Supplemental Material
Received at the Meetings of
City Council
Redevelopment Agency
Housing Authority
Financing Authority

For

April 15, 2008

Item # 8: Housing Element Goals, Policies and Programs

a. Brochure to the City Council from speaker Shamus Roller entitled "Affordable by Choice: Trends in California Inclusionary Housing Programs".

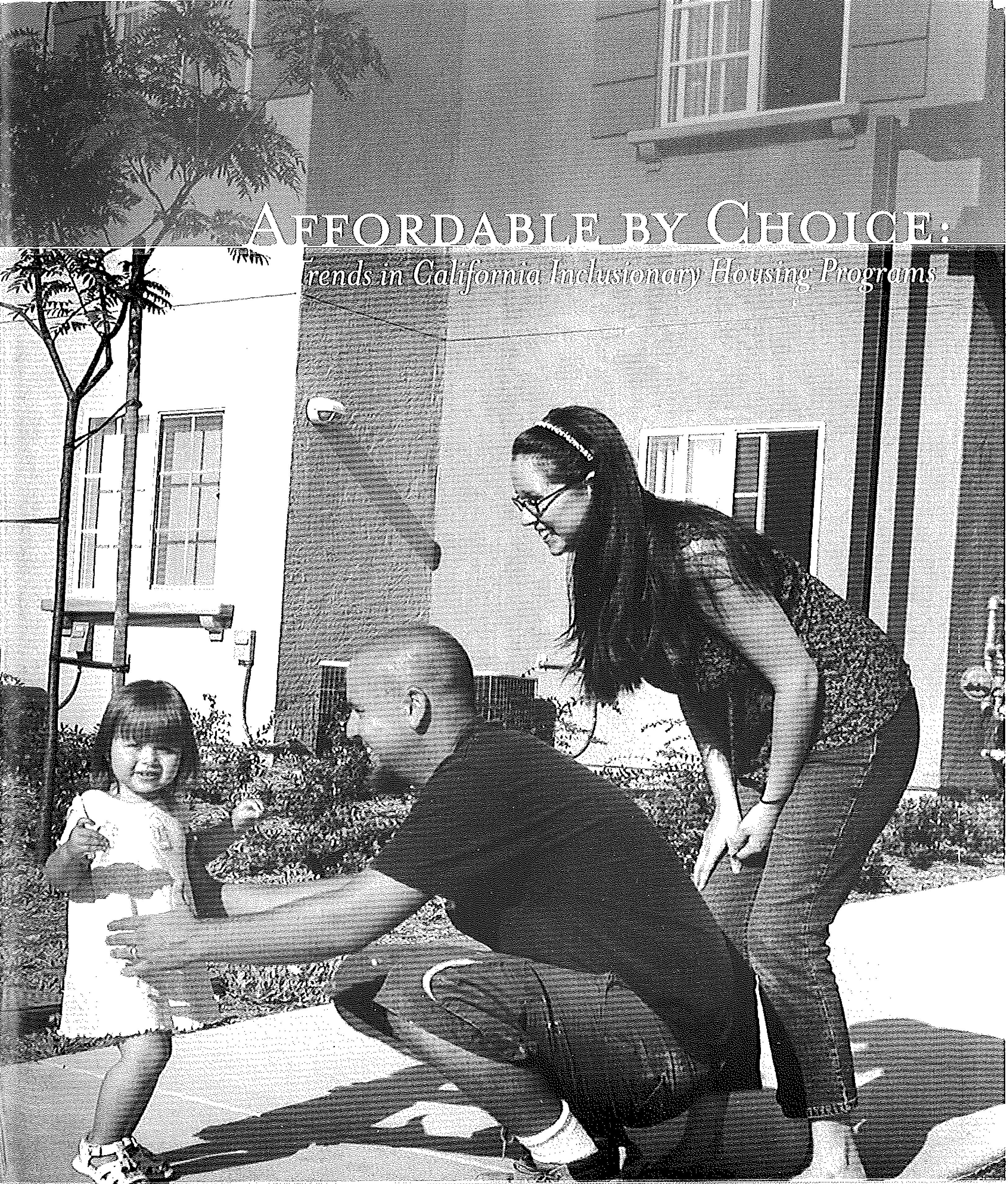
Item # 11: General Plan Maintenance Fe and Annexation Fee

a. Letter to the City Council from Michael Ault the Executive Director of the Downtown Sacramento Partnership.

b. Email to the City Council from Ardie Zahedani. Submitted at 4:30 p.m. on the day of the meeting and passed out to the Council at 6:00 p.m.

Affordable by Choice:

Trends in California Inclusionary Housing Programs



NPH

Table of Contents

Contents

3 Foreword

4 Executive Summary & Key Findings

8 Introduction: Inclusionary Housing In Context

14 General Trends: California Inclusionary Programs

20 Latest Trends: Comparing Newer and Older Programs

22 Regional Trends: Comparing Programs Statewide

25 Top Producers: The Most Effective Programs

32 Recommendations: Where Do We Go From Here?

35 Acknowledgements

36 Appendix 1: Methodology – Understanding the Numbers

38 Appendix 2: Production Survey

40 Appendix 3: California Cities and Counties with Inclusionary Housing Programs as of 2006

41 Appendix 4: Summary of Inclusionary Housing Policies

44 Endnotes

Tables & Figures

6 Figure 1: Map of California Inclusionary Housing Programs

7 Figure 2: Map of Affordable Housing Created Through Inclusionary Housing Programs

8 Table 1: How Affordable is Affordable?

14 Figure 3: Inclusionary-Development Units by Income Target

15 Figure 4: Distribution of Inclusionary-Development Units by Tenure and Affordability

16 Table 2: Rental and Ownership Units by Type and Tenure

16 Table 3: Inclusionary-Development Units by Affordability and Type

20 Figure 5: Distribution of Units by Income Level and Age of Inclusionary Program

23 Table 4: Inclusionary-Development Units by Region

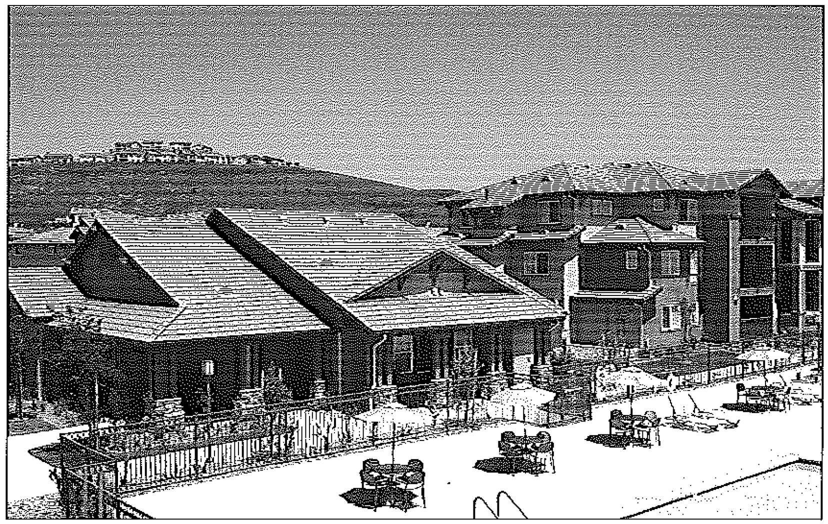
25 Table 5: Overview of Top-Producing Jurisdictions

27 Table 6: Basic Elements of Inclusionary Programs in Top-Producing Jurisdictions

27 Table 7: Developer Incentives In Top-Producing Jurisdictions

28 Table 8: Jurisdictions Reporting 10% or More Inclusionary Permits

29 Table 9: Jurisdictions Averaging More Than 50 Inclusionary-Development Units Per Year



Copper Creek Apartments:
Opened in 2005, *Copper Creek Apartments* is located in the city of San Marcos, in northern San Diego County. Copper Creek has 204 one-, two- and three-bedroom apartments priced for residents earning 25 % to 55 % of the Area Median Income. Many apartments are occupied by teachers' aides, first- and second-year firefighters and police officers, mechanics, janitors and waitresses. Developed by BRIDGE Housing Corp., *Copper Creek* includes 13 three-story apartment buildings, a 2,634-square-foot community center, a pool and more than 400 parking spots. *Copper Creek* is part of *San Elijo Hills*, a 3,466-home, master-planned community.

On the cover:
Rancho Del Norte, a 119-unit inclusionary project in San Diego with one-, two- and three-bedroom apartments. Developed by Chelsea Investment Corp. and Santaluz, LLC, *Rancho Del Norte* serves low-income families.

Foreword

The most astounding finding of *Affordable By Choice: Trends in California Inclusionary Housing Programs* is the pace at which inclusionary housing programs are being adopted in California. Remember that only a few years ago, the report *Inclusionary Housing in California: 30 Years of Innovation* found that the number of localities with inclusionary housing programs had grown by about 40%, from 64 in 1994 to 107 in 2003. At the time, I rejoiced. But I also felt that such an increase could not be sustained. After all, the places most likely to pass inclusionary housing had already done so; even conservative San Diego was about to pass an inclusionary ordinance!

Now we learn that since then – in less than four years – 63 jurisdictions have adopted inclusionary housing, bringing the total to 170 statewide. What is going on? Perhaps if we examine inclusionary housing's evolution through the lens of history we might find the answers.

Housing affordability has changed dramatically in the past few decades. When attempts were made in San Diego, for example, to establish a Housing Trust Fund and an inclusionary housing program in the late 1980s and early 1990s, there was opposition from developers and the business community at large. When a second attempt was made beginning in 2000, some of those political forces came around. The affordability crisis had moved up the income ladder. A viable economic base could not be sustained if a majority of the workforce could not be housed.

The fact is, for more and more people, a home no longer symbolizes that secure place where families can find comfort and security. Rather, a home is a commodity to speculate on, appreciated no longer for its "use value" but for its "exchange value." This is happening everywhere. In Europe, as in the United States, social housing is disappearing as speculation in real estate is creating artificial shortages and skyrocketing housing prices in the most desirable cities.

As the private sector acquires much more importance in European countries, it is not surprising that localities are turning to what for so long seemed a purely American phenomenon: inclusionary housing. Now, most European countries have it, as do Australia, India, Malaysia and Canada. Inclusionary housing is now a global phenomenon!

But back to California. Besides the skyrocketing housing costs of the past few years, I suspect that there are three other factors that have created this surge in inclusionary programs. The first is the 2001 *Home Builders Association of Northern California v. City of Napa* case confirming that, in California at least, inclusionary programs are constitutional, provided localities craft their ordinances carefully. The second is the sprawling expansion of suburban metropolitan areas, which is impacting affordability in rural jurisdictions that had escaped the hot markets of the metropolises.

Last, but not least, is the inspiring advocacy work of many groups and coalitions, most importantly the organizations that commissioned this report. The tens of thousands of families that benefit now, and will benefit in the future, from your dedication and hard work thank you.

Nico Calavita, Professor Emeritus
School of Public Administration and Urban Studies
San Diego State University
June 2007

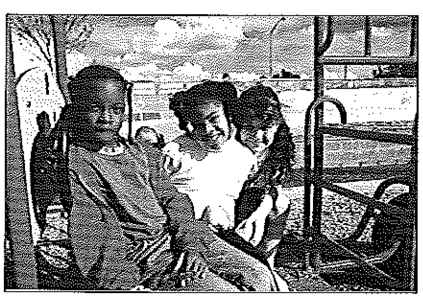
Executive Summary & Key Findings

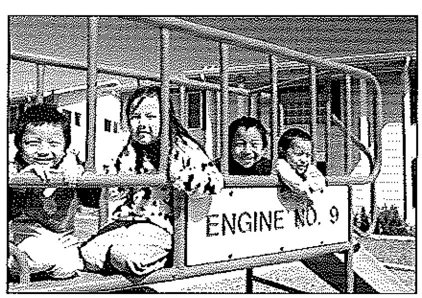
This report represents the most ambitious effort in California – and probably the nation – to examine the impact of inclusionary housing policies statewide. The single most important conclusion is that inclusionary programs are putting roofs over the heads of tens of thousands of Californians. These homes, in turn, are building mixed-income neighborhoods where houses considered "affordable" are often indistinguishable from those at market-rate. High school teachers, clergy, health care workers, day care providers – people who are considered lower-income – can now open their front doors and say, "welcome to my home" as a result of inclusionary housing programs. Rising housing costs and shrinking public funds are prompting more local governments to use inclusionary programs. While not a magic bullet for all affordable housing needs, inclusionary programs are a proven tool for building diverse housing that meets the needs of all of a community's residents. It is not surprising, then, that a record number of cities and counties are adopting inclusionary housing programs at increasing rates.

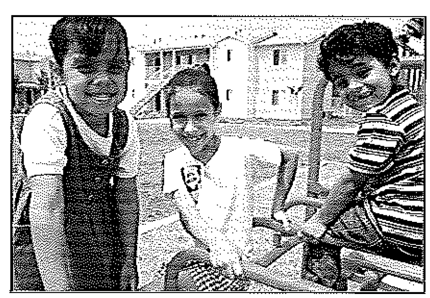
Building on Past Research

This study was commissioned by the Non-Profit Housing Association of Northern California (NPH), which serves as the lead agency of the Bay Area Inclusionary Housing Initiative, along with the California Coalition for Rural Housing (CCRH), the Sacramento Housing Alliance (SHA) and the San Diego Housing Federation (SDHF).

In 1994, CCRH conducted the first statewide survey on inclusionary housing and found that 12% of statewide jurisdictions had an inclusionary program. In 2003, CCRH and NPH collaboratively conducted a follow-up survey, which revealed that the number of jurisdictions with inclusionary housing had jumped to 20%. The 2003 survey generated interest in obtaining more precise production data on the types of housing built and the income levels served. In 2006, a new study was launched to determine the growth in inclusionary programs statewide, and provide a detailed snapshot of the housing that is being produced by these programs. This report details the findings of those surveys.







Key Findings

The study looked at housing produced through inclusionary programs from January 1999 through June 2006 and found that:

1. **Nearly One-Third of California Jurisdictions Now Have Inclusionary Programs**
   A surprising number and variety of cities, towns and counties in California have adopted inclusionary housing policies. These 170 jurisdictions account for about one-third (32%) of the state; a significant number of these programs were adopted in the past few years alone.

