



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Councilmember Sergio Jimenez

**SUBJECT: Inclusionary Housing Ordinance
Proposed Revisions**

DATE: November 5, 2019

Approved by:

Date: November 5, 2019

RECOMMENDATION

1. Replace the proposed target income levels as listed (5% at 100% AMI, 5% at 60% AMI, 5% at 50% AMI) with a weighted average for rental and for sale units that would be provided to low and moderate income households (30%-120% AMI). Units must be provided to a minimum of two income levels for a weighted average of 65% of AMI.
2. Direct staff to encourage on-site compliance by allowing developers to build 10% on-site apartments with rent at 30% of the Area Median Income. This option would not allow for an in-lieu fee, but would have a reduced inclusionary requirement (10% instead of 15%) at a deeper level of affordability.

BACKGROUND

The original objective of adopting an Inclusionary Housing Ordinance was to build mixed-income residential development and create more diverse, integrated communities. Incentivizing fees instead of inclusionary units undermines the point of inclusionary housing. Because there is a great need for affordable housing across all income levels, our policy should allow for the creation of affordable units at a wide variety of AMIs.

A weighted average can help deliver affordable housing across a range of income levels. With a weighted average target, the developer gets to decide which income levels to provide affordable housing for – as long as all of the affordable units average to the target.

To provide an idea of how to achieve this using a mathematically simple example, consider a weighted average of 80% AMI. This would allow the developer to provide half of the required affordable units at 60% AMI and the other half at 100% AMI. This way, we can serve both low and moderate income people. The developer could also choose to provide 120% AMI units and 40% AMI units, or 90% AMI and 70% AMI units. They could also provide units that serve three or four different AMIs, as long as the weighted average of all affordable units is 80%. I recommend a weighted average of 65% AMI to ensure that both low and moderate income units are created.

As low and extremely low income people experience the highest rent burden and are particularly vulnerable in the housing crisis, greatest priority should be placed on the creation of affordable units at

these levels. Instead of incentivizing deed-restricted units at 100% AMI, we should encourage the creation of units affordable to low income residents. To do this, a reduced inclusionary requirement is appropriate — specifically to encourage units affordable to households at 30% AMI (or lower).

We should be doing everything possible to build housing for all incomes and make the inclusionary housing policy work as it was intended.