for projects with a 25 percent requirement (as described in Program 1.2.1 regarding the loss of rental housing), the rate is 12.5 percent. The four-fifths component will	Provide 10 affordable units through implementation of the City's BMR program.	Ongoing – implementation of existing program	Ongoing
H3.1.3	Continue implementation of the Below Market Rate Program Emergency Fund to prevent the loss of BMR units and to provide emergency loans for BMR unit owners to maintain and rehabilitate their units. Consider expansion of program funds to provide financial assistance for the maintenance and rehabilitation of older BMR units.	Use the BMR Program Emergency Fund to prevent the loss of at least two affordable units and assist in maintenance and rehabilitation of at least four older BMR units	N/A	Ongoing program, preserved one BMR unit in 2016
H3.1.9	Continue enforcing the Condominium Conversion Ordinance.	Maintain the rental housing stock.	Ongoing	Ongoing
H3.2.1	Continue to assist very low-income households in reducing their utility bills through the Utilities Residential Rate Assistance Program (RAP).	Provide assistance to with utility bills to 800 low-income households.	Ongoing	Ongoing
H3.3.1	When appropriate and feasible, require all City departments to expedite processes and allow waivers of development fees as a means of promoting the development of affordable housing.	Continue to reduce processing time and costs for affordable housing projects.	Ongoing	Ongoing
H3.3.2	Continue to exempt permanently affordable housing units from any infrastructure impact fees adopted by the City.	Reduce costs for affordable housing projects.	Ongoing	Ongoing

Completed and Ongoing Comp Plan and Housing Element Programs 2015-2023

Program #	Description	Plan Objective	Time Frame	Status
H3.3.3	Promote legislative changes and funding for programs that subsidize the acquisition, rehabilitation, and operation of rental housing by housing assistance organizations, nonprofit developers, and for-profit developers.	Continue as an active member of the Non-Profit Housing Association of Northern California to promote legislative changes and funding for programs relating to housing.	Ongoing	Ongoing, active membership in NPH.
H3.3.6	Continue to participate with and support agencies addressing homelessness.	Continue City staff participation in prioritizing funding for County-wide programs.	Ongoing	Ongoing, continue to fund homeless programs with CDBG funds.
H3.4.2	Support and expand local funding sources including the City's Housing Development Fund, Housing Trust of Santa Clara County, CDBG Program, County of Santa Clara's Mortgage Credit Certificate Program (MCC), or similar program. Continue to explore other mechanisms to generate revenues to increase the supply of low- and moderate-income housing.	Increase the supply of affordable housing stock.	Ongoing	Ongoing
H3.5.1	Continue to participate in the Santa Clara County Homeless Collaborative as well as work with adjacent jurisdictions to develop additional shelter opportunities.	Continue City staff participation as members of the Collaborative's CDBG and Home Program Coordinators Group.	Ongoing	Ongoing. Continued participation in CDBG Coordinator's group
H4.1.1	Work with appropriate State and federal agencies to ensure that fair housing laws are enforced, and continue to support groups that provide fair housing services, such as the Mid-Peninsula Citizens for Fair Housing	Continue to coordinate with State and federal agencies to support programs to eliminate housing discrimination, and provide financial support for fair housing services.	Ongoing	Ongoing - The City contracts with Project Sentinel to provide fair housing services.
H4.1.2	Continue the efforts of the Human Relations Commission to combat discrimination in rental housing, including mediation of problems between landlords and tenants.	Continue to provide mediation services for rental housing discrimination cases.	Ongoing	Ongoing - The City contracts with Project Sentinel to provide mediation services.
H4.1.3	Continue implementation of City's ordinances and State law prohibiting discrimination in renting or leasing housing based on age, parenthood, pregnancy, or the potential or actual presence of a minor child.	Implement existing ordinances regarding discrimination	Ongoing	Ongoing
H4.1.4	Continue the City's role in coordinating the actions of various support groups that seek to eliminate housing discrimination and in providing funding and other support for these groups to disseminate fair housing information in Palo Alto, including information on referrals to pertinent investigative or enforcement agencies in the case of fair housing complaints.	Continue to provide funding and other support for these groups to disseminate fair housing information in Palo Alto.	Ongoing	Ongoing - The City contracts with Project Sentinel to provide fair housing services.
H4.1.5	Heighten community awareness regarding and implement the Reasonable Accommodations procedure for the siting, funding, development, and use of housing for people with disabilities.	Continue to provide information to residents on reasonable accommodation procedures via public counters and on the City's website.	Ongoing	Ongoing
H4.1.6	Continue to implement the Action Plan of the City of Palo Alto's Community Development Block Grant (CDBG) Consolidated Plan and the Analysis of Impediments to Fair Housing Choice.	Provide for increased use and support of tenant/landlord educational mediation opportunities as called for in the CDBG Action Plan and the Analysis of Impediments to Fair Housing Choice.	Ongoing	Ongoing, Annual Action Plan is being implemented and Affirmatively Furthering Fair Housing Plan to be completed by Fall 2019

