

# AB 6699: Fee in Lieu Option for Affordable Housing in Town Center

June 17, 2025  
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# Background

- 2024 Comprehensive Plan – Housing Element Policy 2.7:  
“Evaluate a fee-in-lieu program whereby payments to the local affordable housing fund can be made as an alternative to constructing required income-restricted housing”
- Public comments during consideration of the 2024 Comprehensive Plan review indicated interest in a fee in lieu option
- In October 2024, Council directed staff to add development of a fee in lieu program to the work plan and budget for 2025-2026



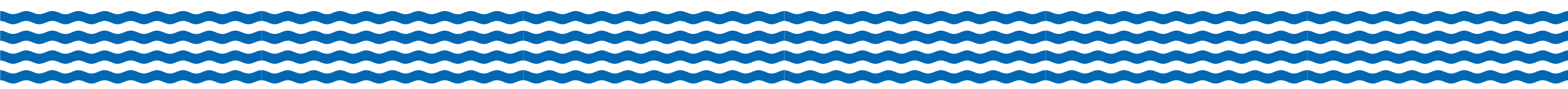
# Affordable Housing Incentives

- Town Center development regulations have included an affordable housing incentive since 2016 (MICC 19.11.040)
  - For three story buildings, 10% of the units must be affordable at 70% AMI for rental housing and 90% AMI for ownership housing
  - For buildings of four stories or greater, 15% of the units must be affordable at 50% AMI for rental housing and 80% AMI for ownership housing (*Note: this requirement was increased as part of the 2024 Comprehensive Plan*)



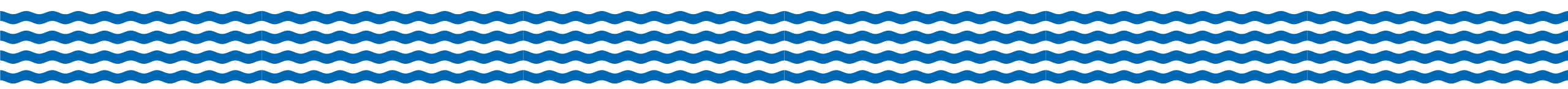
# Fee in Lieu

- Option for a permit applicant to pay a fee in place of meeting a city code requirement
- For affordable housing, the fee can be paid as an alternative to including required affordable units in a development project
- Fee is set to compensate for the impact of the development on the need for affordable housing
- Revenue generated from in-lieu fees would be contributed to an Affordable Housing Fund for the construction or preservation of affordable housing units



# Economic Analysis

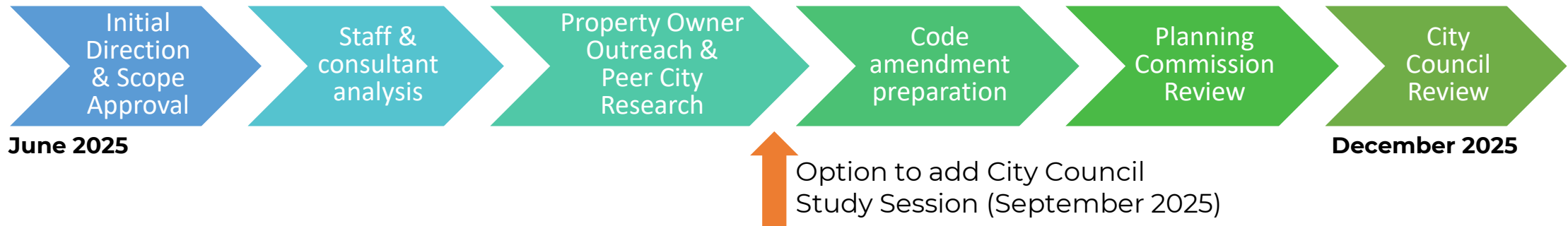
- Consultant to prepare “Nexus Study”
  - Evaluates the connection between new market rate housing development and the need for affordable housing
  - Establish the maximum fee developers can be charged to mitigate impacts of new development on affordable housing needs
- Also evaluate market conditions and project feasibility
- Helps establish a fee that is both financially viable and legally defensible





# Scope of Work & Budget

- Scope of Work



- Budget

- \$30,000 included in 2025-2026 Biennial Budget
- Additional resources include Staff and Planning Commission time

# Next Steps

- With approval of the SOW, staff and consultants will commence work
- Option to schedule City Council study session in September to provide policy direction prior to Planning Commission legislative review
- December 2025: adoption of code amendment and fee schedule update



# Proposed Motions

- **Initial Staff Recommendation:** Approve the scope of work for the evaluation of a fee-in-lieu of affordable housing program and direct the City Manager to commence work [as amended]
- **Weinberg Proposed Motion:** Adjust the scope of work for the fee-in-lieu program evaluation by asking staff to provide council with multiple options, one of which is to limit fee-in-lieu eligibility to one-third of the required affordable units. That is, only 5% of the 15% of required affordable units could be waived through the payment of a fee.
- **CM Proposed Motion:** Direct the staff to incorporate a Study Session into the scope of work for Fall 2025 so that the City Council may review the results from the Nexus Study and provide policy direction prior to drafting the fee in lieu ordinance and commencing the legislative review process.

