



# Memorandum

**TO:** HONORABLE MAYOR AND CITY COUNCIL

**FROM:** Leslye Krutko

**SUBJECT:** SEE BELOW

**DATE:** November 6, 2008

Approved

Date

11-6-08

**COUNCIL DISTRICT:** City-Wide

**SNI AREA:** N/A

**SUBJECT: UPDATE ON STAFF WORK RELATED TO THE FORMULATION OF A POTENTIAL CITYWIDE INCLUSIONARY HOUSING ORDINANCE**

## **RECOMMENDATION**

It is recommended that the City Council consider this report when determining whether to amend its original direction to staff regarding the timeline for development of an inclusionary housing policy and whether to request any additional staff work, including those detailed in a memorandum signed by Councilmembers Oliverio and Constant, and dated October 24, 2008.

## **OUTCOME**

With direction from the City Council, the Housing Department will continue its work to return to the City Council with a proposed Citywide inclusionary ordinance on December 9, 2008.

## **BACKGROUND**

### **History**

When the City Council created the Housing Department in 1988, it approved a Mayor's Housing Task Force Report that included a recommendation to explore ways to implement inclusionary zoning. After a task force effort, no consensus was reached on whether to support such a policy, and the City Council was not asked to consider whether inclusionary zoning was desirable.

In 2001, the City Council accepted a report by the Mayor's Housing Production Team which included an action to implement an inclusionary zoning policy for all rental housing in San Jose. This effort, also, did not result in a decision to implement such an action.

In June of 2007, the Mayor and City Council adopted the Five Year Housing Investment Plan, which lays out a series of recommendations and alternatives for addressing the City's affordable housing need. One of the alternatives included in the report was to review the potential for an expanded inclusionary program beyond the current Redevelopment Project Areas (RdA areas).<sup>1</sup> Currently, about one-fifth of the City's land area is covered by the State-required inclusionary policy, including all of the City's 19 Strong Neighborhood Initiative Areas.

On September 5, 2007, City staff was directed to prepare a workplan assessment and return to the Rules and Open Government Committee with a report that analyzed the time and cost of exploring three options that expanded inclusionary housing outside of RdA areas: citywide, employment lands only, or Transit Oriented Development areas.

On September 26, 2007, City staff presented the workload assessment and was directed to proceed with a series of actions, including holding a Council Study Session where the Council would provide direction on the public process to determine whether an inclusionary housing policy should be adopted.

The Council study session was held on December 11, 2007. At that time, the City Council approved a public process and limited the scope of the study to how an inclusionary zoning ordinance would work in San Jose. The approved public process included a series of three public meetings with a consultant who was charged with completing an economic feasibility analysis of inclusionary housing in San Jose. These meetings took place in January, February, and March of 2008. In addition to the meetings with the consultant, four public forums on inclusionary housing were held to educate the public on inclusionary housing. At that time it was anticipated that the City staff would bring forward a recommendation for the City Council's consideration in June.

On April 16<sup>th</sup>, the Mayor and Councilmember Liccardo brought forward a memorandum to the Rules and Open Government Committee to request a meeting in May to examine the consultant work, and review the public process, including a determination of whether additional outreach was necessary. This meeting, originally scheduled for May 20<sup>th</sup>, was deferred to June 17<sup>th</sup>.

On June 17, 2008, the Mayor and City Council took the following actions:

- (1) Directed staff to conduct outreach according to staff's recommended plan;

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<sup>1</sup> State law requires that a minimum of 15% of all housing built in Redevelopment Project Areas be affordable to lower- and moderate-income households. The City of San Jose's policy requires that 20% of all units be affordable, with 20% of for-sale units being affordable to moderate-income households earning up to 120% of median income (currently \$126,600 for a family of four), and with 20% of rental units being affordable to lower-income households (currently those earning up to \$63,300 annually for a family of four).