Completed and Ongoing Comp Plan and Housing Element Programs 2015-2023

Program #	Description	Plan Objective	Time Frame	Status
H5.1.1	Periodically report on the status and progress of implementing the City's Green Building Ordinance and assess the environmental performance and efficiency of homes in the following areas: - Greenhouse gas emissions - Energy use - Water use (indoor and outdoor) - Material efficiency - Stormwater runoff - Alternative transportation	Prepare reports evaluating the progress of implementing the City's Green Building Ordinance.	Ongoing	Ongoing
H5.1.2	Continue providing support to staff and the public (including architects, owners, developers and contractors) through training and technical assistance in the areas listed under Program H5.1.1.	Provide educational information regarding the City's Green Building Ordinance.	Ongoing	Ongoing program
L-2.8.2	Develop and implement a system to inventory the characteristics of existing housing units and track changes in those characteristics on a regular basis. Make the information publicly available.		Medium	Ongoing - HCD Annual Report
L-6.1.1	Promote awards programs and other forms of public recognition for projects of architectural merit that contribute positively to the community.		Short	Ongoing
L-6.7.1	Implement architectural standards to assure they effectively address land use transitions.		Routine	Ongoing



Carol Galante

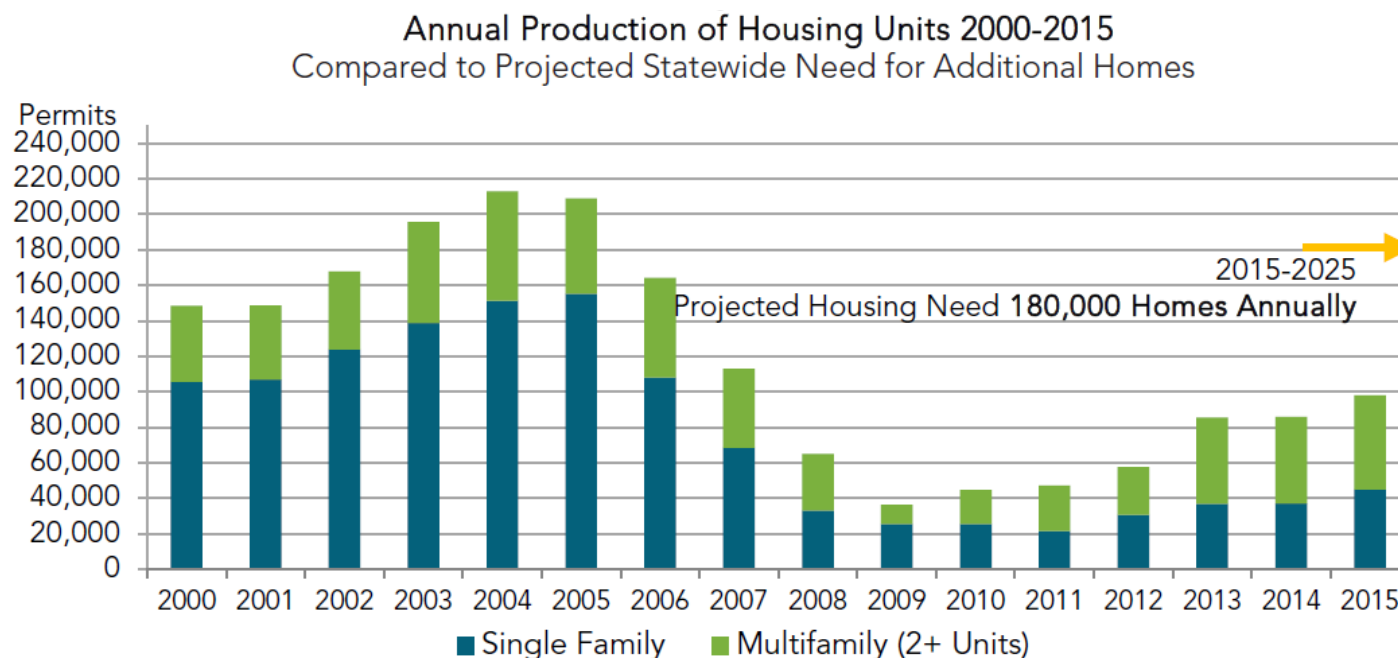
CASA Technical Committee Presentation
October 25th, 2017

*The mission of the
Turner Center for Housing Innovation
is to formulate **bold** strategies
to house families from all walks of life
in vibrant, sustainable, and affordable
homes and communities.*