2. **More Than 80,000 Californians Have Housing Through Inclusionary Programs**
   At least 80,000 people – roughly the population of the city of Livermore, in Alameda County – live in housing produced as a result of inclusionary programs, which since 1999 have created an estimated 29,281 affordable units statewide.[1]

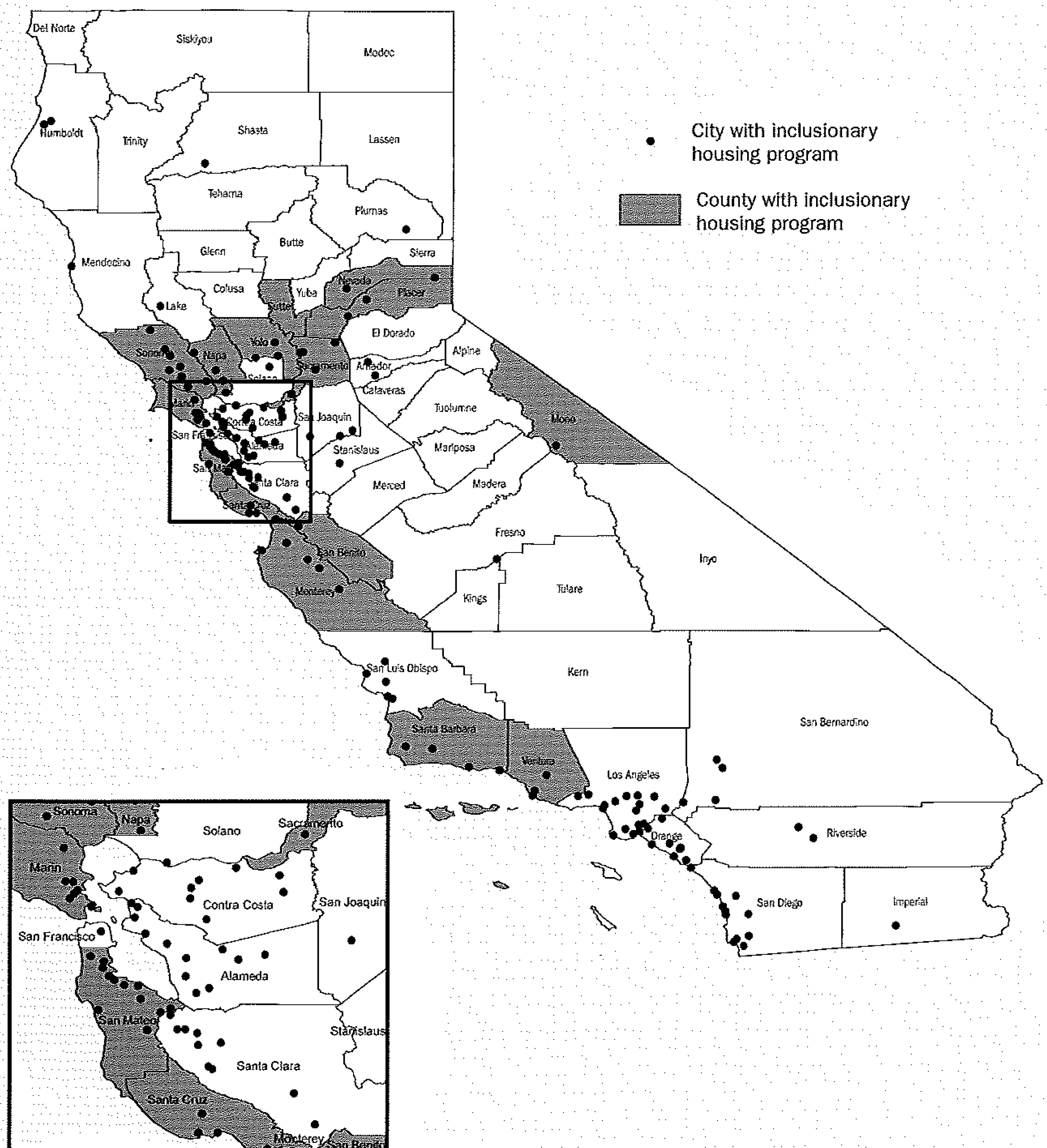
3. **Most Inclusionary Housing Is Integrated Within Market-Rate Developments**
   A majority of housing created through inclusionary policies is built along with – and indistinguishable from – market-rate units, creating socially and economically integrated communities affordable to a wider range of families. As a result, teachers shop in the same grocery stores as the parents of their students, and the elderly are finding safe apartments close to their children and grandchildren.

4. **Inclusionary Housing Provides Shelter For Those Most In Need**
   Nearly three-quarters of the housing produced through inclusionary programs is affordable to people with some of the lowest incomes. These findings shed new light on the popular perception that inclusionary policies create ownership units mostly for moderate-income families.

5. **Lower-Income Households Are Best Served Through Partnerships**
   When market-rate developers work with affordable housing developers to meet their inclusionary requirement, the units are more likely to serve lower-income households. Joint ventures play a particularly important role in developing units for households most in need. One-third of all the housing built through inclusionary programs resulted from such partnerships.

Figure 1:

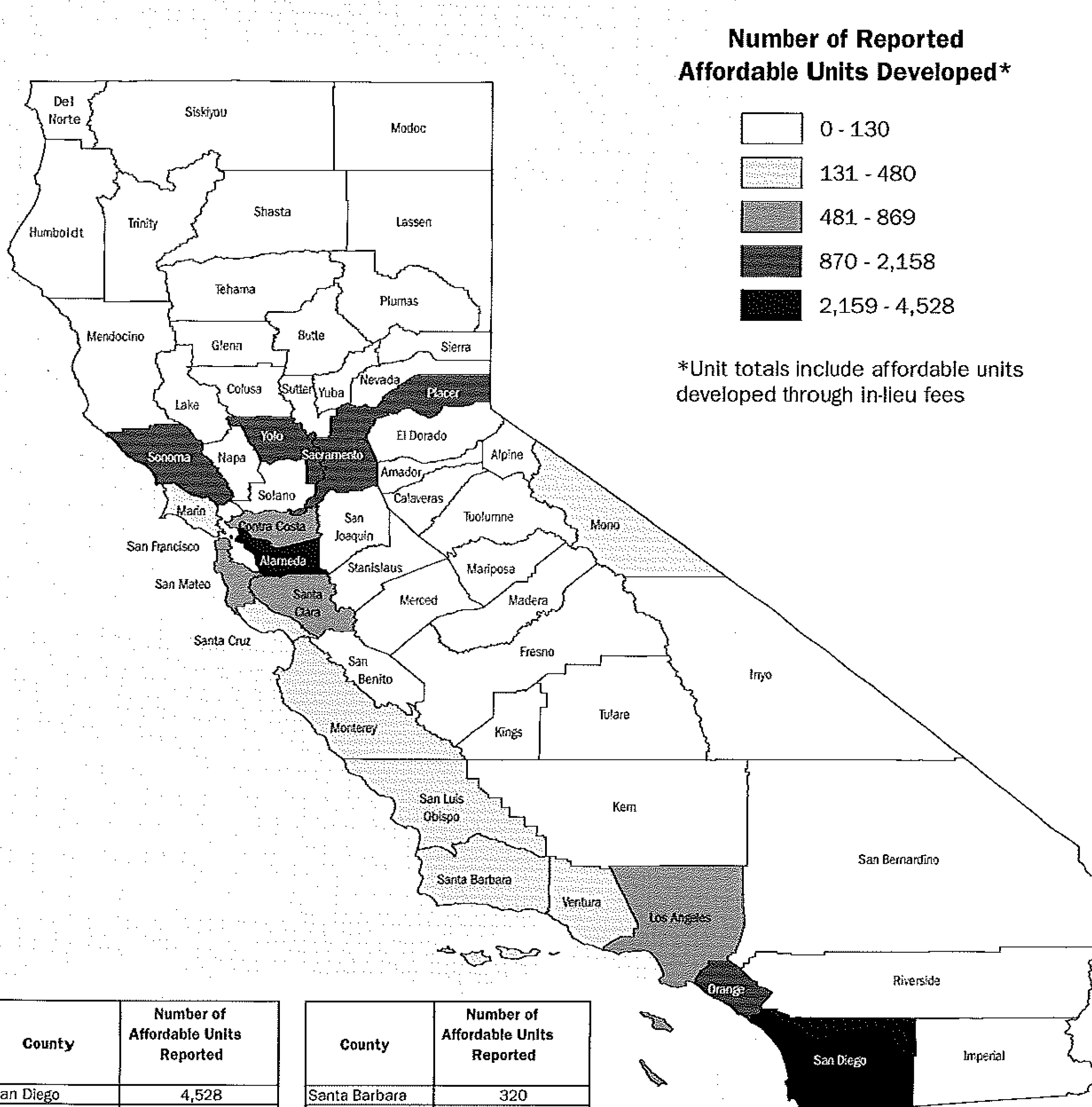
California Inclusionary Housing Programs:
170 Jurisdictions as of 2006



Map provided by California Coalition for Rural Housing

Figure 2:

Affordable Housing Created through Inclusionary Housing Programs: County-by-County Distribution as of 2006



County	Number of Affordable Units Reported	County	Number of Affordable Units Reported
San Diego	4,528	Santa Barbara	320
Sacramento	1,840	Marin	405
Alameda	3,059	San Luis Obispo	224
Yolo	1,455	Ventura	354
Placer	1,429	Mono	190
Orange	1,305	San Joaquin	130
Sonoma	2,158	Stanislaus	24
San Mateo	686	Mendocino	7
San Francisco	724	Fresno	0
Contra Costa	869	Napa	0
Monterey	480	Nevada	0
Los Angeles	659	San Benito	0
Santa Clara	750	San Bernadino	0
Santa Cruz	346	Sutter	0

Map provided by California Coalition for Rural Housing

Introduction: Inclusionary Housing In Context

It may be old news, but it's still a daily fact of life for millions of Californians: In rural towns and large cities, people are finding it harder to pay for decent housing. State statistics show that 44% of all Californians – more than 16 million people – pay a disproportionate share of their income on housing.[2] And the problem is getting worse each year.

While all kinds of families are affected by this trend, the lowest income households are hurt most. These are working families, often with two wage-earners who are stretching their budgets to the breaking point just to pay for housing.

What has caused California's housing problem? Most experts agree on three primary factors:

1. Failure to produce enough affordable housing for our population growth
2. Slow growth in incomes for low- and moderate-income people
3. Job growth exceeding housing growth in all of the state's major metropolitan areas.

Table 1:

How Affordable is Affordable?

Housing is considered "affordable" when it represents no more than 30% of a household's total income. Regional housing affordability levels are set each year based on a formula that takes into account the kinds of salaries earned by local residents. The yardstick used to set affordability is the Area Median Income (AMI). Half of the area's residents make more then the AMI and half make less. Affordability is further broken down by percentage of AMI shown in the tables below along with some representative occupations.

Job	Hourly Wage	Annual Wage	Max. Monthly Housing Cost	%AMI
Moderate Income: (80%-120% AMI)				
Physical Therapist	$34.90	$72,624	$1,816	96%
Civil Engineer	$34.70	$72,221	$1,806	96%
Low Income: (50-80% AMI)				
School Teacher	$26.40	$54,804	$1,370	73%
Carpenter	$23.60	$49,085	$1,227	65%
Very Low Income: (30-50% AMI)				
Child Care Worker	$15.50	$32,293	$807	43%
Nursing Aide	$13.80	$28,792	$720	38%
Extremely Low Income: (less than 30% AMI)				
School Bus Driver	$9.80	$20,792	$520	28%
Wait Staff	$8.80	$18,295	$457	24%

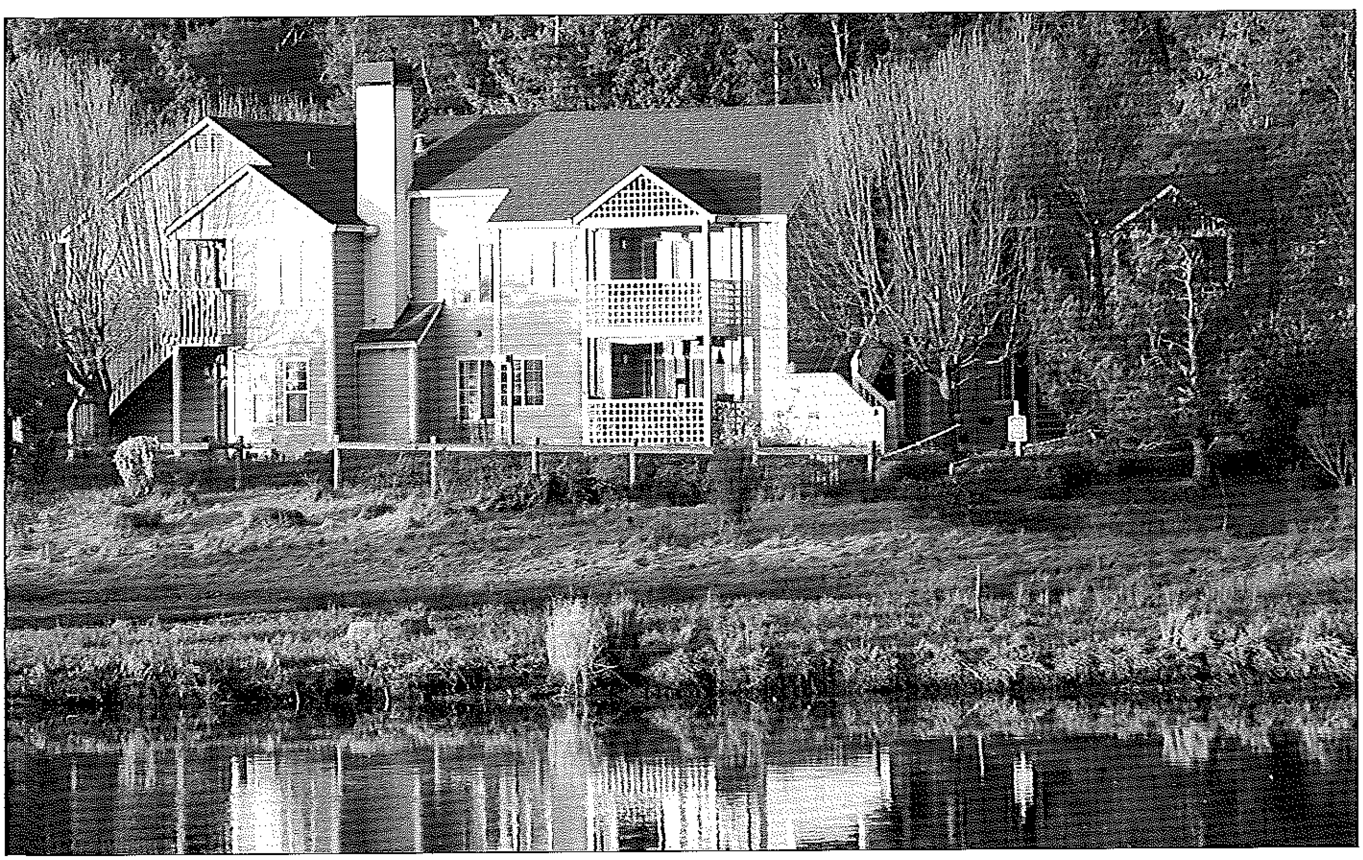
Sources: National Housing Conference, Center for Housing Policy, 2006.
Notes: 1) Hourly wage and annual wage are averages for Sonoma County; 2) Percent AMI is for a family of three with one employed adult.

In 1973, Palo Alto became the first California city to adopt inclusionary housing. At the latest count, at least 170 of California's cities and counties now have some form of an inclusionary policy. This represents 32% of the state, up from 107 jurisdictions, or 20% of the state, in 2003, and 64 jurisdictions, or 12% of the state, in 1994. Many of these jurisdictions have adopted inclusionary housing since 2000.[3]

Defining Inclusionary Housing

Inclusionary housing programs vary greatly, but they share the common element of requiring that market-rate residential developments include some affordable housing. While some are mandatory and others voluntary, the goal of all such programs is to establish a relatively permanent stock of affordable housing, which can be either rental or ownership. Policies prescribe how affordable the units must be based on a percentage of the area's median income. To offset the cost of providing affordable units, many jurisdictions offer incentives to developers. These can take the form of fast-track permitting, waivers of zoning requirements on issues such as height and density, local tax abatements or subsidizing infrastructure for the developer.