- (2) Return in the Fall of 2008 with an Inclusionary Housing proposal for Council approval that includes a range of alternative elements, including, but not limited to:
  - a. The geographic area subject to the policy
  - b. A pressure relief valve
  - c. A definition of pipeline
  - d. Alternatives for complying with the inclusionary obligation
  - e. The percentage of the units subject to a requirement
  - f. Phasing in alternatives
- (3) Engage in a series of interviews with the development community concerning these alternative elements
- (4) Provide a status report on:
  - a. How affordable housing policy goals have been met over the years
  - b. The success of the 20% Program in creating units Citywide and in project areas over the past two decades, and projections for future production
  - c. Opportunities and alternatives to increase the supply of affordable housing as identified by the development community
- (5) Received the Economic Feasibility Analysis Study as completed by David Paul Rosen and Associates relating to the economic impact of inclusionary requirements in San Jose

#### **Work Completed Since the June 17<sup>th</sup> Meeting**

Since the June 17<sup>th</sup> Study Session, the City, in partnership with the Redevelopment Agency, has spent significant time gathering information from the development community and other persons in order to bring forward a viable, realistic inclusionary policy for consideration. Specifically, we have taken the following steps:

- (1) From August through October, met individually with 23 developers (including all developers recommended by the HBA), four membership organizations (the Chamber of Commerce, the Homebuilders Association (HBA), the Tri-County Apartment Association, and the Board of Realtors), two development consultants, and four advocacy groups to get input on a potential inclusionary proposal.
- (2) Worked with the HBA and an affordable housing advocate to select a facilitator for stakeholder meetings. Changed facilitators based on feedback from the development community.
- (3) Held three stakeholder meetings: one with advocates and two with developers to share what we heard during the individual meetings.
- (4) Held a listening session on October 14, 2008 to collect alternative ideas for increasing the supply of affordable housing.
- (5) At the direction of the Rules and Open Government Committee, met with members of the LaRaza Roundtable, and have upcoming meetings scheduled with the Asian community and the Interfaith Council.
- (6) Discussed the subject of inclusionary housing and the outreach process at numerous meetings of the Housing and Community Development Commission.

- (7) Researched nearby cities with existing inclusionary housing policies and collected their administrative regulations
- (8) Reviewed inclusionary housing ordinances from the following cities: San Francisco, Gilroy, Sunnyvale, Sacramento, Livermore, Napa, Benicia, and Montgomery County, Maryland.
- (9) Met with the cities of Santa Clara and San Francisco. Meetings are ongoing, with Fremont and Sunnyvale on the calendar.
- (10) Convened a group of realtors and lenders to discuss best practice implementation and to get feedback on the implementation of the current RdA policy.

In addition, the Housing Department provided two updates to the Rules and Open Government Committee. On August 6, 2008, a report was presented to the Rules and Open Government Committee that provided a proposed framework and outreach plan. The Committee accepted the Framework, and directed staff to report back after the stakeholder sessions concluded and prior to proceeding with outreach to the general public. A supplemental report on this action, dated September 3, 2008, was included in the Council's September 9, 2008 Council packet. On October 15, 2008, the Department provided a second status report to the Rules Committee, per its direction, prior to proceeding with general outreach.

The first two meetings with the general public were held on November 3<sup>rd</sup> and 6<sup>th</sup>, with two more scheduled on November 10<sup>th</sup> and 12<sup>th</sup>.

#### **Additional Steps Between Now and December 9<sup>th</sup>**

The feedback we have received from all parties has been extremely helpful in ensuring that we bring forward the best possible policy on December 9<sup>th</sup>. Following the initial outreach, we developed the following guidelines for development of a proposed ordinance:

- **Simplicity** – An inclusionary housing policy should be easy for the developers to understand and for the City to administer.
- **Flexibility** – An inclusionary housing policy should give developers as many alternatives as possible for compliance.
- **Consistency and Fairness** – All developers should be treated equally, particularly with respect to projects in the pipeline.
- **Certainty** – Developers, affordable housing advocates and the City should have advanced knowledge of what the impacts and outcomes will be with an inclusionary housing policy. The rules and process of the inclusionary housing policy should be clearly defined.