The Housing Challenge

We're not building enough homes

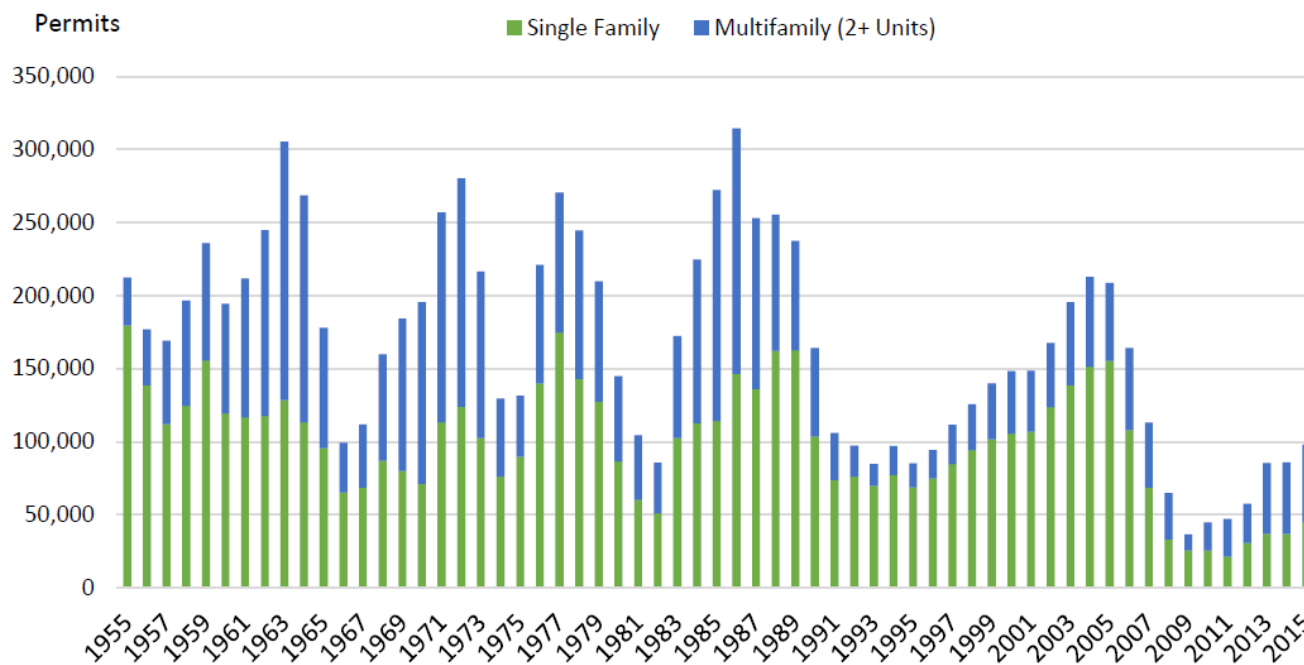
We need to build 180,000 homes a year in California to keep up with demand, or 1.8 million by 2025 (HCD)



The Housing Challenge

We're not building enough homes

While we've seen an uptick in production in recent years, we are well below historic homebuilding rates



The Housing Challenge

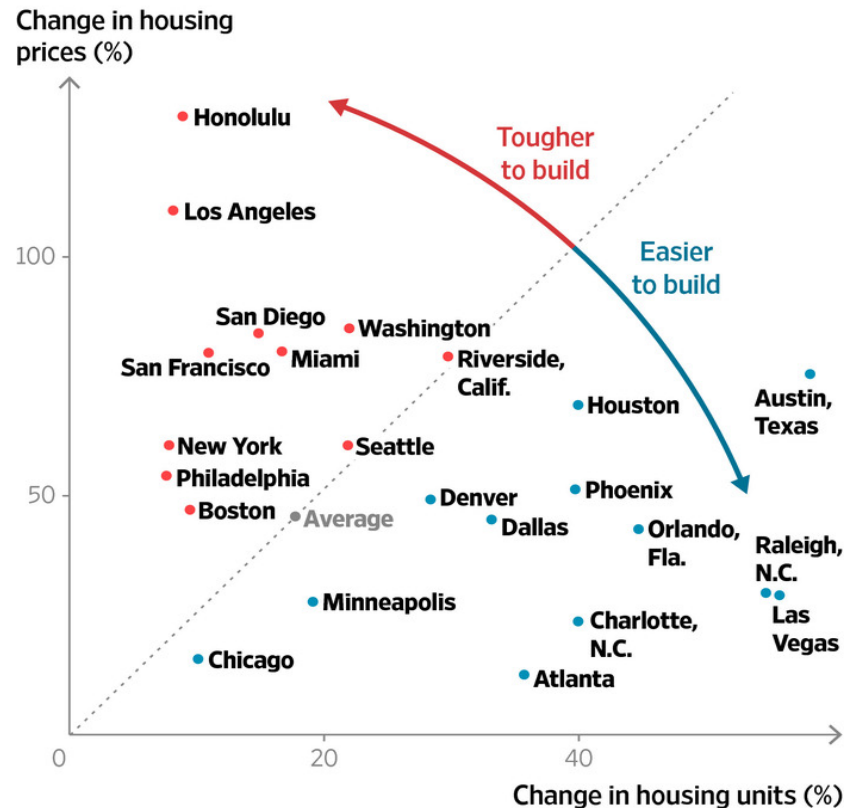
Attracting jobs without the homes

Jobs added to housing permitted, 2010-2015

- San Francisco-Oakland-Hayward: 6.8 to 1
- San Jose- Sunnyvale- Santa Clara: 5.5 to 1

The Housing Challenge

Cities that produced the fewest housing units between 2000-2015 tend to have larger price increases