To avoid isolating lower-income families, some policies require developers to build the affordable units alongside market-rate units, commonly referred to as "on-site." To provide maximal flexibility, other policies allow developers to build affordable units in a different location, "off-site." Many programs encourage market-rate developers to partner with local non-profits and affordable housing developers when meeting their inclusionary requirements. Certain programs let developers opt out of building affordable units altogether by paying a fee or donating land in lieu of producing the required units. Jurisdictions then use these "in-lieu" fees and parcels to subsidize affordable units at a later date.



Edgewater Place in Larkspur:
Completed in 1991 as an inclusionary project, *Edgewater Place* offers 28 one-, two- and three-bedroom apartments in four garden-style buildings clustered on a site adjacent to a marsh restoration area. The site was developed by EAH Housing.

How Much Housing Has Inclusionary Housing Produced?

Despite the many differences among inclusionary housing policies in California, together they have created a significant number of affordable units that would not otherwise have been built.

Statewide, 29,281 affordable units are estimated to have been created through inclusionary policies from January 1999 through June 2006 (see text box on page 11 and Methodology in Appendix 1).

How big or small is this number? For context, it is helpful to consider that the last time researchers studied inclusionary housing in California, an estimated 34,000 affordable units had been created *over the course of 30 years*. This report finds nearly as many were created in a six-and-a-half-year period.

No statewide tracking exists on the production of, or need for, affordable housing in California. But the single largest affordable housing program in California, the Low Income Housing Tax Credit Program, created 17,000 affordable units, on average, each year of the study period.[4] At an annual production rate of roughly 4,500 units per year, inclusionary housing programs created about one-fourth that number – a significant contribution to the state's dire need for affordable housing.

University Apartments site plan & elevation in Marina:
University Apartments, expected to open in early 2009, will be the inclusionary component of a master-planned 1,230-unit project known as The Dunes in Marina. Located on the old Fort Ord Army Base in Monterey County, *University Apartments* will have 108 one-, two- and three-bedroom units affordable to people with very-low, and low-incomes. The apartments will be walking distance to local and regional shops and will offer residents a 3,800-square-foot community center, a picnic area and tot lots. *University Apartments* is being developed by South County Housing, a non-profit housing developer, in partnership with Shae Homes and Centex Homes.

Inclusionary Housing By the Numbers

An explanation of this survey is provided in Appendix 1, but here is a snapshot of some key figures:

170: Total California jurisdictions with inclusionary housing policies

The survey revealed 169 jurisdictions with inclusionary policies as of June 2006. In October 2006, Contra Costa County adopted its inclusionary ordinance, resulting in the 170 number referred to throughout this report.

21,942: The reported number of new affordable units built through inclusionary programs

(Composed of 17,144 inclusionary-development units + 4,798 in-lieu fee units)

This is the number of units directly reported by cities and counties that filled out a detailed production survey. Because not all of the 169 jurisdictions with inclusionary programs filled out the production survey, researchers extrapolated an additional number of inclusionary units (7,339) built throughout the state but not reported.

29,281: Total estimated number of affordable units built through inclusionary programs.

This is an estimate of all the reported new units (21,942) plus the estimated unreported units (7,339).

How Inclusionary Policies Were Examined

In conducting this study, researchers sought to understand more than the total number of housing units produced through inclusionary programs. They wanted to answer questions such as: What income levels are being served by inclusionary housing? How common are partnerships between for-profit and non-profit developers? Is most inclusionary housing integrated into market-rate projects or built separately? To help answer these questions, the following categories were used:

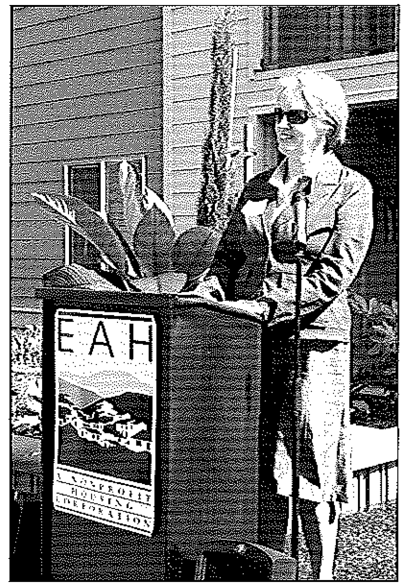
- **On-Site Units:** those units built within the market-rate development by the market-rate developer
- **Partnership Units:** those units built within or adjacent to the market-rate development by the market-rate developer in partnership with a non-profit developer and/or government; and
- **Off-Site Units:** those units built on a different site than the market-rate units by the developer or another entity.

Finally, it is important to explain this report's definition of "inclusionary-development unit." This term defines all of the housing units built through inclusionary programs *except* those units built with in-lieu fees. (Housing built with in-lieu fees could not be reliably analyzed because most jurisdictions do not keep detailed information on such units.) Most of the inclusionary housing reported by California jurisdictions (17,144 units, or 78%) fell into the category of an "inclusionary-development unit." Another 4,798 units, or 22%, fell into the category of having been built with in-lieu fees. With the exception of the in-lieu fee findings on page 17, all of the trends reported by this study are based on an examination of the 17,144 inclusionary-development units.

inclusionary ideas from Dublin

INSIGHTS FROM DUBLIN MAYOR JANET LOCKHART

Located about 15 miles east of San Francisco, Dublin is a Bay Area suburb of about 42,000 people. The median household income at the 2000 census was about $77,000. In 1996, relatively shortly after Janet Lockhart joined the City Council, an inclusionary housing ordinance was adopted. The ordinance was strengthened in 2001. Ms. Lockhart now serves as mayor.



Mayor Lockhart speaks at the grand opening of *Camellia Place* in Dublin.

What led Dublin to consider inclusionary housing?
We looked around and saw no one was building anything for the lower-income workers who we were inviting into our community.

Camellia Place in Dublin:
With 112 units, *Camellia Place* is part of the 91-acre Dublin Transit Center and features one-, two- and three-bedroom apartments and townhouses. The units are available to households earning from 20 % to 60 % of the Area Median Income, or $16,760 to $50,280 for a family of four. Rents range from $270 to $1,224 per month. Every unit has a balcony and patio and is equipped with central heating and air conditioning. The shared amenities include a club room, computer center, landscaped courtyard with seating areas, a central fountain, tot lots, covered parking, elevators, property-wide security system and complementary wi-fi. Located next to the Dublin/Pleasanton BART, *Camellia Place* was developed by EAH Housing.

What did critics predict would happen if you adopted inclusionary housing?
They said we were going to develop slums, that we were going to provide housing for people who just sat around and didn't want to work. It really helped to get county statistics on who qualifies for affordable housing, and it wasn't just the numbers, it was the job types. People were kind of amazed. I really felt the way to introduce inclusionary housing to our community was to personalize it and make it about real people, not about myths or misconceptions.

How did you communicate with your constituents about inclusionary housing?
There was an opening on the City Council, and a young man named Tim Sbranti was running for the seat. Here was a young man, a teacher at the high school, everyone loved him. Yet at the

time, he couldn't afford to buy a home in Dublin. I told him, "I'm going to use you as an example of what workforce housing is all about." We went out and did a lot of talking to community groups. Just putting a face and a name to the problem made a big difference.

What do people say now about inclusionary housing?

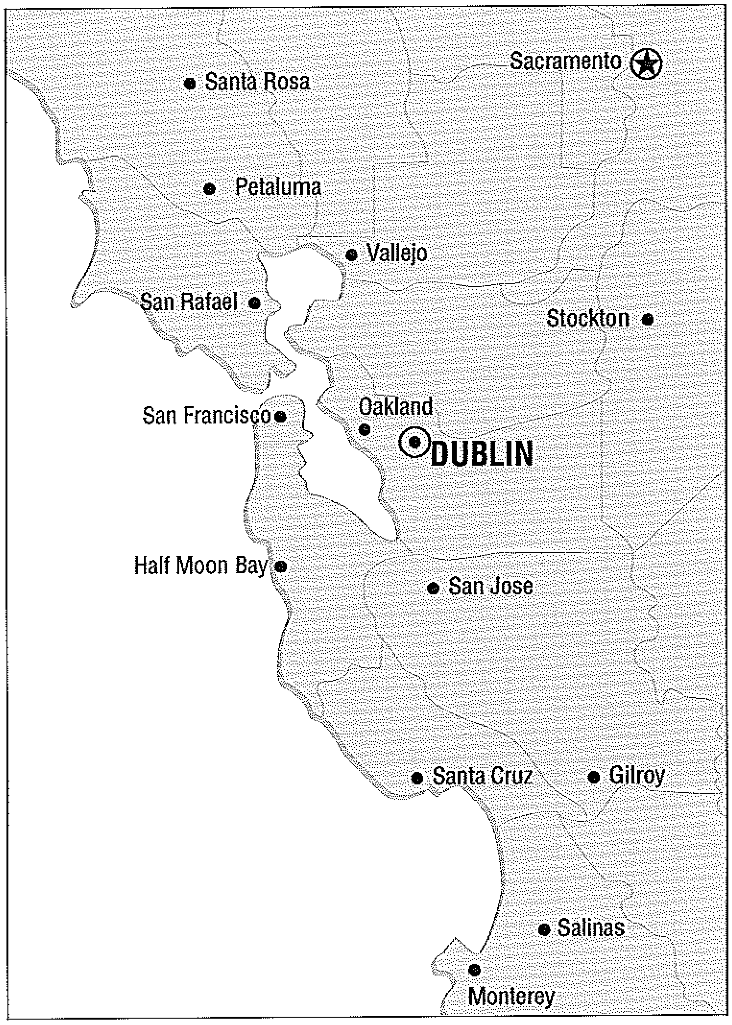
Opponents have figured out that it doesn't hurt our community. Their fears have not played out.

What is your reaction to those who say inclusionary housing is unfair to market-rate developers?

I've had talks with the homebuilders, and I tell them the same thing. I say, "If you have a better idea of how to get affordable housing built, let me know. Until then, we know that inclusionary housing puts sticks in the ground, roofs over people's heads."

What process did you use to create Dublin's inclusionary housing ordinance?

We sat down and worked with our development community. We realized they needed to make a profit. But at the same time, we needed to kick-start housing on a more affordable level. I wanted 15%, they wanted 10%, and we ended up at 12.5%.



Do you have any advice for cities that are considering inclusionary housing?

It really took groups that were interested in the issue to speak up and get people to pay attention. We have found that being flexible, compromising and working with the developer has led them to do more than they thought they were able to. If you can talk to your community and bring the whole issue down to the common denominator of people, then the community is much more accepting.

For more information on Dublin's inclusionary housing program, call the Economic Development Department at (925) 833-6650 or go to www.ci.dublin.ca.us/pdf/InclusionaryGuidelines1.pdf

General Trends: California Inclusionary Programs

Homes built through inclusionary programs are more likely to be for rent than for sale, are more commonly priced for lower-income households than for moderate-income families and are most often developed by a market-rate developer who either worked alone or in partnership with affordable housing developers. These and the following conclusions were based on an analysis of the answers jurisdictions provided to the production survey.

Where Housing Is Built

- Most Units Integrated within Market-Rate Developments
  Nearly all of the inclusionary units were built on-site, which means they were integrated within or adjacent to the market-rate development. Specifically, 58% were built on-site by the market-rate developer working alone; another 32% were built on-site by the market-rate developer working in partnership with an affordable housing developer or a government agency. About 10% were built off-site.

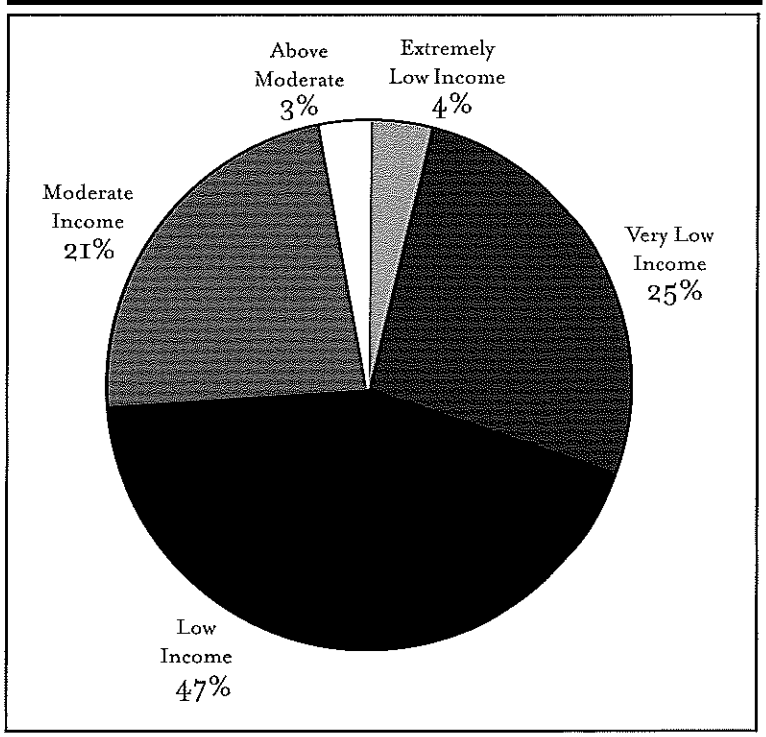
Whom Housing Serves

- Low- and Very-Low-Income Households Served Most
  Affordable units created through inclusionary housing programs are providing opportunities for households across the income spectrum, but the most commonly served are low-income and very-low-income households. Nearly half of all units (47%) are affordable to low-income households, a category that encompasses teachers, medical technicians and small-business owners in many areas of the state. A quarter (25%) of the units are affordable to households classified as very-low-income.

- Moderate-Income Households Receiving Help
  Nearly one-quarter (21%) of the units were affordable to moderate-income households, a category that is increasingly priced out of market-

Figure 3:

Inclusionary-Development Units by Income Target



More than three-quarters of the inclusionary-development units serve households earning low-, very low- or extremely-low incomes.

rate housing and has few adequate subsidies available from public funding sources.

- **At Income Extremes, Fewer Units Created**
  Inclusionary housing programs created a relatively small percentage of units (3%) to serve above-moderate-income households in some of the state's most expensive areas, including the Bay Area and Santa Barbara County. These units provided both rental and ownership opportunities for working families who have higher household incomes but are still priced out of extraordinarily expensive housing markets. A comparable number of units (4%) was built for extremely-low-income households, a diverse category that encompasses people with special needs and minimum-wage workers.