We will continue to refine and improve the product at a series of meetings that will take place after the recommendations are released. These meetings are:

- (1) The Housing and Community Development Commission on November 13<sup>th</sup>
- (2) A meeting for the General Public and Stakeholders on November 17<sup>th</sup>
- (3) The Planning Commission on November 19<sup>th</sup>

- (4) The Community and Economic Development Committee on November 24<sup>th</sup>
- (5) The Neighborhood Services and Economic Development Committee on November 25<sup>th</sup>

At the November 13, 2008 Housing and Community Development Commission meeting, the Commission will discuss the alternatives being considered and the pros and cons of each. A listing of the alternatives being considered is attached (Attachment A). After receipt of the Commission's comments, the Department will publish its recommendations on November 14<sup>th</sup>. These recommendations will be discussed with the Planning Commission, and the CED and NSE Committees. The Department is working with the City Attorney's Office on the preparation of a proposed ordinance for consideration at the December 9<sup>th</sup> City Council meeting. The memorandum to the City Council will also include information on the City's affordable housing policy goals, the City's success in meeting its housing production goals, and opportunities for increasing the supply of affordable housing, as directed by the City Council on June 17<sup>th</sup>.

**Actions Included in October 24<sup>th</sup> Memo from Councilmembers Oliverio and Constant**

At the Rules and Open Government Meeting of October 29<sup>th</sup>, Councilmembers Oliverio and Constant brought forward a memorandum expressing concerns that the public outreach process for the inclusionary process has not been adequate, and detailing additional information that they believe necessary in order for the Council to make an informed decision.

Staff responded to these requests at the meeting as detailed here:

Public Outreach—As outlined in the Public Outreach/Interest Section below, in addition to one-on-one meetings with stakeholders, the City has held more than three dozen meetings since September 5, 2007 to discuss inclusionary housing. Staff has followed the Council-approved outreach process, and has added meetings over and above what was originally envisioned to ensure that as much feedback is received as possible. Notifications for these meetings were widely distributed, including in local newspapers.

Request for Additional Information—Should the Council desire, the staff can provide most of the information requested by Councilmembers Oliverio and Constant:

- (1) Update on Input Received During the Public Outreach Process— The staff can provide a detailed report on the input received during the outreach policy. This report would include general opinions expressed about inclusionary housing, and specific comments received in response to the alternative elements as directed by the Council in its June 17<sup>th</sup> motion. Please note that the comments included will not be attributed by source. We were clear in our individual meetings that input received would be used, but that we would respect each party's desire for confidentiality. This report could be provided at the CED and NSE meetings later this month.
- (2) Analysis of the Economic Impact that Other Cities With Existing Inclusionary Ordinances Have Experienced— Many groups have published studies on the impact of

inclusionary housing on a variety of factors, including housing prices and production. Most of this work has been completed by advocates in favor of inclusionary housing or those opposed to inclusionary housing, so the findings have been ideological and contradictory. As stated in the most recent study on inclusionary housing, completed by the Furman Center for Real Estate and Urban Policy, "Due in large part to the paucity of data describing IZ programs, very little objective empirical research has been done to test the validity of any of these claims." Nevertheless, the staff can provide a literature review at the CED and NSE meetings that includes these findings. It is important to remember that the Council did request and receive, at its June 17, 2008 meeting, an Economic Analysis of the impact of inclusionary housing in San Jose.

- (3) Analysis and Comparison of Past Production and Potential Production— This information is similar to what was included in the original direction from the City Council on June 17<sup>th</sup>. As a result, we are preparing a report on past production that includes affordable units created with financial assistance from the City, affordable units created under the RdA inclusionary policy, and total number of units constructed in the City both in and outside of RdA project areas. Additionally, we will be forecasting the number of units we anticipate will be developed in the upcoming years through the City's affordable housing efforts and the existing RdA inclusionary policy. This information will be available at the CED and NSE meetings later this month.
- (4) Comparative Analysis of Alternatives to Inclusionary Zoning— The City's Housing Department has always strived to research and implement alternatives that increase the supply of affordable housing. Some of these alternatives cost money, and others are procedural or legislative and can be implemented without significant cost. Much of this information is included in the Five Year Housing Investment Plan, which was approved by the City Council in June of 2007. That Plan lays out a series of recommendations for addressing San Jose's affordable housing needs. Each one of these recommendations represents just one tool in the toolbox and is not a single solution to the City's affordability problem. One of those recommendations, creating a permanent secondary unit ordinance, has been completed. Others, such as investigating alternative funding sources for the time when it is anticipated that Redevelopment funding will no longer be available, is ongoing. Another is to review the potential for an expanded inclusionary housing program. To respond to this request, the staff could provide a report on the options outlined in the Five-Year Plan, and any others we have identified. This report could be available at the CED and NSE meetings later this month.

