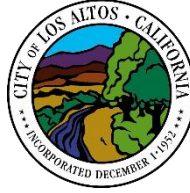


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AGENDA REPORT SUMMARY

Meeting Date: December 12, 2023

Subject Inclusionary Housing Study Session

Prepared by: Nick Zornes, Development Services Director
Reviewed by: Jon Maginot, Assistant City Manager
Approved by: Gabriel Engeland, City Manager

Attachment(s):

1. Administrative Draft – Inclusionary Housing and In-Lieu Fee Financial Feasibility Study
2. AB 1505
3. AB 602

Initiated by:

Adopted 6th Cycle Housing Element, Program 2.B

Fiscal Impact:

Approximately \$65,000 has been expended to prepare the Administrative Draft at the date of this report. No fiscal impact is associated with the implementation and collection of an Inclusionary Housing In-Lieu Fee. Future fiscal impact associated with the expenditure of collected Inclusionary Housing In-Lieu Fee will be discussed at that time.

Environmental Review:

Pursuant to CEQA Guidelines Section 15273 this item is exempt from environmental review. CEQA does not apply to the establishment, modification, structuring, restructuring, or approval of rates, tolls, fares, and other charges by public agencies.

Policy Question(s) for Council Consideration:

- What does the City Council wish to set the Inclusionary Housing In-Lieu Fee at?

Summary:

- The City's current inclusionary housing ordinance does not comply with State law as required within AB 1505 (signed into law in 2017) the city must establish a reasonable alternative for developers to utilize (in-lieu fee payment, land dedication, or off-site construction of affordable units).
- The City's inclusionary housing ordinance has been codified since 2009 and amended twice; once in September 2018 and again in March 2022.

Reviewed By:

City Manager

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Subject: Inclusionary Housing Study Session

- The City must adopt an inclusionary housing in-lieu fee that is consistent with AB 602 (per square foot).
- The City is currently determining the Commercial Linkage Fee under a separate study to be completed in Spring 2024 by another third-party consultant.
- The City has conducted outreach regarding the inclusionary housing in-lieu fee with property owners, and housing and commercial developers who are directly affected by the deployment of such fee. Residential outreach is facilitated by this study session and future outreach and education on city programs.

Staff Recommendation:

Provide direction regarding the establishment of an Inclusionary Housing In-Lieu Fee consistent with the Adopted 6th Cycle Housing Element, Program 2.B and the requirements of AB 1505 and AB 602.

Additionally, provide staff with direction to return with modifications to the Inclusionary Housing Regulations that are consistent with regional requirements and simply the regulatory framework, this should include a reduction in the amount of affordability required, or the deepness of affordability required.

Purpose

The establishment of an In-Lieu Fee is required pursuant to AB 1505 which was signed into law in 2017. The legislation requires that local jurisdictions with inclusionary ordinances provide developers with at least one alternative for complying with the ordinance, such as an in-lieu fee payment, land dedication, or off-site construction of affordable units. To modify or establish a new inclusionary housing in-lieu fee a jurisdiction shall provide a comprehensive economic feasibility study; this study shall satisfy those requirements.

As required in the Adopted 6th Cycle Housing Element, Program 2.B also required the Economic Feasibility Study being discussed tonight.

Program 2.B: Establish an affordable housing in-lieu fee and commercial linkage fee.
The City will conduct a feasibility analysis to support the establishment of an affordable housing in-lieu fee for residential developments and a commercial linkage fee for affordable housing. Based on this analysis, the City will adopt such fees. Said analysis will also ensure that the in-lieu fees adopted are not a constraint to housing development. As a part of the establishment of an affordable housing in-lieu fee and commercial linkage fee the City will conduct outreach to all stakeholders including residents, property owners, and housing and commercial developers.



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Responsible Body: *Development Services Department, City Council, Planning Commission*

Funding Source: *General Fund*

Time Frame: *Adopt housing in-lieu fee by the end of 2023; begin commercial linkage fee for affordable housing by end of year 2025.*

As required in the adopted 6th Cycle Housing Element the In-Lieu Fee shall be adopted by the end of 2023 in December. Until December 12, 2023, the Inclusionary Housing Economic Feasibility Study was not ready for review and discussion of the City Council and meeting all statutory requirements. Although the fee will not be adopted by the end of the calendar year if the City Council provides comprehensive direction at this study session the City of Los Altos can return with the In-Lieu Fee at the first possible meeting in 2024.

Discussion

The Inclusionary Housing Economic Feasibility Study has identified various actions the City can or has done in order to address the feasibility of inclusionary housing within Los Altos. However, it is important to note that one or even two actions should not only be considered as the City has not made significant progress yet in the 6th Cycle Housing Element Planning Period in accomplishing our RHNA or in any prior RHNA Planning Period. The following actions are for consideration:

#1 – Increase residential densities, FAR standards, and/or height limits in zones that allow multifamily development to increase the allowable residential development capacity in these areas.

(COMPLETED) This action has been completed in all necessary zoning districts as required in various other Housing Element Programs.

#2 – Consider additional changes to development standards and permit processing procedures as well as reductions in City fees to facilitate multifamily rental development.

(In-Progress) This action is currently being evaluated and determined for appropriateness under a separate study. The City will return with a Comprehensive Fee Study Update in Spring 2024 which will modify all necessary Development fees.

#3 – Consider reducing inclusionary requirements for rental developments, particularly if Recommendations 1 and 2 are not fully implemented.



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(Upcoming) This action is identified in the Adopted 6th Cycle Housing Element, Program 2.A and will return to the City Council in early 2024. The discussion in Program 2.A has been further supported by the Economic Feasibility Study for Inclusionary Housing.

#4 – Adopt in-lieu fees based on City of Los Altos objectives with respect to the City’s inclusionary program and the point of indifference fee calculations.

(Upcoming) Tonight’s discussion will facilitate the direction necessary to return with the establishment of the In-Lieu Fee.