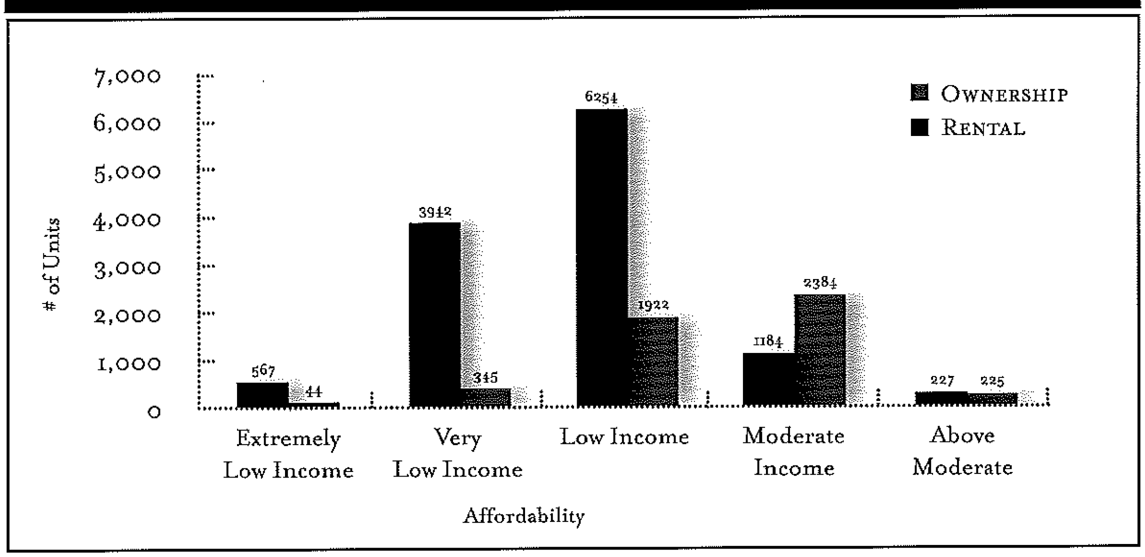
Kinds of Housing Provided

- **Rental Housing More Common than Ownership**
  Most units produced through inclusionary programs (71%) are produced for rent. Of these, most (87%) were integrated with market-rate developments, built on-site or through partnerships. When development partnerships were formed between market-rate and affordable builders, the resulting housing was much more likely to be offered for rent than for sale.

- **Ownership Units More Likely for Moderate Incomes**
  Inclusionary units built for homeownership are slightly more likely to serve moderate-income households. Nearly half (49%) of all ownership units were priced for moderate-income families, while a little more than a third (39%) were targeted for low-income households. Ownership units were more likely to be built by a market-rate developer working alone than through a partnership with affordable developers.

Figure 4:

Distribution of Inclusionary-Development Units by Tenure and Affordability



Most of the inclusionary-development units reported were rental and served the lowest-income households; homeownership units tended to serve moderate-income households.[5]

Table2:

Rental and Ownership Units by Type and Tenure		
Total Rental	12,190	71%
Total Ownership	4,954	29%
On-Site Rental	5,294	31%
On-Site Ownership	4,544	27%
Partnership Rental	5,307	31%
Partnership Ownership	215	1%
Off-site Rental	1,574	9%
Off-site Ownership	161	1%
Unspecified	49	0%
Total	17,144	100%

Who Builds Inclusionary Housing

- **One-Third of Affordable Units From Partnerships Between Non-Profit & Market-Rate Developers**
  Partnerships between market-rate developers and non-profit housing developers or local governments produced about one-third (32%) of inclusionary housing units.[6] A number of jurisdictions report that they have used a portion of the in-lieu fees collected to help non-profit partners make units more affordable.

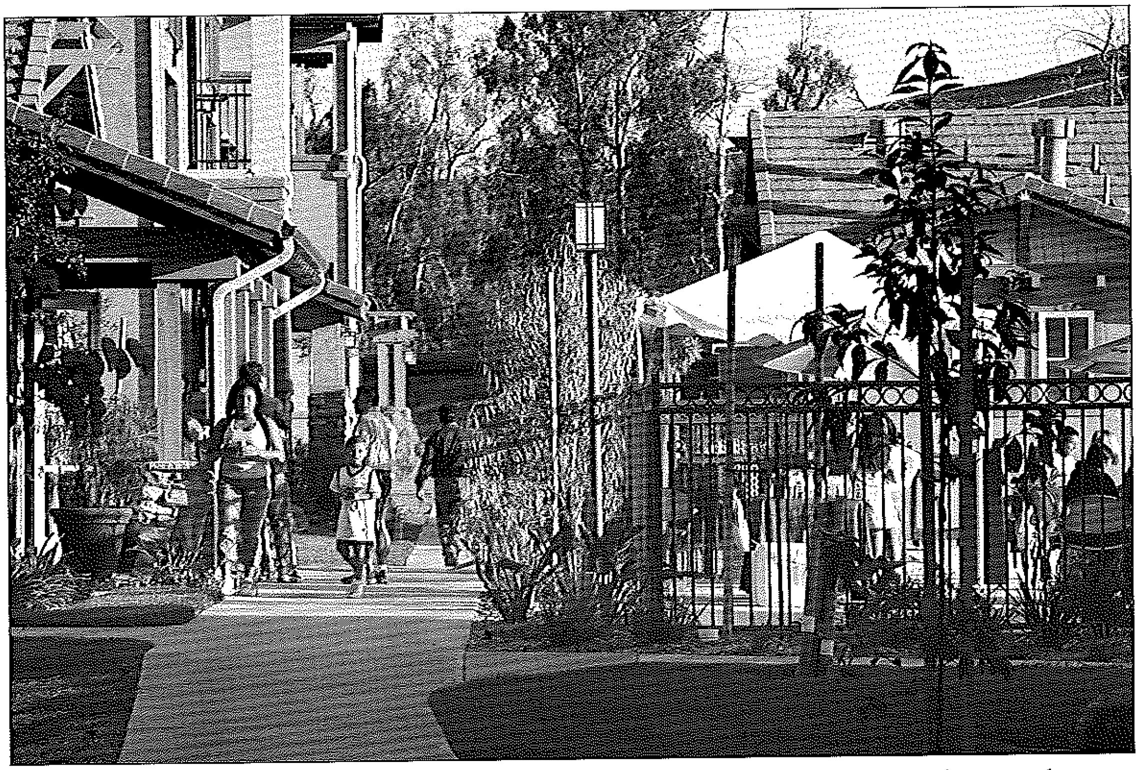
- **Lower-Income Housing Most Common Through Partnerships**
  When market-rate developers worked with affordable housing developers to meet their inclusionary requirement, the units were more likely to serve lower-income households. Joint ventures play a particularly important role in developing units for households most in need. Most of the units serving extremely-low-income families (68%) were built through partnerships, while partnerships contributed about one-third (35%) of the units built for very-low-income households. Partnerships also created about nearly half (42%) of housing built for low-income families. Across the board, units created through partnerships were more likely to be offered for rent than for homeownership.

- **Market-Rate Developers Involved in Building Most of Inclusionary Housing.**
  Most of the affordable units (78%) were built with the active participation of the market-rate developer — a finding that runs contrary to the commonly raised concern that market-rate developers simply can't make inclusionary housing work, financially. Of the 78% of affordable units built with the participation of market-rate developers, the majority were built on-site, along with market-rate units, while a smaller number were built elsewhere, at an off-site location.

Table 3:

Inclusionary-Development Units by Affordability and Type

	Extremely Low Income		Very Low Income		Low Income		Moderate Income		Above Moderate		Totals	
On-site	145	*24%*	2,188	*51%*	4,362	*53%*	2,911	*81%*	231	*51%*	9,837	*58%*
Partnership	418	*68%*	1,496	*35%*	3,426	*42%*	193	*5%*	0	*0%*	5,533	*32%*
Off-site	48	*8%*	603	*14%*	388	*5%*	475	*13%*	221	*49%*	1,735	*10%*
Unspecified											39	
Totals	611	*100%*	4,287	*100%*	8,176	*100%*	3,579	*100%*	452	*100%*	17,144	*100%*



Camellia Place, an inclusionary development in Dublin, is part of a walkable neighborhood next to the Dublin BART station.

The Impact of In-Lieu Fees:

- **Most Jurisdictions Allow In-Lieu Fees, but Tracking is Weak**

  The overwhelming majority of cities and counties allow payment of in-lieu fees under at least some circumstances. Of the 91 cities and counties responding to the production survey, 81 jurisdictions said they permit such fees in lieu of development.

  How many apartments and houses have been created as a result of these fees? Nearly one-quarter of all the reported units (4,798) were developed with in-lieu fees. But it is very likely that a much higher number of units were actually created. Such numbers are difficult to judge because most jurisdictions mingle in-lieu fees with other housing funds and do not track them separately.

- **More Developers Build Than Pay In-Lieu Fees**

  While most of the cities and counties with inclusionary housing allow in-lieu fees, the study found that a smaller percentage of developers exercised this option.

- **$219 Million Collected from In-Lieu Fees – Not all Used**

  Of the 81 jurisdictions that offer in-lieu fees as an alternative means of meeting the inclusionary housing requirement, 63 reported collecting such fees. During the period under study, these 63 cities collected a total of $218,943,337 in fees related to their inclusionary housing programs. Not all the jurisdictions collecting fees have allocated them to affordable units; in fact, only about half (27) indicated the number of units created as a result of in-lieu fees. The remaining 26 appear to be collecting funds that are not yet being spent to produce new affordable housing units.

inclusionary ideas from Salinas

Insights From State Assemblymember Anna Caballero

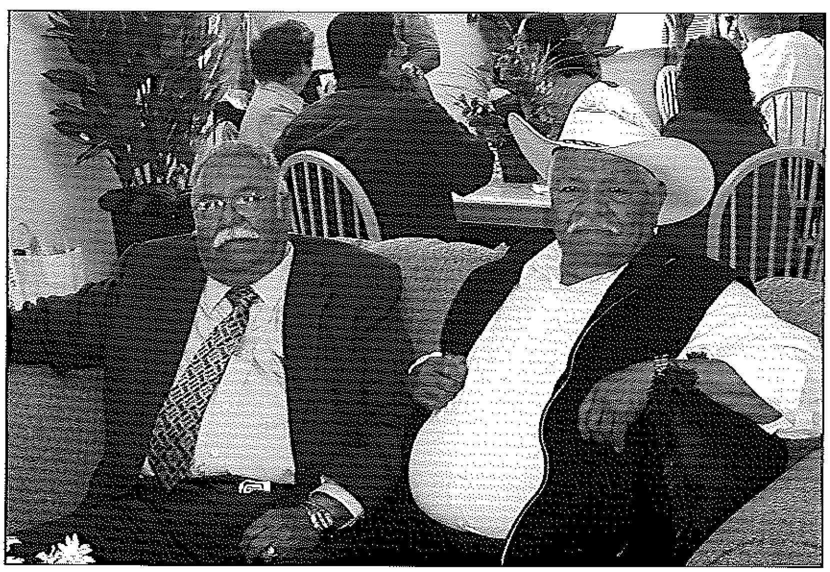
Located on the central coast, Salinas is a major agricultural center with a population of about 150,000. The median household income at the 2000 census was about $44,000. In 1992, the City Council adopted an inclusionary housing ordinance, which was strengthened in 2006, when Anna Caballero served as mayor. After 15 years serving her city, Ms. Caballero was elected to the California Assembly in 2006, where she now represents the 28th District. Salinas has one of the most aggressive inclusionary housing policies in the state.

State Assemblymember and former Mayor of Salinas Anna Caballero

What led Salinas to consider inclusionary housing?
We have a large blue-collar population in our community, and the rising cost of housing was driving people away, forcing them to double- and triple-up in apartments.

What did critics predict would happen if you adopted inclusionary housing?
There was great resistance in the development and business communities. It was a resistance to the perception that inclusionary housing was a kind of social engineering. Some people thought there would be no growth at all. That did not happen. As a matter of fact, developers made the adjustment. They figured out a way.

How did you communicate with your constituents about inclusionary housing?
People came from all over and were willing to listen to the personal stories of families, people who couldn't afford to live in the community. We saw the severe overcrowding in our communities, and we were growing fairly quickly. We thought, "If there ever is a good time to be putting resources into housing for working class families, this is it."



Los Abuelitos Senior Apartments in Salinas:
Two residents relax together at opening day of the *Los Abuelitos Senior Apartments* in Salinas, an inclusionary housing project with 25 very-low-income units. The project was developed by Community Housing Systems and Planning Association (CHISPA).

What do people say now about inclusionary housing?

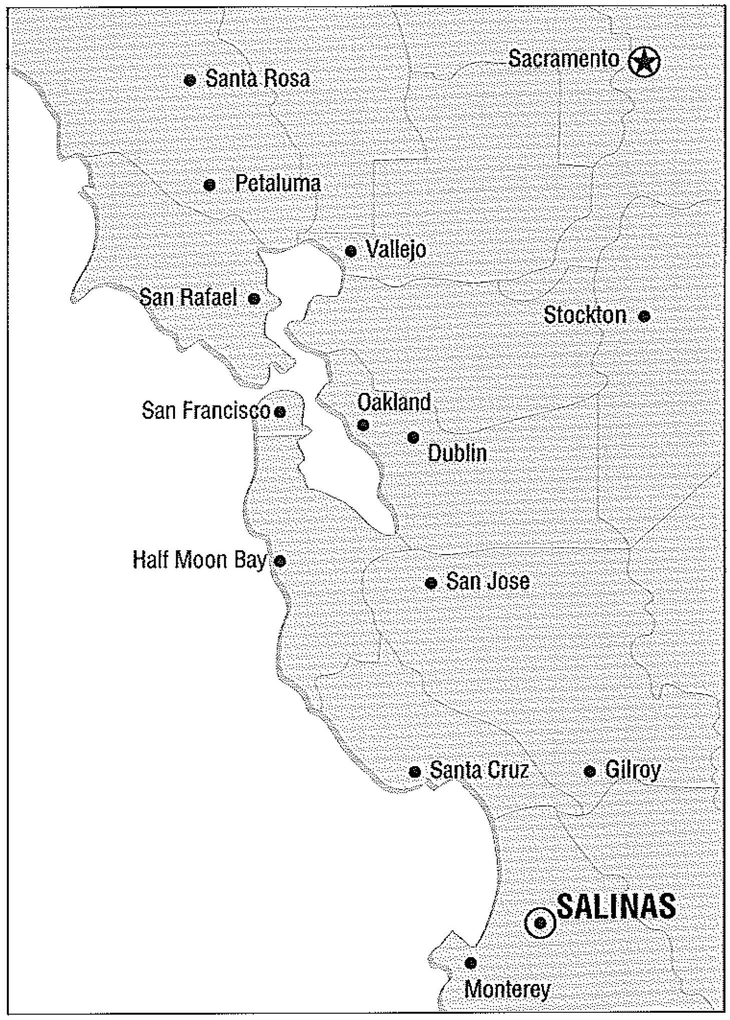
The developers who are in Salinas now, they are making it work. When we adopted the first ordinance in 1991 it was hotly contested. There was even dissent on the council. In 2005, when we updated the ordinance, the vote was unanimous.

What is your reaction to those who say inclusionary housing is unfair to market-rate developers?

The bottom line is that housing costs have not gone up tremendously because of inclusionary housing, they have gone up tremendously because of the market. Is inclusionary housing part of the equation in terms of a mark-up? Yes, but you know what else causes prices to go up? Fees for libraries and parks and infrastructure, and that's all part of what has to happen when you have growth.

What process did you use to create Salinas' inclusionary housing ordinance?

We had a lot of public meetings. We saw kids coming up and testifying, saying, "We want to be able to have a house of our own and not have eight adults living in a tiny apartment." It was a very emotional issue. The political will eventually shifted, and City Council members said, "We don't believe the sky is going to fall if inclusionary housing is adopted." At first, we allowed developers to build any kind of affordable units — all apartments, if they wanted. Later on, we made it like-for-like. If they were building market-rate houses, they had to build affordable houses, too.



Do you have any advice for cities that are considering inclusionary housing?

Include the community and get people together. It's easier to vilify people than to listen to what they have to say. But it's important to get people to sit at the table and work out what their concerns are. Be sensitive to the different needs people have — the need for affordable housing, the need developers have to make money. Those are all things that can make a tremendous difference.