#### **PUBLIC OUTREACH/INTEREST**



**Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater.

**(Required: Website Posting)**

- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

The action recommended in this memorandum does not meet any of the above criteria. Nonetheless, this report will be posted on the City's website for the November 10, 2008 special meeting agenda.

### Outreach Efforts

The Department has held a series of stakeholder meetings and public meetings, as detailed above. For the public meetings, outreach for all of the meetings has included the following means of communication:

- Sent announcements to a list serve of over 700 names compiled from a list of individuals who have expressed interest in the issue, or who are on the developer mailing lists maintained by the Housing Department, the Planning, Building and Code Enforcement Department, and the Redevelopment Agency.
- Maintained a website page on Inclusionary Housing, which includes all materials produced and all meeting information.
- Shared the information with the Housing and Community Development Advisory Commission.
- Provided meeting announcements to all City libraries and community centers.
- Send announcements to the following groups requesting that they forward the announcement of these public meetings to their respective constituents/membership:
  - United Neighborhoods
  - The Neighborhood Development Center
  - Homebuilders Association of Northern California.
  - Silicon Valley Leadership Group
  - Silicon Valley Chamber of Commerce
  - Affordable Housing Network
  - Silicon Valley Council of Nonprofits
- Included reference to upcoming public meetings in the City Manager's Weekly Reports.
- Published public meeting announcements in Spanish and Vietnamese speaking newspapers, as well as the San Jose Mercury News.

For stakeholder meetings, staff requested and received mailing lists from both the housing advocates and the development community, as appropriate, and requested that they get the word out to their members.

In addition to the above noted outreach, the staff also provided information about the stakeholder and public meetings in memorandums to the Rules and Open Government Committee, and in information memos sent to the City Council on the following dates: January 10, 2008, April 30, 2008, May 27, 2008, September 10, 2008, September 30, 2008, October 16, 2008, and October 28, 2008.

### **Meetings Held and Scheduled**

#### *Stakeholder Meetings*

- **January 17, 2008-** Overview of the Real Estate Economic Analysis for Inclusionary Housing
- **February 13, 2008-** Discussion of the Administrative Review Draft Development Pro Forma Budgets for Housing Development Prototypes
- **March 26, 2008-** Presentation of Consultant Economic Analysis Based on Information Received from the Development Community
- **September 23, 2008-** Stakeholder Meeting with Affordable Housing Advocates
- **September 25, 2008-** Stakeholder Meeting with Developers
- **October 6, 2008-** Additional Stakeholder Meeting with Developers Set At the September 25, 2008 Meeting

#### *Public Outreach Meetings*

- **May 7, 2008-** Public Forum on Inclusionary Housing at the Almaden Community Center
- **May 14, 2008-** Public Forum on Inclusionary Housing at the Southside Community Center
- **May 29, 2008-** Public Forum on Inclusionary Housing at the Dr. Roberto Cruz Alum Rock Branch Library
- **June 18, 2008-** Public Forum on Inclusionary Housing at the West Valley Branch Library
- **October 14, 2008-** Listening Session on Ways to Produce Affordable Housing at City Hall
- **October 23, 2008 –** Community Meeting on Inclusionary Housing at City Hall
- **November 3, 2008 –** Public Forum on Inclusionary Housing at the Willow Glen Branch Library
- **November 6, 2008 –** Public Forum on Inclusionary Housing at the Edenvale Branch Library
- **November 10, 2008 –** Public Forum on Inclusionary Housing at City Hall from 6:00 to 8:00pm
- **November 12, 2008 –** Public Forum on Inclusionary Housing at the Berryessa Branch Library from 6:00-8:00pm