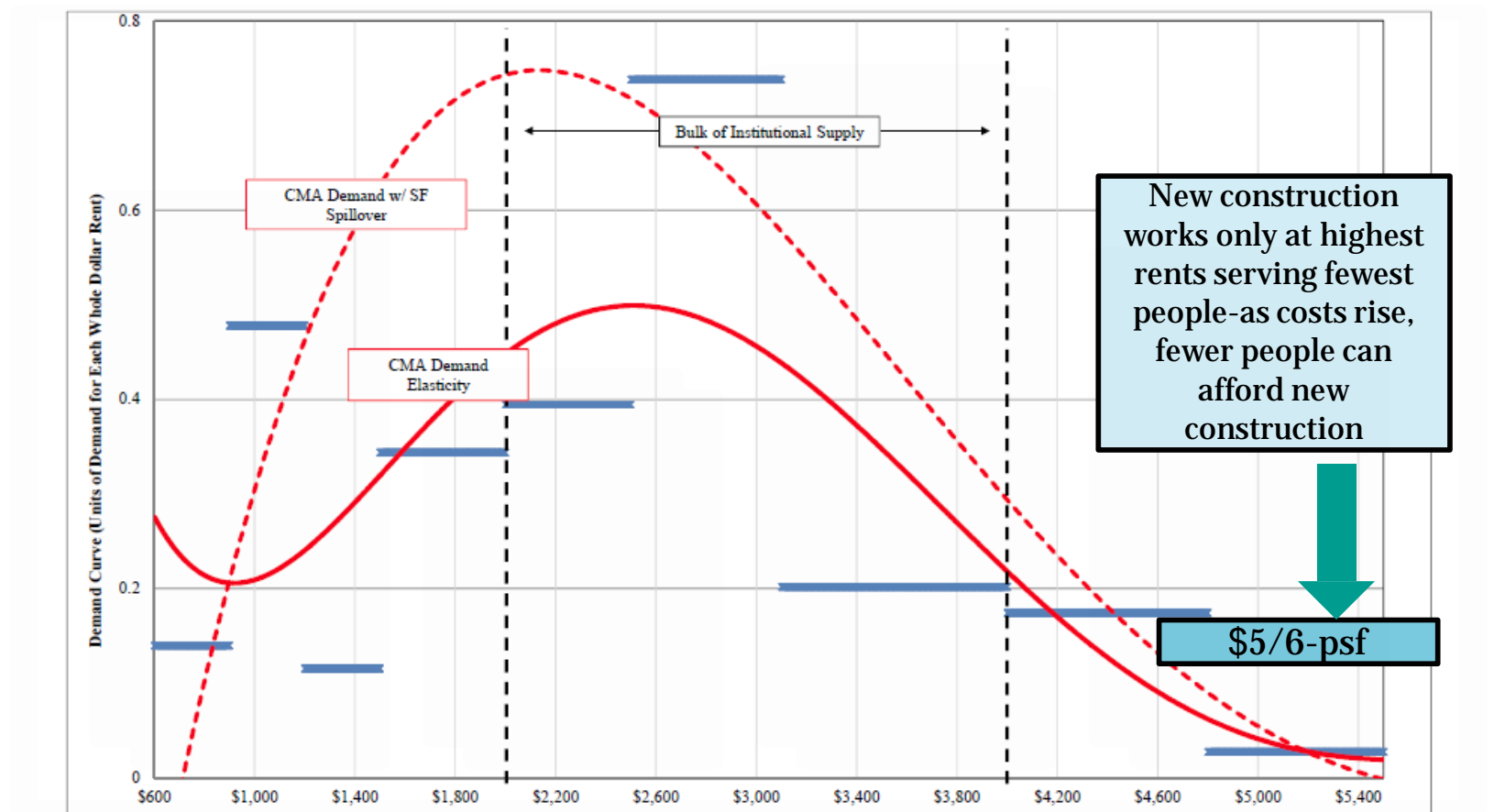
Sources: BuildZoom; Census Bureau; FHFA

THE WALL STREET JOURNAL.

The Realities of Development

Because of cost, new construction limited to highest rents

East Bay demand at various rents and new construction rents (2015- Concord Group)



The Realities of Development

To explain the challenges facing the production of housing, we've developed two “prototype” developments

- **Market Rate and Affordable**
 - **Affordable: 50% AMI (Alameda County)**
 - **4% LIHTC**
- **100 units**
- **1:1 parking**
- **5 over 1 construction (stick over podium)**
 - **Least expensive infill construction type**