For more information on Salinas' inclusionary housing program, call the Community Development and Planning Department at (831) 758-7206 or go to www.ci.salinas.ca.us/pdf/InclusionaryHousingOrd.pdf

Latest Trends: Comparing Newer & Older Programs

Perhaps the most telling evidence of inclusionary housing's growing popularity is the increased rate at which jurisdictions are adopting programs. Just about half (45) of jurisdictions responding to the production survey reported that their programs were adopted in 2000 or later; in this study, these are referred to as "newer" programs. Despite the relatively few years these new programs have been in effect, they are producing a significant amount of affordable housing, accounting for nearly one-third (32%) of all inclusionary-development units. The following conclusions are based on an examination of inclusionary-development units.

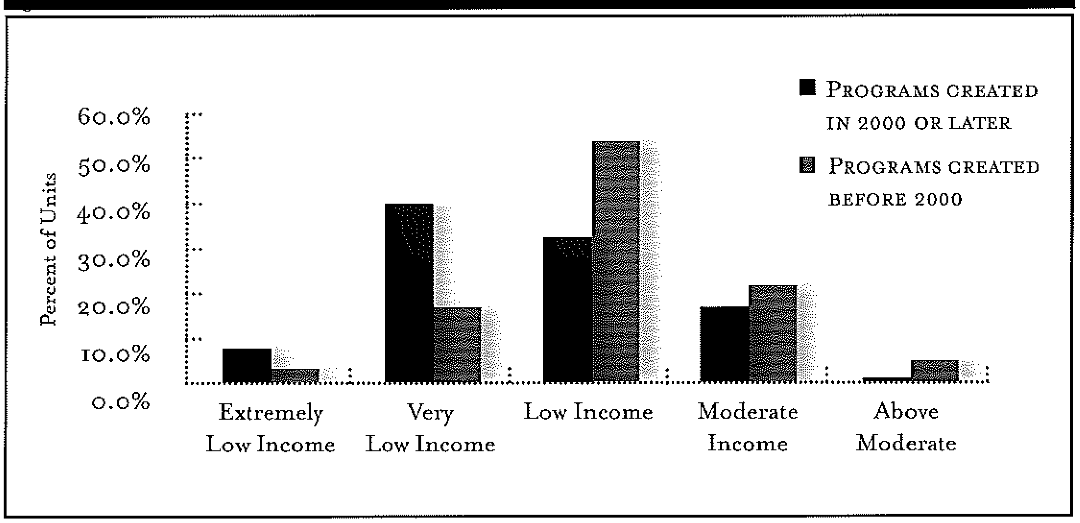
Lower-Income Rental Housing More Likely from Newer Programs

One of the most significant differences between older and newer programs is in the affordability of units produced. Newer programs are producing more rental housing, and more housing for lower-income households, when compared with older programs.

About half of the units (47%) produced through newer programs serve very-low-income households. Comparatively, fewer than 20% of units produced by older programs serve this high-need group. Extremely-low-income units represented 6% of the affordable homes created by newer programs, compared with 2% serving this category among older programs.

Figure 5:

Distribution of Units by Income Level and Age of Inclusionary Program



Inclusionary programs adopted in 2000 and later appear to be producing a larger portion of their units for very-low-income and extremely-low-income households. Programs that were adopted prior to 2000 target the majority of units for low-income households.

Newer Programs Creating More Economically Integrated Housing

In the newer programs, most of the units (82%) were built on-site, which means the affordable units were integrated with market-rate units. In older programs, such integration occurred with just about half (47%) of the units.

The fact that newer programs tend to have more stringent on-site requirements and less reliance on in-lieu fees may indicate that the residential development market in these communities is able to withstand the additional financial pressures of developing inclusionary units. Additional evidence that inclusionary housing initiatives are not negatively affecting development is that seven survey respondents indicated that their jurisdictions have recently strengthened the requirements or expanded the applicability of their inclusionary housing programs.

inclusionary ideas

1,000 Affordable Homes And Counting

In 1992, the San Diego City Council adopted a growth plan for about 12,000 acres of largely agricultural land, with inclusionary housing a key part of the strategy. More than 1,000 affordable units have been built under this plan, which proved so successful that the City Council has since adopted inclusionary housing citywide.

To guide expected growth in the city's mostly undeveloped northwest and north central areas, San Diego created the North City Future Urbanizing Area Framework Plan. It requires developers to make 20% of their housing affordable to families earning 65% or less of the Area Median Income. The units must remain affordable for the life of the housing and be phased in along with market-rate units. The bedroom composition of affordable units must be similar to that of market-rate units. Finally, developers have the option of dedicating a parcel of land in lieu of developing the affordable housing themselves.

Construction in the northwest and north central areas began in earnest in the late 1990s. By 2006, at least 967 inclusionary rental units and 198 ownership units had been built, with another 106 under way. Typically, the master developer partners with an affordable housing developer to construct the affordable units. The affordable developer applies tax credit and bond financing, with the master developer serving as the gap financer, usually contributing the improved land. Recent completions include Fairbanks Ridge, a 204-unit complex that combined tax credits, bond financing and Proposition 46 funds to provide some units affordable to households earning 25% of the median income. The developer contributed the improved land and some cash.

For more information on San Diego's inclusionary housing policy, call the Development Services Department at (619) 446-5000.

from San Diego

Regional Trends: Comparing Programs Statewide

From the Mexican border to Northern California, inclusionary housing is increasingly being used to build affordable homes. But are some regions more effective than others? The survey revealed several important regional differences among inclusionary housing programs.[7]

Sacramento First, Southern California Second, in Building Lowest-Income Housing

Sacramento-area programs out-perform others in producing units for very-low-income and extremely-low-income households. Nearly half (42%) of the housing produced through Sacramento's programs served these two categories.[8] By comparison, Southern California programs produced about one-third (32%) of their housing for very-low-income and extremely-low-income households combined. Bay Area jurisdictions lagged the state in this category, setting aside a total of 19% for very-low-income and extremely-low-income households combined.

Bay Area Jurisdictions Have Highest Number of Inclusionary Programs

In the San Francisco Bay Area, 38 jurisdictions have inclusionary housing programs, representing the largest regional concentration in the state.[9] Some of the state's oldest and most effective programs are located in the Bay Area. Two of the region's largest cities, Oakland and San Jose, are debating whether to adopt inclusionary programs.

Southern California Producing Significant Numbers of Inclusionary Housing

Because the population of Southern California is generally growing more quickly than many other parts of the state, the 26 jurisdictions there with inclusionary housing programs produced a relatively high number of affordable units. Nine inclusionary housing programs in high-growth San Diego County alone, for example, accounted for nearly one-quarter of all reported inclusionary production in the state.[10]

Partnerships Used Across California

One-third of all inclusionary units built in California were the result of partnerships between for-profit and non-profit developers. These joint ventures were instrumental in delivering more homes at deeper levels of affordability. In Southern California, for example, 53% of all inclusionary units were produced through partnerships.

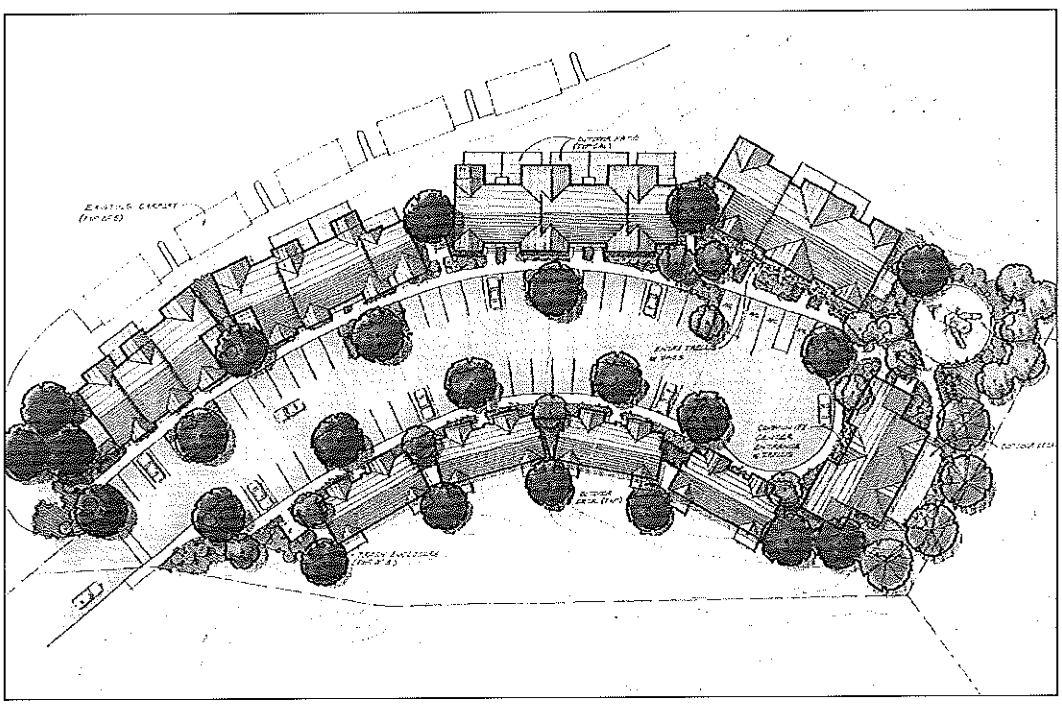
Sacramento Programs High-Producers

More than one-quarter of all inclusionary-development units were built in the Sacramento region, which accounted for the smallest number (10) of jurisdictions with inclusionary housing programs.

Table 4:

Inclusionary-Development Units by Region	All Respondents	Bay Area	Southern California	Sacramento Region	Other Jurisdictions
Number of Programs	91	38	26	10	17
Inclusionary Development Permits	17,144	5,181	5,763	4,515	1,685
% Inclusionary of all Housing Permits	6%	7%	4%	7%	8%
On-site	58%	69%	37%	59%	87%
Partnership	32%	15%	53%	36%	6%
Off-site	10%	16%	10%	5%	7%
Extremely Low Income	4%	4%	4%	4%	0%
Very Low Income	25%	15%	28%	39%	12%
Low Income	47%	37%	60%	46%	45%
Moderate Income	21%	36%	9%	11%	41%
Above Moderate Income	3%	8%	0%	0%	2%
Rental	71%	63%	85%	77.6%	32%
Ownership	29%	37%	16%	22.4%	69%

The Bay Area has the highest concentration of inclusionary housing programs, but Southern California is producing a greater number of inclusionary-development units. The Sacramento region has some of the highest producers, with their ten programs producing more than 25% of all the inclusionary-development units reported.



Drake's Way site plan:
To be opened in the next few years, *Drake's Way* will provide 24 rental homes consisting of one-, two- and three-bedroom townhouses and flats for very-low-income to extremely-low-income households. The new construction will be located on an 8-acre site located near the Larkspur Ferry Terminal. EAH is the developer.

inclusionary ideas

Experience Helps Strengthen Inclusionary Program

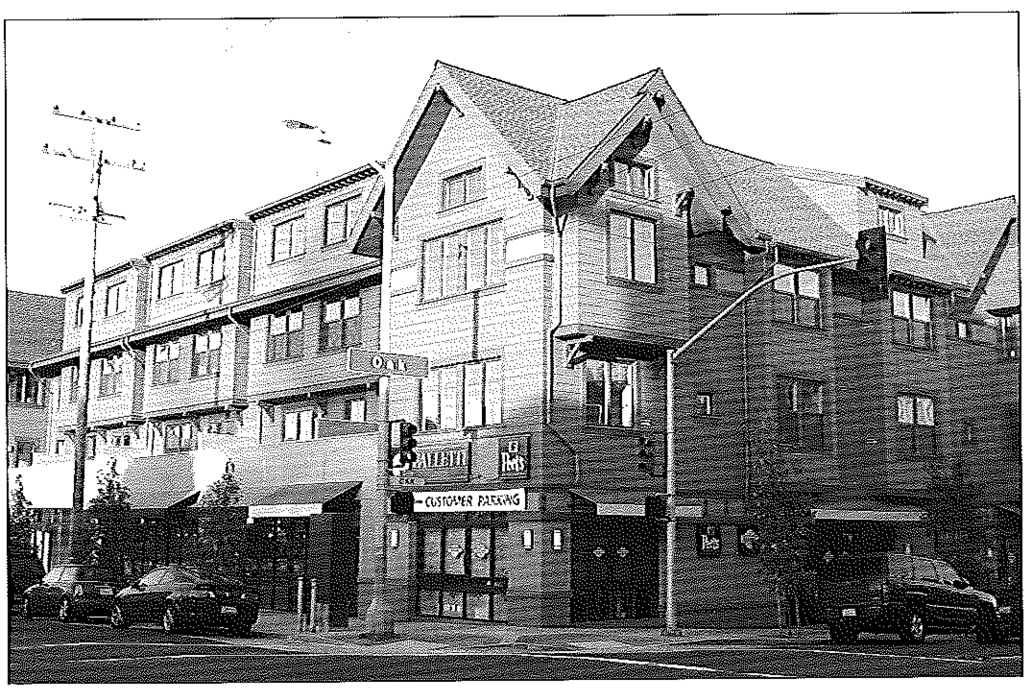
San Francisco has strengthened its inclusionary housing policy three times since it was first adopted in 1992. The city now has one of the strongest and most effective policies in the state.

The first inclusionary policy in San Francisco applied only to projects needing conditional use permits. The policy was expanded in 2002 to all residential developments of 10 or more units. When decision-makers saw the policy was working – providing affordable units without a significant impact on development – the Board of Supervisors considered strengthening it even more. After completing a market analysis and soliciting feedback from interested parties, including the local development community, the board passed a new ordinance that lowers the minimum project threshold and increases the required inclusionary percentage.

San Francisco's new inclusionary housing ordinance, adopted in July 2006, applies to all residential developments of five units or more and requires a 15% affordable set-aside if the units are built on-site and a 20% set-aside if the units are built off-site or if in-lieu fees are paid. To encourage greater integration, off-site units must be built within one mile of the original project site. In addition, the units created under the new ordinance will be within financial reach of a greater number of households because affordability levels are set according to the city of San Francisco's Area Median Income rather than the median income of the San Francisco Metropolitan Statistical Area, which is significantly higher because it includes Marin and San Mateo counties. The new ordinance also includes provisions to adjust the in-lieu fees to reflect the market more accurately.

For more information on San Francisco's inclusionary housing policy, call the Mayor's Office of Housing at (415) 701-5500.

from San Francisco



Broderick Place in San Francisco: *Broderick Place* is a new, mixed-use condominium complex in San Francisco that includes a full-service grocery store. Eight homes affordable to families earning 100% of Area Median Income were included in the development as a result of the city's inclusionary housing program.

Top Producers: The Most Effective Programs

What makes a successful inclusionary housing program? In an attempt to identify what factors contribute to particularly effective policies, eight top-producing jurisdictions were identified and their policies were analyzed. It is important to note that selecting the "most" effective policies is difficult because, as this report shows, one size does not fit all when it comes to supplying affordable housing. Nonetheless, to provide a snapshot of techniques used by effective practitioners, the following two tests were used to select top producers:

1. At least 10% of the total housing built during the study period was affordable and built through an inclusionary program.[11]
2. At least 50 affordable units were produced through inclusionary programs, on average, for each year the jurisdiction has had an active inclusionary housing program.[12]

Taken together, the eight top-producing jurisdictions contributed more than one-quarter (28%) of the inclusionary-development units identified in this study.