#### *Council, Committee, and Commission Meetings*

- **September 5, 2007 Rules and Open Government Committee-** Direction to Staff to Complete a Workload Analysis on A “Proposal for a Citywide Inclusionary Transit-Oriented Development Policy”

- **September 13, 2008 Housing and Community Development Advisory Commission-** Recommendation to the Mayor and City Council to Expand the Inclusionary Housing Requirement
- **September 26, 2007 Rules and Open Government Committee-** Approval of a Workload Assessment for a Potential Inclusionary Housing Ordinance in San Jose
- **October 11, 2007 Housing and Community Development Advisory Commission-** Update on the Inclusionary Housing Workload Assessment Plan
- **December 11, 2007 City Council Study Session—**Inclusionary Housing
- **December 13, 2007 Housing and Community Development Advisory Commission-** Inclusionary Zoning Study Session and Possible Commission Recommendation
- **January 10, 2008 Housing and Community Development Advisory Commission-** Educational Presentation on Inclusionary Housing
- **April 21, 2008 Planning Commission-** Study Session on Inclusionary Housing and Housing Element Update
- **May 8, 2008 Housing and Community Development Advisory Commission-** Citywide Inclusionary Housing Update
- **June 16, 2008 Housing and Community Development Advisory Commission-** Discussion and Recommendation on Citywide Inclusionary Housing
- **June 17, 2008 City Council Meeting-** Discussion and Overview of the Economic Feasibility Analysis Completed as a Part of the City's Inclusionary Housing Study
- **July 10, 2008 Housing and Community Development Advisory Commission-** Discussion and Possible Recommendation on Citywide Inclusionary Housing
- **August 6, 2008 Rules and Open Government Committee Meeting-** Framework for Formulation of a Citywide Inclusionary Housing Policy
- **August 14, 2008 Housing and Community Development Advisory Commission--** Discussion and Possible Recommendation on Citywide Inclusionary Housing
- **September 11, 2008 Housing and Community Development Advisory Commission--** Discussion and Possible Recommendation on Citywide Inclusionary Housing
- **October 9, 2008 Housing and Community Development Advisory Commission-** Discussion and Possible Recommendation on Citywide Inclusionary Housing
- **October 15, 2008 Rules and Open Government Committee Meeting-** Status Report on Citywide Inclusionary Policy Outreach
- **November 13, 2008 Housing and Community Development Advisory Commission-** Meeting at 5:30 PM San José City Hall, City Hall Wing Rooms 118 +119.
- **November 19, 2008 Planning Commission-** Meeting at 5:30 PM in San José City Hall Council Chambers
- **November 24, 2008 Community and Economic Development Committee-** Meeting at 1:30 PM at San José City Hall Wing Rooms 118 +119
- **November 25, 2008 Neighborhood Services and Education Committee-** Meeting at 10:00AM in San Jose City Hall Council Chambers
- **December 9, 2008 City Council Meeting-** 1:30 PM in City Council Chambers

HONORABLE MAYOR AND CITY COUNCIL

**Subject: Update on Staff Work Related to the Formulation of a Potential Citywide Inclusionary Housing Ordinance**

November 6, 2008

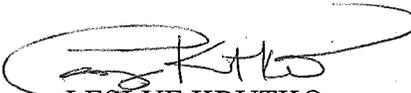
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**COORDINATION**

The preparation of this memorandum has been coordinated with the Redevelopment Agency and the City Attorney's Office.

**CEQA**

Not a project.

  
LESLYE KRUTKO  
Director of Housing

For questions, please contact LESLYE KRUTKO, DIRECTOR OF HOUSING, at (408) 535-3851

**City of San José  
Inclusionary Housing Program  
Policy Alternatives**

**Part A: Inclusionary Housing Requirements:**

Issue	Questions	Alternatives	
Geographic Applicability	What geographic area should be included?	<ul style="list-style-type: none"> <li>• Applies only to areas in the City outside RDA area</li> </ul>	
	Should there be one policy that applies citywide?	<ul style="list-style-type: none"> <li>• Citywide including RDA areas</li> </ul>	
Set aside requirement & level of affordability	What percentage of units within a proposed development should be affordable and to whom?  Should the levels of affordability be different for rental and ownership?	Number of Units                      Income Target	
		High	Homeownership: Moderate  Rental: Moderate to Lower
		Medium	Homeownership Moderate to Median  Rental: Lower to Very-Low
		Low	Homeownership: Median to Low  Rental: Lower to Extremely Low