The Realities of Development

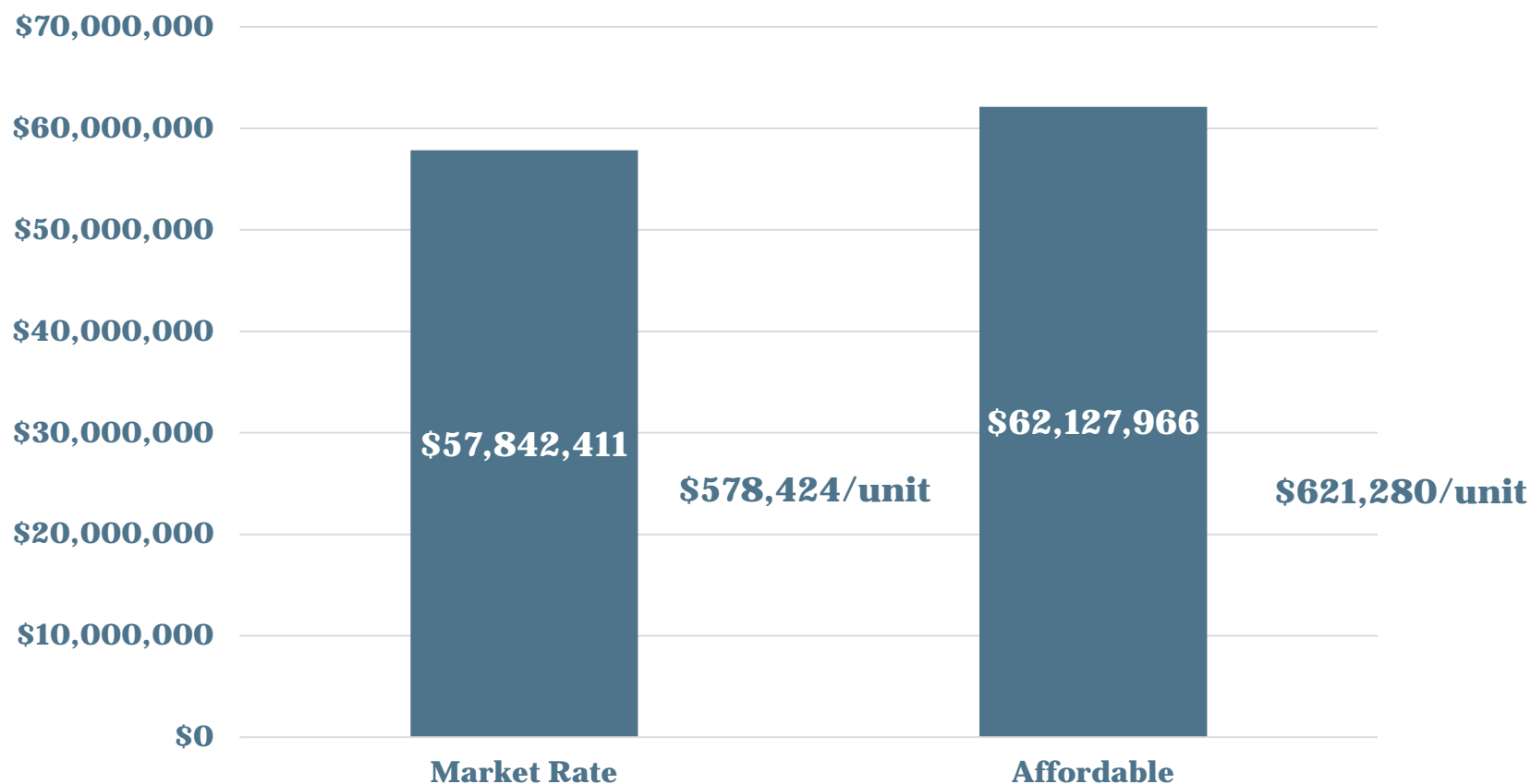
Assumptions

- **Prototypes are an average Bay Area location**
- **\$6.5 million land price**
- **No EIR***
- **No demolition***
- **No environmental remediation***
- **No inclusionary zoning**
- **No offsite infrastructure improvements***
- **No exactions***
- **Standard approval times**
- **Prevailing wages**
- **Current construction costs**

* Rare that infill projects avoid these costs. Any combination of these costs plus current inflation could add as much as \$100,000/unit