Overview of Top-Producing Programs

The top-producing jurisdictions – Atascadero, Carlsbad, Davis, Dublin, Emeryville, Petaluma, Pleasanton and San Bruno – are spread geographically throughout the state. They range in size from fewer than 7,000 to more than 78,000 residents. The top-producing programs include early inclusionary adopters such as Petaluma, which has had a policy since 1984, and jurisdictions that adopted as recently as 2003, such as Atascadero and San Bruno.[13]

The top-producing jurisdictions vary significantly in their growth rates, indicating that inclusionary housing is an effective strategy whether or not communities are growing rapidly. While high growth rates are likely

Table 5:

Overview of Top-Producing Jurisdictions

	Year of Adoption	Total Inclusionary Units Permitted	% Inclusionary of Total Housing Permits	2000 Population per Census Bureau	Estimated Housing Growth Rate
Atascadero	2003	224	20.4%	26,411	12.4%
Carlsbad	1993	1,246	12.1%	78,247	23.9%
Davis	1987	945	33.9%	60,308	7.1%
Dublin	1996	814	14.3%	29,973	51.2%
Emeryville	1990	382	20.3%	6,882	24.9%
Petaluma	1984	587	34.0%	54,548	6.9%
Pleasanton	2000	360	16.4%	63,654	6.8%
San Bruno	2003	325	36.2%	40,165	4.5%

to have contributed to the inclusionary production figures in some of the jurisdictions, half of the jurisdictions have growth rates that are at or below the state median housing growth rate of 7.1%.[14] Ultimately, the effectiveness of individual jurisdictions is affected by variables including the characteristics of the housing market, the availability and cost of developable land, the presence of developers willing and able to build in volume, and the political will of local officials.

How Top Producers Compare

Project Thresholds

All of the top-producing programs are mandatory and apply to development in any part of the jurisdiction. Most set a project-size threshold for requiring inclusionary housing; the lowest is a project size of five units in Davis, and the highest is a project size of 30 units, in both Petaluma and Emeryville. Atascadero and Carlsbad require that all housing developments, regardless of size, comply with inclusionary housing requirements, but they permit payment of in-lieu fees for projects smaller than 11 and seven units, respectively.

Percentage of Affordable Units Required

The required number of affordable units to be set aside ranges from a low of 12.5% in Dublin to a high of 35% in Davis. Among the top-producing programs, the most common requirement is 15%, in effect in Carlsbad, Petaluma and San Bruno. While most programs require the same percentage for all developments, Davis and Pleasanton vary the percentage depending on the development type. Davis requires that homeownership and smaller rental projects provide 25% affordable housing, but rental projects with 20 units or more must provide 35% affordable housing. Pleasanton requires single-family projects to include 15% affordable housing, but multifamily projects must include 20% affordable housing.

Income-Targeting

Affordable units in top-producing jurisdictions generally serve households ranging from very-low- to moderate-incomes. Half of the top-producing jurisdictions clearly specify the breakdown of the income mix, while others leave the specific income-targeting to the discretion of a decision-making body such as the planning commission or City Council. Both Atascadero and Davis specify different income targets based on ownership or rental; homeownership units are targeted to moderate-income households, while rental units are targeted to a mix of very-low-, low- and moderate-income households.

Duration of Affordability

Programs in top-producing jurisdictions require a minimum affordability period of 30 years, and several require longer terms. Both Davis and Pleasanton require that inclusionary units remain affordable in perpetuity. Most top-producing jurisdictions clearly require resale controls, deed restrictions and developer contracts to maintain affordability. Emeryville's policy states that the city or its operating agent shall monitor the affordable rental and ownership units, but the developer owner will retain final discretion in the selection of eligible households. Other jurisdictions such as Dublin require the developer to submit annual reports to document the continued affordability of rental units. Given that the monitoring of affordable housing requires specific knowledge and capacity, some jurisdictions have found it helpful to provide education and assistance on continued affordability to market-rate developers.

Table 6:

Basic Elements of Inclusionary Programs in Top-Producing Jurisdictions

	Type of Program	Threshold Project Size	Affordablity Requirement	Length of Affordability
Atascadero	Mandatory Ordinance	1 Unit	20%	30 Years
Carlsbad	Mandatory Ordinance	1 Unit	15%	30 Years for sale 55 Years rented
Davis	Mandatory Ordinance	5 Unit	25-35%	In perpetuity
Dublin	Mandatory Ordinance	20Unit	12.5%	55 Years
Emeryville	Mandatory Ordinance	30 Unit	20%	45 Years for sale 55 Years rented
Petaluma	Mandatory Housing Element Policy	5 Unit	15%	30 Years
Pleasanton	Mandatory Ordinance	15 Unit	15-20%	In perpetuity
San Bruno	Mandatory Housing Element Policy	10 Unit	15%	30 Years

Table 7:

Developer Incentives In Top-Producing Jurisdictions

	Local Subsidies	Fee Reduction Deferral or Waiver	Growth Control Exemption	Design Flexibility	Fast Track Processing	Density Bonus	Technical Assistance
ATASCADERO						✓	
CARLSBAD	✓	✓				✓	
DAVIS	✓					✓	
DUBLIN	✓	✓		✓	✓		
EMERYVILLE	✓	✓				✓	✓
PETALUMA	✓	✓	✓		✓		
PLEASANTON	✓	✓		✓	✓		
SAN BRUNO	✓	✓		✓		✓	

Offering Flexibility: Alternatives to On-Site Construction Used by Top-Producers

All top-producing programs offer multiple alternatives to on-site construction, with the most common being payment of in-lieu fees. In-lieu fees are allowed under varying circumstances in all of the jurisdictions except Emeryville. Additionally, all of the top-producing jurisdictions offer at least one or more of the following alternatives to on-site construction:

1. **Land Dedication**
   The developer can substitute a gift of land that will accommodate an equivalent or greater number of units instead of constructing the affordable units directly.

2. **Off-Site Construction**
   The developer can build the affordable units at a different site than the market-rate units, sometimes conditioned on agreeing to increase the number of affordable units to be built.

3. **Credit Transfers**
   The developer can credit affordable units built beyond the inclusionary requirement in one project to satisfy the requirement in another.

Six of the eight top-producing programs clearly indicate that specialized alternatives will be considered at the discretion of the jurisdiction. This communicates to the market-rate developer that jurisdictions will work to identify a strategy that balances the jurisdiction's need for affordable housing against the developer's need for a financially feasible plan.

Compared to all survey respondents, a smaller portion of the units built in top-producing jurisdictions were on-site, indicating increased flexibility in these programs. Specifically, the average number of units built on-site among all survey respondents was 58%, while it was 46% for top-producing jurisdictions. In top-producing programs, a slightly greater portion of inclusionary-development units were built in partnership with non-profit developers (38% from the top-producing jurisdictions compared to 32% reported by all survey respondents.)

Table 8:

Jurisdictions Reporting 10% or More Inclusionary Permits	
Artesia (Los Angeles County)	Palo Alto (Santa Clara County)
Atascadero (San Louis Obispo County)	Petaluma (Sonoma County)
Buellton (Santa Barbara County)	Pleasanton (Alameda County)
Carlsbad (San Diego County)	Rohnert Park (Sonoma County)
Danville (Contra Costa County)	San Bruno (San Mateo County)
Davis (Yolo County)	San Juan Capistrano (Orange County)
Dublin (Alameda County)	San Rafael (Marin County)
Emeryville (Alameda County)	Santa Barbara County
Fort Bragg (Mendocino County)	Santa Cruz County
Larkspur (Marin County)	Scotts Valley (Santa Cruz County)
Mammoth Lakes (Mono County)	South San Francisco (San Mateo County)
Marin County	Winters (Yolo County)

Affordable housing produced through inclusionary programs in these 24 jurisdictions accounted for 10% or more of their total housing during the study period.

Offering Incentives: Strategies Used by Top-Producing Jurisdictions

While critics of inclusionary housing policies argue that the cost of providing affordable housing imposes an unreasonable financial burden on market-rate developers, this is based on the false assumption that the full cost of these units is borne by the developer. In fact, most jurisdictions with inclusionary housing policies provide some sort of financial incentive to reduce the financial impact of the inclusionary requirement. The top-producing jurisdictions offer a wide range of incentives so that meeting the inclusionary requirement does not negatively impact the feasibility of the development:

1. **Financial Subsidies**

   All of the top-producing policies offer some sort of financial subsidy either by right or under certain conditions, such as to encourage on-site construction or provide units to households at lower income levels. All allow developers to directly access state and federal subsidy sources for inclusionary units. And seven out of the eight jurisdictions indicate that they may offer local subsidy when appropriate. The most frequently cited source of local funds is redevelopment funds. A range of other types of local funds are made available when appropriate; for example Carlsbad reports that they provide subsidy from the local housing trust fund, CDBG, HOME, and redevelopment funds.

Table 9:

Jurisdictions Averaging More Than 50 Inclusionary-Development Units Per Year

City or County	Year Program Adopted	Inclusionary Permits	Average Units Per Year
Sacramento City	2000	1,504	251
San Diego City	1995	1,284	183
Carlsbad *	1993	1,246	178
Roseville	1988	1,245	178
Irvine	2003	449	150
Pleasanton*	2000	360	147
Chula Vista	1981	977	140
Davis *	1987	945	135
Dublin*	1996	814	116
San Bruno*	2003	325	108
San Francisco	1992	634	91
San Marcos City	2000	536	89
Folsom	2002	336	84
Petaluma*	1984	587	84
Atascadero *	2003	224	75
Brentwood	2003	210	70
Pasadena	2001	348	70
Emeryville*	1990	382	55
Salinas	1992	371	53
West Sacramento	1995	363	52

The 20 jurisdictions listed in this table each created 50 or more inclusionary-development units per year. In the eight jurisdictions with asterisks, inclusionary-development units accounted for a relatively high percentage (10%) of total housing built.

2. **Density Bonus**

The second most common incentive is a density bonus, which is offered by half of the top-producing jurisdictions. Both Atascadero and Davis automatically provide a one-for-one density bonus for each affordable unit constructed on-site. While Emeryville and San Bruno offer a density bonus, potentially in excess of the required affordable percentage, at the discretion of the municipality. And per California Government Code 69515 (see text box), all jurisdictions must provide a density bonus for all projects which meet certain minimum requirements.

3. **Permit-Related Incentives**

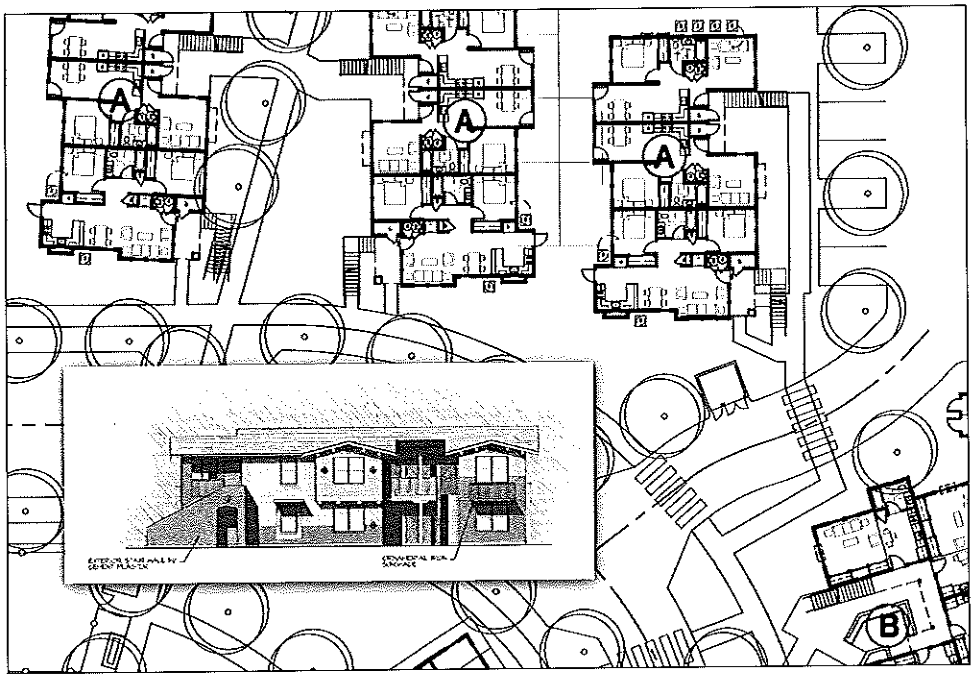
These are offered in most top-producing programs, providing for the deferral, reduction or waiving of applicable permit and impact fees. Six of the eight programs clearly state that fee-related incentives are provided. And three of the eight programs offer to fast-track the applications of projects that provide affordable housing. Additionally, three jurisdictions offer flexibility with respect to design standards — such as parking or open space requirements and height or setback restrictions — at the discretion of the governing body. Jurisdictions also offer to fast-track the permit processing for developments meeting the inclusionary requirement. Pleasanton, for example, offers this incentive for projects that build affordable units on-site.

4. **Technical Assistance**

This is specifically identified only in Emeryville's inclusionary housing ordinance but may be provided by other jurisdictions on an informal basis. The benefit of assistance in accessing subsidies is significant because many market-rate developers do not have much experience with the nuanced world of affordable housing subsidies.

State Density Bonus Law

All jurisdictions in California are required to offer a density bonus per state law. Government Code Section 69515 provides density bonuses ranging from 10%- 35% based on the percentage and income target of the affordable units provided. This law also requires that local jurisdictions offer incentives that "result in identifiable, financially sufficient and actual cost reductions" such as reductions in parking requirements, setbacks, and/or open space. A recent change to the law creates a density bonus for developers who donate land for development of very low-income housing. A developer can increase the density of his project by 15% by donating land which would permit construction of very low income housing units equal to 10% of the total initial development. This land donation density bonus can be combined with the construction density bonus to create a maximum density bonus of 35%.



Colonia site plan:
In Sacramento County, more than 70 affordable housing plans have received initial approvals. Together, these plans will produce 216 ownership and 488 rental homes, generate almost 19 million dollars in in-lieu and affordability fees and dedicate 10 acres of developable land.

inclusionary ideas

TARGETING THE LOWEST-INCOME HOUSEHOLDS

Sacramento County's inclusionary program is the first in the nation to require that some housing be made affordable to extremely-low-income families. The policy also helps improve accessibility for people with mobility, sight and/or or hearing impediments.

Approved in December 2004, Sacramento County's program requires that 15% of housing in developments of five units or more be made affordable to a range of incomes. As a result, families earning less than $20,000 will be able to live within these newly developed neighborhoods. Developers are given a number of options for making housing accessible to lower-income families. The first is to donate a 15% set-aside on the development site and pay an affordability fee to the county. The land is then transferred to an affordable housing developer, with 40 of the set-aside being earmarked for low-income residents, 40% for very-low-income residents and 20% for extremely-low-income residents.

Market-rate developers also have the option of producing affordable housing themselves. They may satisfy their requirement by building a 15% set-aside for sale to low-income buyers or by building a 15% set-aside for rent, with 10% of those units targeted for very-low-income residents and 5% for low-income residents. This can be done on-site, off-site or through partnerships. In-lieu fees are an option in limited situations.