Partial Units	What number of units should be required when the percentage requirement results in a partial number?	<ul style="list-style-type: none"> <li>Always round up if there is a fraction, developer can choose to either pay the fraction of the in-lieu fee or provide unit</li> <li>Round up for any portion of .5 or above, developer can choose to pay the fraction of the in-lieu fee or build the additional unit.</li> </ul>	
Threshold	What is the minimum number of housing units that the proposed development must build to trigger the affordable requirement?	<ul style="list-style-type: none"> <li>5 units</li> <li>10 units</li> <li>20 units</li> <li>50 units</li> </ul>	
Term of Affordability	How long should the affordable unit remain affordable?	Rental	Homeownership
		30 years	30 years
		55 years	45 years
		99 years or permanent	99 years or permanent
Type of Resale Restriction	How should the affordability of for-sale units be maintained over time	Resale Restriction – Subsequent buyers must be income eligible to purchase the home and the price of the home is controlled by a formula to preserve the affordability.	
		Shared Equity – City recaptures the difference between the market rate price and the affordable price plus a portion of the appreciation upon sale. Funds are used to assist another buyer to purchase a home anywhere in the City.	

<p>Effective date of ordinance</p>	<ul style="list-style-type: none"> <li>When should the ordinance take effect?</li> </ul>	<ul style="list-style-type: none"> <li>Ordinance should take effect 30 days after the final reading and passage of the ordinance</li> <li>Ordinance should take effect one year after the final reading and passage of the ordinance</li> <li>Ordinance should take effect when 2000 building permits have been issued over a 12 month consecutive period</li> <li>Ordinance should take effect when 2000 permits have been issued over a 12 month consecutive period or within 12 months of passage of the ordinance – which ever comes later.</li> </ul>
<p>Grandfathering/Pipeline</p>	<ul style="list-style-type: none"> <li>What developments should be exempted from providing the affordable units because they are too far along the development process</li> <li>Should developments demonstrate that continued progress has been made?</li> </ul>	<ul style="list-style-type: none"> <li>At the time a developer makes an offer to purchase</li> <li>At the time a developer submits a reasonably complete application for a planning permit</li> <li>At the time the developer receives a building permit</li> <li>Continued progress should be made including: a time certain that the approved planning permit should be issued; a time certain that a building permit should be issued</li> </ul>

<p>Pressure Relief Valve</p>	<ul style="list-style-type: none"> <li>• Can developments be relieved of an inclusionary requirement during difficult economic periods?</li> <li>• What is the timing of pressure release value?</li> <li>• Should the program adjust during a down economy?</li> </ul>	<ul style="list-style-type: none"> <li>• When permits are below 2000</li> </ul>
	<ul style="list-style-type: none"> <li>• How should the pressure release valve be structured?</li> <li>• How would this be defined?</li> </ul>	<ul style="list-style-type: none"> <li>• When the gap between the market price and the affordable price is \$10,000 or less for units targeting the lowest AMI.</li> <li>• Only the requirement to restrict the unit should be lifted</li> </ul>