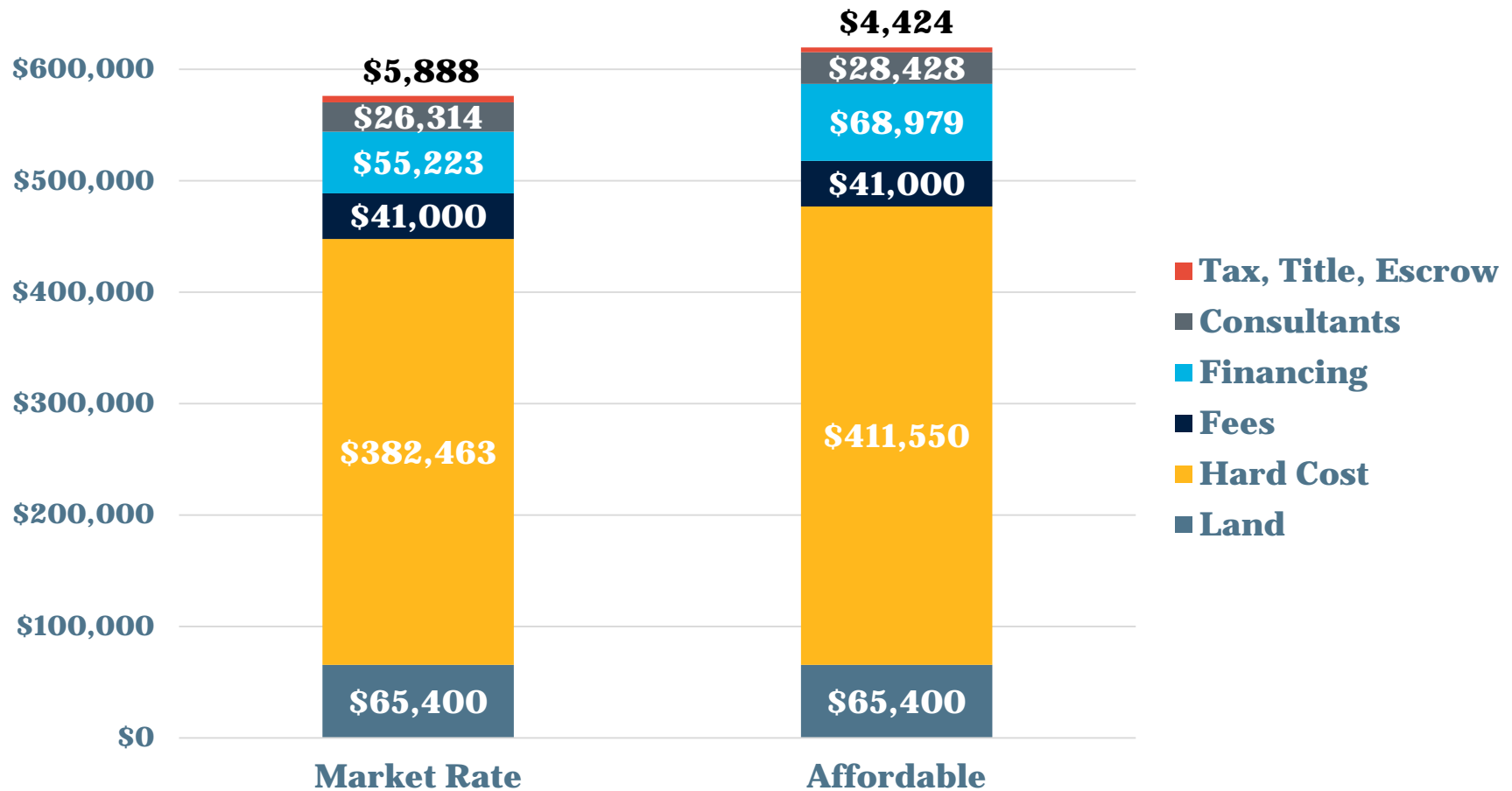
The Realities of Development

Total Development Cost



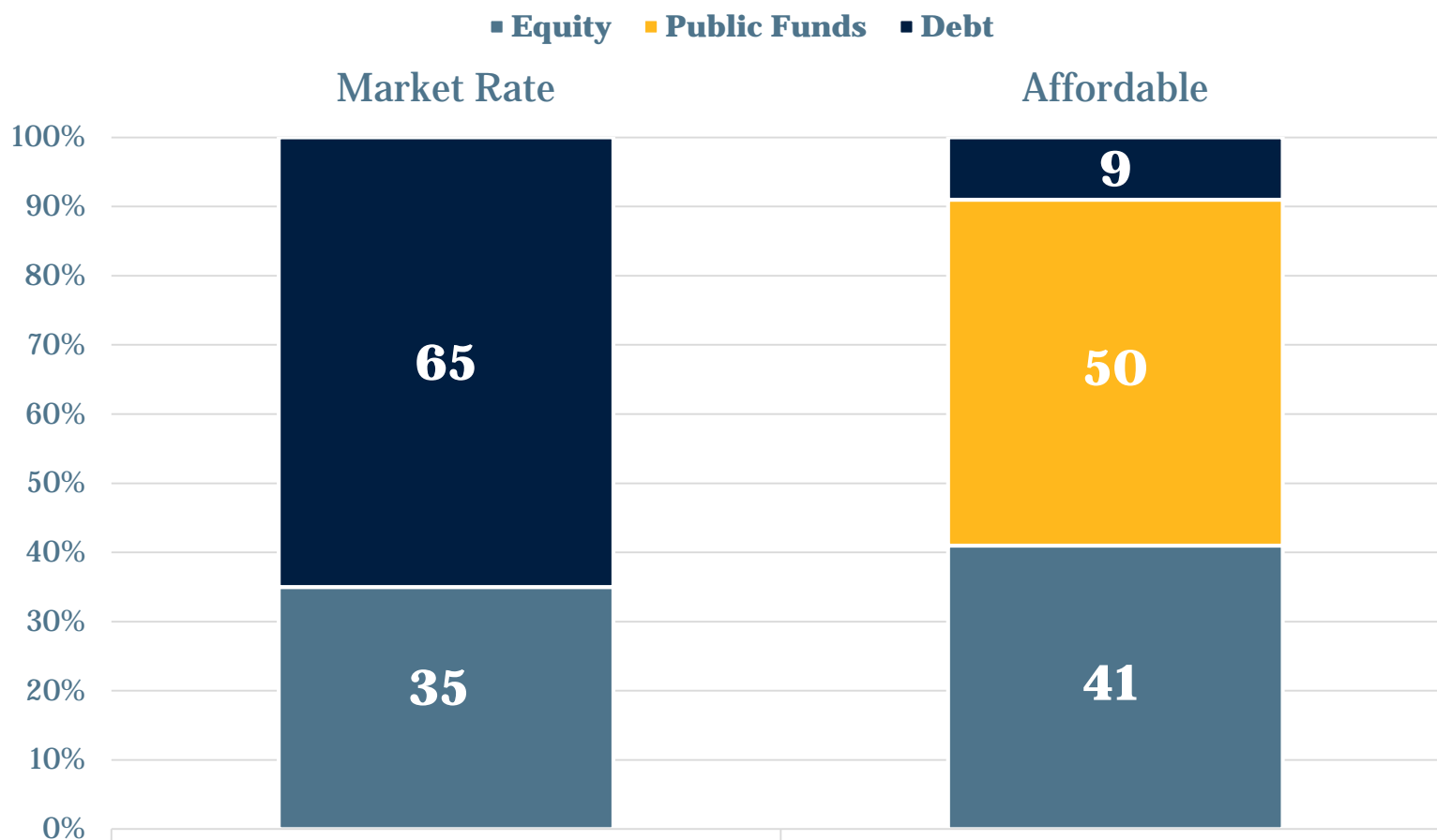
The Realities of Development

Per Unit Development Costs



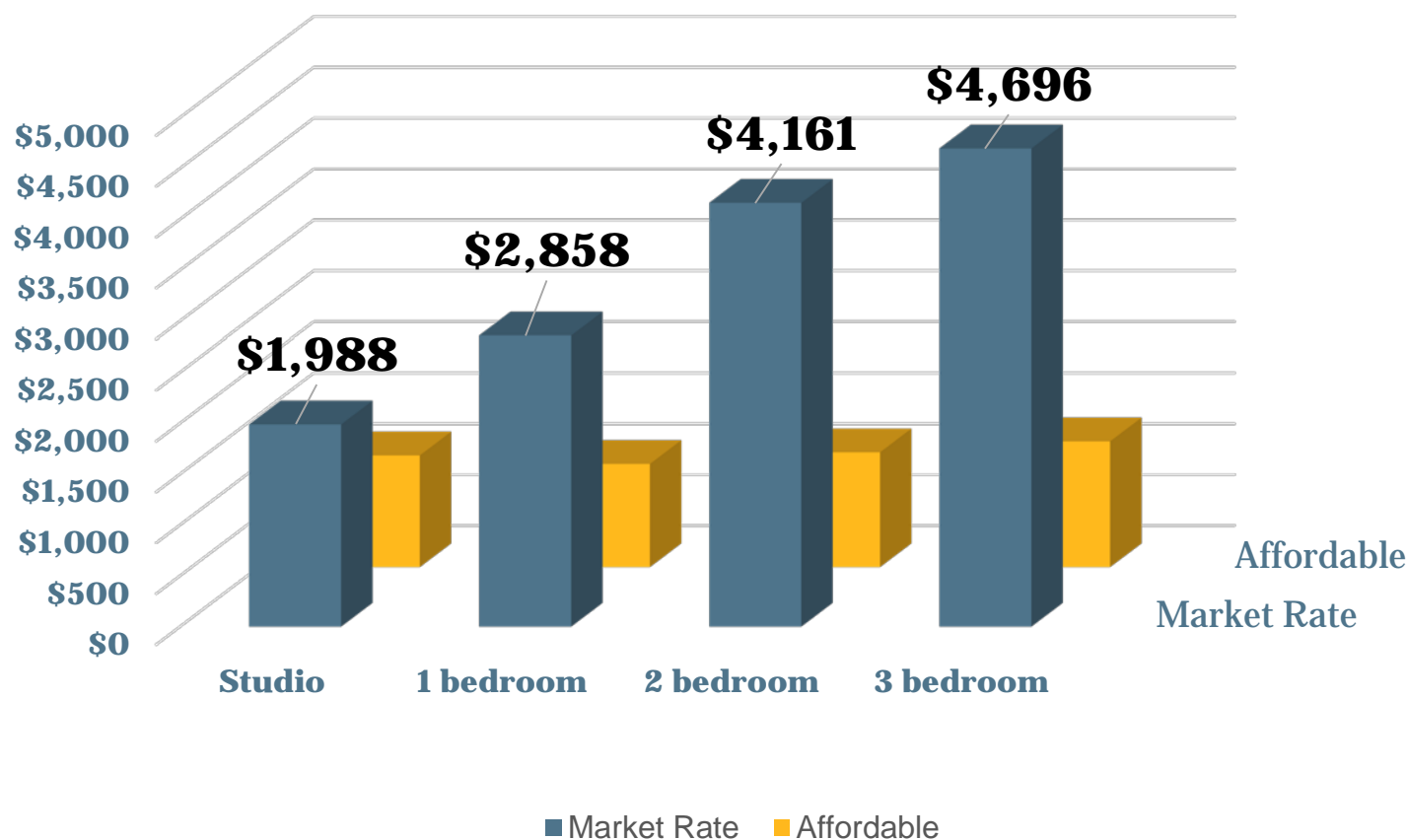
The Realities of Development

Development Funding Sources



The Realities of Development

Rents required with prototype development costs



The Realities of Development

Threshold requirements to make Market Rate prototype feasible

1. Return on Cost must be at least 5.5%

Return on Cost is determined by dividing project's Net Operating Income (income minus expenses= \$3,179,685) by total project cost (\$57,842,411)

Market Rate Prototype Return on Cost: 5.50%

2. How much debt can I raise?

We assume that our debt requires a 1.3% Debt Service Coverage Ratio (DSCR) and a 65% Loan to Cost, which means we can obtain \$37,597,567 in debt (at 5% interest rate)

3. Equity required

With 65% of costs covered with debt, we must raise \$20,244,844 in equity (8% preferred return, 17% Internal Rate of Return)

The Realities of Development

To reach 120% AMI with similar returns, significant cost reductions must be achieved

- Reduce impact/utility fees by 50% (\$1,750,000)
- Reduce parking requirements by 50% (\$1,950,000)
- Construction innovations savings (\$4,00,000)
 - As costs are reduced, so are other items (contingency, consultants, etc)
 - Total cost savings: **\$9,466,158 (\$94,661/unit)**
 - New ROC: **5.20%**

Cost Reduction Strategies

- **Reducing overall cost of housing is paramount**
 - Pursue construction innovations
 - Right size fees
 - Streamline approvals process
 - Revisit parking minimums
 - Utilize public lands