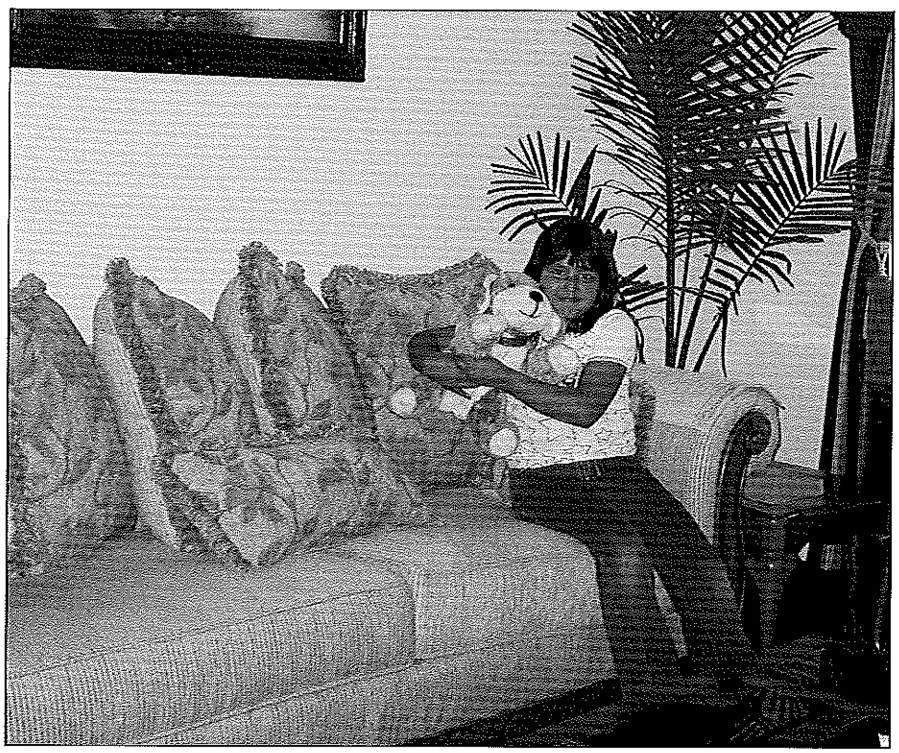
For more information on Sacramento County's inclusionary housing policy, call the Planning and Community Development Department at (916) 874-6141.

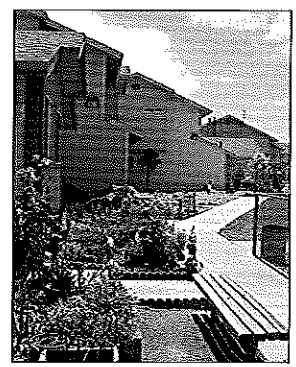
from Sacramento County

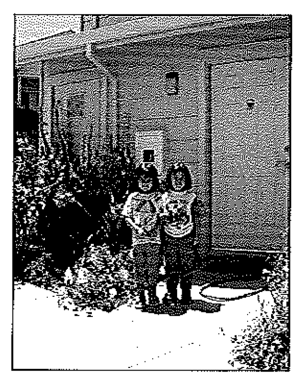
Recommendations: Where Do We Go From Here?

It is clear from the variation among inclusionary programs that one size does not fit all. Cities and counties adopting inclusionary programs or revisiting older policies should tailor programs to their own circumstances and incorporate flexibility and incentives as much as possible.

An impressive track record is being established by the California jurisdictions that are using inclusionary housing as a tool to meet the housing needs of all residents. However, there is room for improvement. An affordable home for every Californian is within reach if even more communities include a strong inclusionary housing program as one of many strategies to address the statewide housing crisis.







Mesquite Manor and *Gabilan Hills Townhomes* in Salinas:
A young resident of *Mesquite Manor*, left, sits in the living room of her family's home, which is part of a 52-unit inclusionary project in Salinas. About half of the homes, built with assistance from farm workers and their families, are owned by farm workers who earn 80 % or less of the Area Median Income. The other half are for local families earning 120 % or less of the Area Median Income. At the right are two pictures of *Gabilan Hills Townhomes*, another Salinas project that offers 100 apartments for low-income families. Both were developed by Community Housing Systems and Planning Association (CHISPA).

The following recommendations, based on the findings in this study, will help increase inclusionary housing — and affordable housing production — throughout the state:

1. Adopt a Policy and Make It Mandatory

   This report shows that mandatory inclusionary housing policies produce much-needed housing in all kinds of communities across California. To bring the benefits of inclusionary housing to the 68% of cities and counties that still don't have an inclusionary policy, every jurisdiction should adopt a mandatory inclusionary program. Given the diverse needs and different economic conditions throughout the state, these programs should be designed carefully to give developers flexible options for providing homes to lower-income individuals and families.

2. Provide Stronger Incentives and Flexibility

   The most successful programs offer developers a variety of options for meeting their inclusionary requirements, along with a range of incentives — such as density bonuses, fee reductions and fast-track permitting — to offset the costs to developers. By providing flexibility and incentives, cities and counties can facilitate the development of affordable homes to match the needs of all local residents.

3. Provide Stronger Oversight For the In-Lieu Fee Option

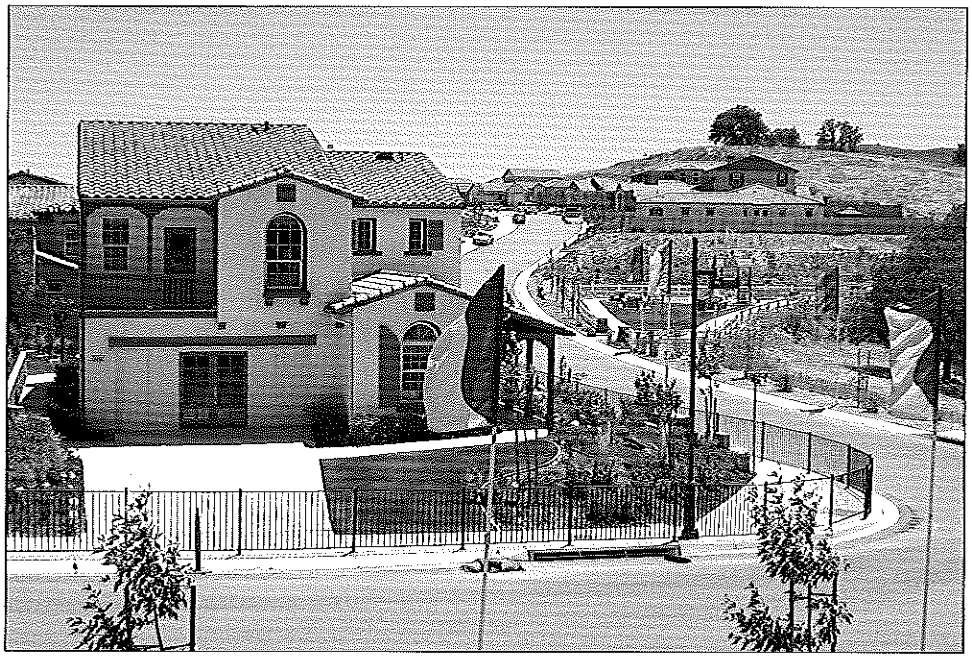
   Some jurisdictions make effective use of in-lieu fees to build new affordable homes and foster stronger and more economically stable communities. But many of the most productive jurisdictions are requiring developers to directly develop the inclusionary units, partner with a non-profit developer who builds the units, or make land dedications. Generally, in larger projects, the in-lieu fee option should be the option of last resort and commensurate with the true cost of producing the units that would have resulted from inclusionary development. Additionally, this survey shows that a minority of jurisdictions either do not spend their in-lieu fees or do not specifically track how the in-lieu funds are used. To make inclusionary housing programs work, in-lieu fees should be spent on building new affordable homes within a defined time frame, and cities and counties should track and report on how the funds are being used on a regular basis.

4. Track the Numbers

   The state of California does not track inclusionary housing production or the collection of in-lieu fees, even though inclusionary housing programs are becoming an important and popular tool to deliver affordable homes to low- and moderate-income people. To ensure the continued effectiveness of inclusionary housing programs and demonstrate long-term results, the state of California should begin to monitor inclusionary housing production and in-lieu fee collection as part of the Housing Element update process that occurs every few years.

5. Support Partnerships

   This survey shows that partnerships between for-profit and affordable housing developers are particularly effective at building housing for lower-income Californians who are most in need. Communities should provide in their inclusionary policies the incentives and flexibility needed to support these important joint ventures.



Las Lomas/Woodridge, Atascadero: With 270 units, *Las Lomas/Woodridge* consists of 21 estate homes, 114 single family homes, 35 townhome condominiums and 100 apartments. Inclusionary units are mixed in with the single family homes, townhomes and apartments. The project is located in the southern portion of Atascadero and includes trails and pedestrian access to Paloma Park.

inclusionary ideas

Providing Housing for Longtime Residents

In Atascadero, a rural city on the central coast, rising housing prices started to push out local working families, many of whom had lived there for generations. During an update of the General Plan in 2001, the City Council recognized that projected growth would not provide enough affordable housing. Inspired by the success of an apartment complex that provided affordable units through application of the state density bonus law, the City Council decided to pursue an inclusionary housing program.

The resulting ordinance, adopted in 2003, requires a 20% set-aside for all developments requiring legislative approval (zoning changes or planned unit developments). In essence, this policy applies to all multifamily developments in the city. However, flexibility to increase density was built into the plan. Developments of fewer than 11 units may pay an in-lieu fee, currently set at 5% of the construction valuation of the market-rate units. Developments of more than 11 units must build affordable units or receive permission from the City Council to pay an in-lieu fee.

In just three years, Atascadero has permitted 224 affordable units through the inclusionary policy, with more than 90% of these built on-site. Atascadero officials report that local developers have responded positively to the ordinance because it provides both flexibility and incentives. The city makes redevelopment funds available to developers and permits density increases to offset the cost of providing the affordable units. In addition to discretionary use of in-lieu fees, the Atascadero policy allows for off-site construction and land dedications to meet the inclusionary requirement.

For more information on Atascadero's inclusionary housing policy, call the Community Development Department at (805) 470-3491.

from Atascadero

Acknowledgements

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Appendix 1:
Methodology – Understanding the Numbers

The conclusions in this study are based on two surveys undertaken in 2006. The League of California Cities assisted with distribution of these surveys, providing contact information for all cities and counties.

Survey One:
Do You Have an Inclusionary Housing Program?

The initial survey asked of every city and county in California: "Does your jurisdiction have an adopted inclusionary housing policy?" The answer was that 169 cities or counties – roughly 32% of the state – had an inclusionary policy as defined by the survey. (These 169 jurisdictions, plus one that adopted a policy a few months after the survey, are listed in Appendix 3.) The response rate for this initial survey was 82% (424 jurisdictions responded out of 530).

Survey Two:
How Much Housing Has Your Inclusionary Program Created?

A second survey sought greater detail. This "production survey" followed up with the 169 jurisdictions that reported having inclusionary policies on details such as the number of permits issued for inclusionary units and their affordability levels. Of the 169 jurisdictions, 91 returned completed surveys, a 54% response rate. The data was confined to the study's six-and-a-half-year span —January 1999 through June 2006.

Production questions were difficult for some jurisdictions to answer because the responsibility for tracking these numbers was spread over several different departments; there are no uniform requirements for, or means of, tracking production of inclusionary units statewide. Follow-up calls were made to elicit or clarify responses for any questions that lacked data or had questionable figures.

How Units Were Counted

The 91 cities and counties that responded to the production survey reported creating a combined total of 21,942 affordable units as a result of inclusionary housing policies.[15] To account for additional units created in the 78 cities and counties that responded to the first survey (to say they had inclusionary programs) but did not respond to the production survey (with details on how much housing had been created), another 7,339 affordable units were estimated to have been created. This number was based on the assumption that the 78 non-reporting cities produced housing at the average rate of the 91 reporting cities. Specifically, the figure was computed by multiplying the sum of all residential building permits issued in jurisdictions that have an inclusionary requirement but did not complete the production survey (99,987), by the average inclusionary production ratio (.0734) for both inclusionary-development units and units created with in-lieu fees in the jurisdictions that responded to the survey. Building permit data for non-reporting cities were obtained from the California Department of Housing and Community Development Department based on data collected by the Construction Industry Research Board. Adding the estimated unreported units (7,339) to the reported production number (21,942) yielded an estimated total of 29,281 affordable units created through inclusionary housing programs.

Most of the analysis in this report – for example, findings on income levels served by inclusionary housing – is based on the raw production number (21,942), not the estimated total units (29,281).

Timing of the Survey

Production surveys asked jurisdictions to identify production "since January 1, 1999." The surveys were to be returned by May 2006, but because many jurisdictions reported difficulty collecting the data, the deadline was extended and most jurisdictions completed the survey in July of 2006. As a result, some jurisdictions provided data through May 2006 while others included units permitted as late as July 2006. Therefore, the reported production numbers may slightly underestimate the actual production of inclusionary units during this time period.

Of Note

In their responses to the production survey, 20 of the 91 jurisdictions reported issuing no permits for affordable units as a result of their inclusionary program. Most of these jurisdictions have newly adopted programs, rely primarily on the collection of in-lieu fees, or reported that they simply do not track production specific to their inclusionary housing program. Among the 71 jurisdictions that reported at least one inclusionary-development unit, these units represent 6.2% of all housing permits issued. For the forty-six jurisdictions that have had an inclusionary housing program in effect over the term of the study period, 6.6% of their total residential permits issued were for inclusionary-development units.

Appendix 2: Production Survey

Non-Profit Housing Association of Northern California

SAN DIEGO HOUSING FEDERATION

SACRAMENTO HOUSING ALLIANCE

California Coalition for Rural Housing

Inclusionary Housing (IH) is a tool for providing affordable housing. Since the Non-Profit Housing Association of Northern California and California Coalition for Rural Housing published Inclusionary Housing in California: 30 Years of Innovation *in 2003, there have been many changes in California communities regarding IH. The purpose of this survey is to find out how effective IH programs have been in producing affordable housing.*

NOTE: For this study, "Inclusionary Housing" is defined as a formal ordinance or policy adopted by the local jurisdiction which imposes a mandatory requirement or voluntary goal to reserve a certain percentage of housing units for lower-income households within each new residential development.