DRAFT

## B. Alternatives

Issue	Questions
Alternatives	<p>Under what circumstances should a developer be allowed to provide an alternative to the on-site affordable housing requirement?</p> <ul style="list-style-type: none"> <li>• Should developer be allowed by-right any choice?</li> <li>• Should the developer be required to provide more units if an alternative is selected?</li> <li>• Should the developer be required to demonstrate a financial hardship or financial infeasibility in order to provide the units off-site?</li> <li>• Should the developer show that more affordable units will be built if the alternative is selected?</li> </ul>
Off-site construction	<ul style="list-style-type: none"> <li>• Should the developer be allowed to construct affordable units at another location as an alternative to building the affordable units on-site?</li> <li>• Should there be limitations placed as to where the developer is allowed to construct the affordable units?</li> </ul>
In-lieu fee	<ul style="list-style-type: none"> <li>• Should the developer be allowed to provide cash payment instead of constructing the required affordable units on-site?</li> <li>• Should the in-lieu fee option be provided only in certain circumstances?</li> </ul> <p>How should the in-lieu fee be calculated?</p> <ul style="list-style-type: none"> <li>• The average amount of the public subsidy required to produce the unit</li> <li>• The cost to construct the unit either per square footage or per unit.</li> <li>• A percentage of the cost of the market rate construction</li> </ul>
Land Dedication	<p>Should the developer be allowed to provide developable land as an alternative to providing on-site affordable units?</p>
Acquisition/ Rehabilitation & Acquisition	<ul style="list-style-type: none"> <li>• Allows developer to acquire an existing market rate unit and convert it to an affordable unit.</li> <li>• Should acquisition/ rehabilitation be included in developer off-sets?</li> </ul>
Credit trading for units (credit transfer)	<p>Should developers be allowed to transfer credits of affordable units to other developers?</p>
Combination	<p>Should the developer be allowed to combine alternatives to meet the affordable requirement?</p>

C. Offsets

Issue	Questions	Options
Flexibility with design standards	What flexibility to design standards should developers be allowed to change to off-set the cost of providing the affordable units?	<ul style="list-style-type: none"> <li>• Provide a density bonus based upon the percentage set-aside provided by the developer</li> </ul>
		<ul style="list-style-type: none"> <li>• Reduced parking</li> </ul>
		<ul style="list-style-type: none"> <li>• Lot size requirements</li> <li>• Set-backs</li> <li>• Landscaping</li> <li>• Minimum side yards</li> <li>• Floor area ratios</li> </ul>
Alternative Design/ Alternative unit type: bedroom mix must be equal & must be functionally equivalent.	Should the developer be allowed to change the exterior of the affordable unit for on-site developments?	<ul style="list-style-type: none"> <li>• Yes</li> </ul>
	Should the developer be allowed to provide alternative interior materials, appliances and/or design for the on-site affordable unit?	<ul style="list-style-type: none"> <li>• No</li> </ul>

Deferral of impact fees	Should the developer be allowed to defer the payment of impact fees? Currently these fees are typically due prior to the issuance of the building permit.	<ul style="list-style-type: none"> <li>• Yes, the developer should be allowed to defer the payment of impact fees</li> </ul>
		<ul style="list-style-type: none"> <li>• No, the developer should not be allowed to defer the payment of the impact fee</li> </ul>
Expedited review for developments that include affordable units.	Should the developer who provides affordable units on-site have an expedited review process?	<ul style="list-style-type: none"> <li>• No, developers should not be offered expedited review</li> </ul>
		<ul style="list-style-type: none"> <li>• Yes, developers should be offered expedited review</li> </ul>
Technical Assistance	Should the developer who provides affordable units on-site be provided assistance with the development review process, financing alternatives and assistance in selling/renting the affordable units	<ul style="list-style-type: none"> <li>• No</li> </ul>
		<ul style="list-style-type: none"> <li>• Yes</li> </ul>
Ability to obtain federal and state financial subsidy.	Should the developer be allowed to apply for financial subsidies?	<ul style="list-style-type: none"> <li>• Yes</li> </ul>

<p>Ability to obtain locally controlled funds if deeper affordability or more units are provided</p>		<ul style="list-style-type: none"> <li>• No</li> </ul>
<p>Park Fee Exemption</p>	<p>This off-set currently is applied to developers who build affordable units that target households who earn less than 60% of the AMI</p>	<p>Currently offered as an off-set</p>
<p>Property Tax Exemption</p>	<p>This off-set applies to rental developers who partner with a nonprofit and provide housing for households who earn below 80% of the AMI. Nonprofit must be a 501(c)3.</p>	<p>Currently offered as an off-set</p>
<p>Construction Tax including: Building and Structure Construction tax; Construction portion of the Construction and Conveyance Tax; Commercial-Residential Mobilehome Park Building Tax; and Residential Construction Tax</p>	<p>This off set applies to rental developers who provide housing to households earning at or below 50% of the AMI</p>	<p>Currently offered as an off-set</p>