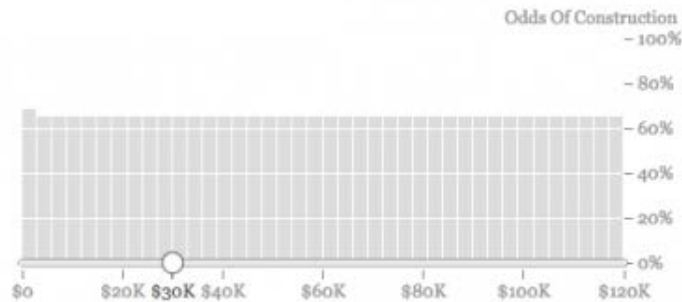
Terner Center Development Dashboard

Development Calculator

4. Fees or Affordable Housing Requirements

Fees ⓘ

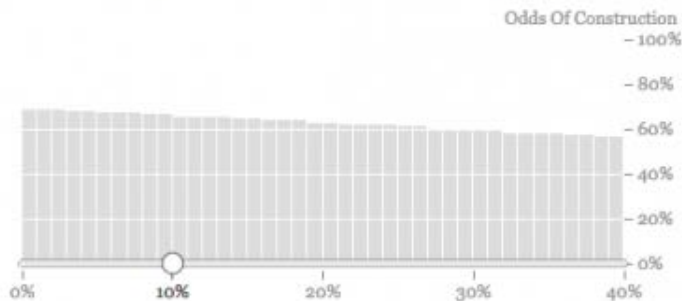
\$30,000 /unit



OR

Affordable Housing ⓘ

10% of units



Will the project be built?

Maybe

We have 66% confidence that it will be built.

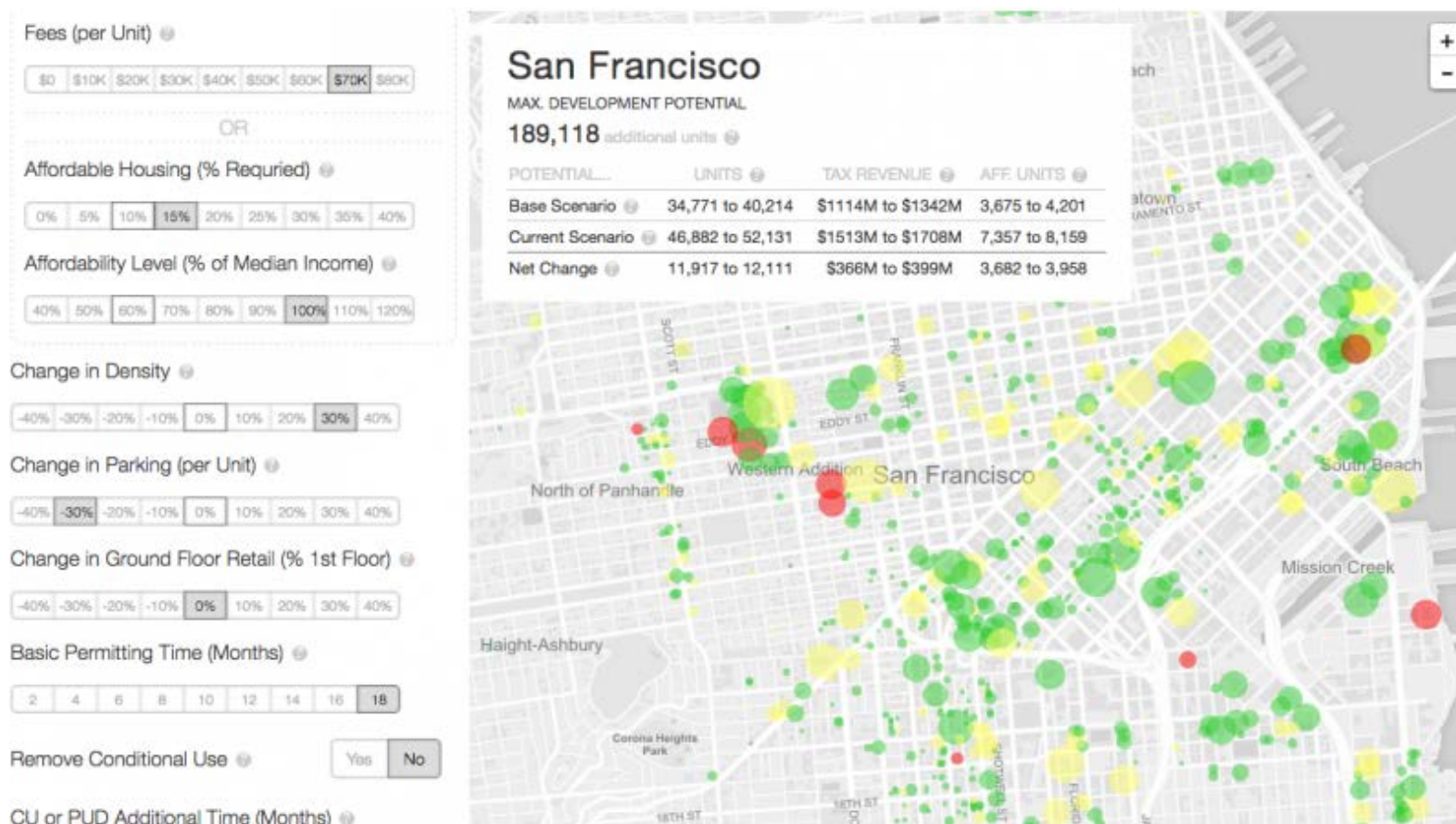
Land:	\$2.1M
Aff. Housing Fees:	\$0.0M
Construction (Hard Costs):	\$28.4M
Other (Soft Costs):	\$11.3M

Total Cost:	\$41.7M
Completed Project Value:	\$52.3M
Time to Build & Sell:	26 months
Land Cost Paid / SF:	\$83
Market Land Price / SF:	\$100

Housing Units:	91
Affordable Units:	10

Terner Center Development Dashboard

Policy Gauge





Thank you!

Carol Galante, Faculty Director

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