SURVEY OF INCLUSIONARY HOUSING PRODUCTION

City or County:	Agency/Department:
Respondent:	Respondent Title:
Address:	City, Zip:
Telephone:	Fax:
Email:	Date:

1 What year was the Inclusionary Housing program adopted in your jurisdiction?	
2 How many total units of housing (**market-rate and affordable**) have received building permits since January 1, 1999 in your jurisdiction?	
3 How many **affordable** housing units have received building permits as a result of a *local* Inclusionary program since January 1, 1999? *NOTE: Exclude units built with in-lieu fees.*	

Production

4 Please provide a breakdown of the units identified in Question 3 among the following categories:

On-Site – Units created within the market-rate development by the market-rate developer

Partnership – Units created within or adjacent to the market rate development by local government or non-profit *(this category includes units created through land dedication of a portion of the market-rate site)*

Off-Site – Units created on a different site than the market-rate units either by the developer or another entity

Other (excluding in-lieu units) – Any other - *Please explain below*

NOTE: *Treat non-homeownership units (SRO, shelter, etc.) and limited equity co-op units as rental units*

Income	On-Site Rental	On-Site Ownership	Partnership Rental	Partnership Ownership	Off Site Rental	Off Site Ownership	Other Rental	Other Ownership
30% AMI or less								
31 to 50% AMI								
51 to 80% AMI								
81 to 120% AMI								
Over 120% AMI								
SUBTOTAL	-	-	-	-	-	-	-	-

TOTAL INCLUSIONARY UNITS BUILT: - **

** This figure should match the number provided in Question 3.

If necessary, explain any assumptions you made in completing question 4:

5 How many of the units identified in Question 3 have received Certificates of Occupancy? *(if this data is not available, please skip this question)*

6 If your jurisdiction had an Inclusionary program before 1999 how many units were built before 1999? *If the exact figure is unknown please provide your best estimate.*

7 Is Inclusionary Housing in your jurisdiction mandatory or voluntary? *Please indicate with an 'X'*
- [ ] Mandatory
- [ ] Voluntary

8 Does your Inclusionary program apply to the entire city/county?
- [ ] Entire City/County
- [ ] Targeted Area

9 What is the current in-lieu fee per affordable unit? $

10 How many total dollars have been received through in-lieu fees since January 1, 1999? $

11 How many affordable units have been created through in-lieu fees since January 1, 1999?

Subsidy

12 Does your jurisdiction provide any local funding to help pay for the Inclusionary affordable units?

Please place an 'X' next to all funding sources that apply:
- [ ] Redevelopment Funds
- [ ] HOME
- [ ] CDBG
- [ ] None
- [ ] Other (please specify):

13 Can developers of Inclusionary affordable housing units use State or Federal subsidies?
- [ ] Yes
- [ ] No

14 Please provide any additional comments or explanation.

Appendix 3:

California Cities and Counties with Inclusionary Housing Programs as of 2006

Jurisdictions in bold completed the Production Survey

Agoura Hills
Alameda
Albany
American Canyon
Arcata
Arroyo Grande
Artesia
Atascadero
Avalon
Benicia
Berkeley
Brea
Brentwood
Buelton
Burlingame
Calabasas
Calistoga
Capitola
Carlsbad
Carpinteria
Chula Vista
Cloverdale
Colma
Commerce
Concord
Contra Costa County
Coronado
Corte Madera
Cotati
Cupertino
Cypress
Danville
Davis
Del Mar
Dixon
Duarte
Dublin
East Palo Alto
Elk Grove
Emeryville
Encinitas
Escalon
Folsom
Fort Bragg
Foster City
Fremont
Gilroy
Glendale
Goleta
Gonzales
Grass Valley
Half Moon Bay
Hayward
Healdsburg
Hercules
Hesperia
Huntington Beach
Imperial
Irvine
Isleton
Jackson
King City
Kingsburg
Laguna Beach
Laguna Woods
Lake Forest
Lakeport
Lakewood
Larkspur
Lemon Grove
Livermore
Lompoc
Long Beach
Los Altos
Los Gatos
Mammoth Lakes
Marin County
Menlo Park
Mill Valley
Millbrae
Mono County
Montclair
Monte Sereno
Monterey
Monterey County
Monterey Park
Morgan Hill
Morro Bay
Mountain View
Napa
Napa County
Nevada County
Newark
Novato
Oakley
Oceanside
Oxnard
Palm Desert
Palm Springs
Palo Alto
Pasadena
Patterson
Petaluma
Pismo Beach
Pittsburg
Placer County
Pleasant Hill
Pleasanton
Plymouth
Port Hueneme
Portola
Portola Valley
Poway
Rancho Palos Verdes
Rialto
Richmond
Ripon
Rohnert Park
Roseville
Sacramento
Sacramento County
Salinas
San Anselmo
San Benito County
San Bruno
San Carlos
San Clemente
San Diego
San Francisco
San Juan Bautista
San Juan Capistrano
San Leandro
San Luis Obispo
San Marcos
San Mateo
San Mateo County
San Rafael
Santa Barbara County
Santa Clara
Santa Cruz
Santa Cruz County
Santa Monica
Santa Paula
Santa Rosa
Scotts Valley
Sebastopol
Solana Beach
Soledad
Sonoma
Sonoma County
South San Francisco
St. Helena
Sunnyvale
Sutter County
Tiburon
Tracy
Truckee
Union City
Ventura County
Vista
Walnut
Walnut Creek
Watsonville
West Hollywood
West Sacramento
Windsor
Winters
Woodland
Yolo County
Yountville

Appendix 4:

Summary of Inclusionary Housing Policies
(Data from 91 respondents to Production Survey)[i]

Jurisdiction	County	Year Adopted	Set-aside Required	Inclusionary-Development Units Produced 1999-2006	In-Lieu-Fee Units Produced 1999-2006[ii]	Total Inclusionary Units Produced 1999-2006[iii]
Albany	Alameda	2005	15%	4	-	4
Artesia	Los Angeles	2003	10-20%	25	-	25
Atascadero	San Luis Obispo	2003	20%	224	-	224
Brea	Orange	1993	10%	103	-	103
Brentwood	Contra Costa	2003	10%	210	175	385
Buellton	Santa Barbara	2002	15-30%	42	-	42
Burlingame	San Mateo	2003	10%	3	-	3
Calabasas	Los Angeles	1998	5-20%	-	-	-
Calistoga	Napa	1989	20%	-	-	-
Carlsbad	San Diego	1993	15%	1,246	-	1,246
Chula Vista	San Diego	1981	10%	977	-	977
Cloverdale	Sonoma	2003	15%	25	-	25
Concord	Contra Costa	2004	6-10%	28	-	28
Coronado	San Diego	1982	20%	-	-	-
Corte Madera	Marin	1989	25%	-	-	-
Cypress	Orange	2003	15%	22	-	22
Danville	Contra Costa	1994	10-15%	233	-	233
Davis	Yolo	1987	25-35%	945	25	970
Dublin	Alameda	1996	12.5%	814	588	1,402
Emeryville	Alameda	1990	20%	382	-	382
Encinitas	San Diego	1990	10%	106	-	106
Escalon	San Joaquin	2005	10-15%	3	-	3
Folsom	Sacramento	2002	15%	336	-	336
Fort Bragg	Mendocino	2004	15%	7	-	7
Fremont	Alameda	2002	15%	48	100	148
Glendale	Los Angeles	2004	15-30%	-	-	-
Hayward	Alameda	2004	15%	-	-	-
Healdsburg	Sonoma	1996	15%	4	-	4
Irvine	Orange	2003	15%	449	-	449
Kingsburg	Fresno	2003	15%	-	-	-
Lake Forest	Orange	2000	n/a	6	-	6
Larkspur	Marin	2005	15-20%	13	16	29

Jurisdiction	County	Year Adopted	Set-aside Required	Inclusionary-Development Units Produced 1999-2006	In-Lieu-Fee Units Produced 1999-2006[ii]	Total Inclusionary Units Produced 1999-2006[iii]
Livermore	Alameda	1986	15%	64	251	315
Mammoth Lakes	Mono	2000	10%	165	24	189
Marin County	Marin	1980	10-20%	146	100	246
Mono County	Mono	2000	10%	1	-	1
Montclair	San Bernadino	2005	15%	-	-	-
Monterey County	Monterey	1980	10-15%	109	-	109
Mountain View	Santa Clara	1999	10%	4	118	122
Nevada County	Nevada	1995	10%	-	-	-
Newark	Alameda	2004	15%	-	-	-
Oceanside	San Diego	1991	10%	4	4	8
Oxnard	Ventura	1999	10%	178	157	335
Palo Alto	Santa Clara	1973	15-20%	189	245	434
Pasadena	Los Angeles	2001	15%	348	178	526
Patterson	Stanislaus	1995	10%	24	-	24
Petaluma	Sonoma	1984	15%	587	570	1,157
Pittsburg	Contra Costa	2004	6-20%	11	-	11
Pleasant Hill	Contra Costa	1991	5-25%	27	-	27
Pleasanton	Alameda	2000	15-20%	360	360	720
Port Hueneme	Ventura	1999	25%	-	16	16
Poway	San Diego	1993	15-20%	-	9	9
Rancho Palos Verdes	Los Angeles	1997	5-10%	-	-	-
Richmond	Contra Costa	2001	10-17%	34	18	52
Ripon	San Joaquin	2001	10%	127	-	127
Rohnert Park	Sonoma	2002	15%	172	-	172
Roseville	Placer	1988	10%	1,245	184	1,429
Sacramento	Sacramento	2000	15%	1,504	-	1,504
Sacramento County	Sacramento	2004	15%	-	-	-
Salinas	Monterey	1992	20-35%	371	-	371
San Bruno	San Mateo	2003	15%	325	-	325
San Carlos	San Mateo	1991	15%	14	-	14
San Clemente	Orange	1980	4%	308	308	616
San Diego	San Diego	1992	20%	1,284	-	1,284
San Francisco	San Francisco	1992	15-20%	634	90	724
San Juan Bautista	San Benito	2000	20%	-	-	-
San Juan Capistrano	Orange	1995	30%	109	-	109

Jurisdiction	County	Year Adopted	Set-aside Required	Inclusionary-Development Units Produced 1999-2006	In-Lieu-Fee Units Produced 1999-2006[ii]	Total Inclusionary Units Produced 1999-2006[iii]
San Leandro	Alameda	1980	15%	8	-	8
San Marcos	San Diego	2000	15%	536	340	876
San Mateo	San Mateo	1992	10%	153	-	153
San Rafael	Marin	1988	10-20%	129	1	130
Santa Barbara	Santa Barbara	1981	15%	278	-	278
Santa Cruz County	Santa Cruz	1978	15%	264	12	276
Santa Paula	Ventura	2004	10-17%	-	-	-
Santa Rosa	Sonoma	1992	15-20%	32	768	800
Scotts Valley	Santa Cruz	1995	15%	70	-	70
Sebastopol	Sonoma	1994	20%	-	-	-
Soledad	Monterey	2005	20%	-	-	-
South San Francisco	San Mateo	2002	20%	191	-	191
Sunnyvale	Santa Clara	1980	10%	194	-	194
Sutter County	Sutter	1995	5%	-	-	-
Union City	Alameda	2001	15%	80	-	80
Ventura	Ventura	2004	15%	3	-	3
Vista	San Diego	1985	6%	22	-	22
Walnut Creek	Contra Costa	2004	4.5-10%	63	70	133
West Hollywood	Los Angeles	1986	20%	37	71	108
West Sacramento	Yolo	1995	15%	363	-	363
Windsor	Sonoma	2004	10 -20%	-	-	-
Winters	Yolo	1994	15%	84	-	84
Woodland	Yolo	2004	10-30%	21	-	21
Yolo County	Yolo	2005	20%	17	-	17
Totals				**17,144**	**4,798**	**21,942**

[i] Year Adopted and % Units Required were verified by NPH staff and edited for accuracy.
[ii] Units subsidized with in-lieu fees as reported by the jurisdiction.
[iii] This represents the combined total of inclusionary development units and in-lieu fee units produced from 1999-2006 as reported by the jurisdictions.

Endnotes

1 This number (80,000) was derived by multiplying the number of housing units estimated to have been produced (29,281) by the average household size in California as of the 2000 US Census (2.87).

2 According to recent data from the American Community Survey, 44.7 % of all California households pay more than 30 % of household income toward housing costs.

3 Of the 91 jurisdictions that responded to the full production survey, 45 have adopted programs since 2000.

4 According to the State Tax Credit Allocation Committee, an average of 16,992 tax credit units were built per year in California through this federal program from 1999-2006.

5 The total in this graph may not add to 17,144 as a relatively small number of units were not reported by tenure and income level.

6 The percentage of units produced through partnerships varies quite a bit from jurisdiction to jurisdiction, possibly suggesting an uneven distribution of qualified non-profit housing development agencies.

7 For the purpose of analyzing survey results, jurisdictions were divided into four regions: the Bay Area (as defined by the nine-county San Francisco Bay Area region); Southern California (which includes the Los Angeles Metropolitan area, Orange County and San Diego); Sacramento (which includes the Sacramento metropolitan area); and "other" (which includes the rest of the counties in the state).

8 In Sacramento, 38% served very-low-income households, while 4% served extremely-low-income households.

9 The Bay Area's programs are achieving direct developer production of 6.9% of all new housing. By contrast, affordable units created through inclusionary programs in Southern California represent 4.3% of all new housing.

10 Nine different programs in San Diego County produced a combined total of 4,175 affordable units, or 24% of all reported inclusionary production in the state.

11 In all, 24 jurisdictions reported that 10% or more of the total housing in their jurisdictions were for affordable units as a result of local inclusionary housing programs. Together, these jurisdictions account for 7,000 units of inclusionary housing.

12 Twenty jurisdictions reported creating more than 50 inclusionary units per year, on average, for each year the program has been active since 1999. Taken together, these 20 jurisdictions produced 13,140 units—77% of the total inclusionary production identified by the survey.

13 Several additional jurisdictions have achieved high production using in-lieu fees. For example, Santa Rosa built 768 affordable units with in-lieu-fee income—a number that represents 10% of all housing units permitted since January 1, 1999. Livermore and Palo Alto also have each produced a significant number of units with their in-lieu fees, reporting 251 and 245 such affordable units, respectively.

14 Jurisdictional growth rates were determined for all permit-issuing municipalities based on the number of residential permits issued from 2000 to 2005 as a percentage of total existing housing units in 2000. Residential permit estimates for 2000 to 2005 originated from the Construction Industry Research Board, and existing housing units in 2000 were taken from E-5 Population and Housing Estimates for Cities, Counties and the State, 2001-2006, with 2000 Benchmark, produced by the State of California, Department of Finance, Sacramento, California, May 2006.

15 The survey asked jurisdictions to report building permits issued because those numbers are more consistently tracked by cities and counties than units built and occupied. State level data on building permits was also readily available, making it possible to compare inclusionary production with statewide trends.

Affordable By Choice: Trends in California Inclusionary Housing Programs was produced by NPH in cooperation with:

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AGENDA MATERIAL

downtown
SACRAMENTO PARTNERSHIP

April 14, 2008

Office of the Mayor and City Council
915 "I" Street, Fifth Floor
Sacramento, CA 95814

RE: Proposed General Plan Fee Increase; SUPPORT with commitment to maintain General Fund contributions and to stabilize fee for ten-years.

Dear Mayor and Council:

The Downtown Sacramento Partnership (DSP) is concerned about the prohibitive effects that numerous fee increases have on projects within the urban core. The General Plan Maintenance Fee (GP Fee) is one of several fee increases proposed this year. In this difficult economic cycle, we should be minimizing barriers not increasing fees for projects.

DSP understands the value of a proactive planning process that streamlines bringing projects to the development phase. The ability to establish appropriate land use designations, and completing the environmental review process can save significant time and money on future projects.

DSP supports the GP Fee increase with the following considerations:

- The City should maintain the current 75 percent of general fund (GF) money for the long term planning process; with the remaining 25 percent contribution coming from development projects based on building permit valuation. The entire community benefits from a modernized planning process and thus should contribute.

- If however, the GF contribution for long term planning falls below 75 percent, the GP Fee should be decreased accordingly. In addition, the GP Fee must be stabilized at the $2.00 for at least ten years from the date of inception. Projects must have the commitment of city leaders that this fee will remain constant for the foreseeable future.

The DSP supports the fee increase, as long as the City maintains the current 75 percent contribution from the GF. The DSP sees this as a valuable visionary method to assist in moving projects forward at a much quicker, more cost efficient pace over the course of the next five to twenty years.

Sincerely,

Michael Ault
Executive Director

COPY

CC: Ray Kerridge, City Manager
Tom Pace, Long Term Planning Manager
DSP Board of Directors

916 442.8575
FAX 916 442.2053

980 9th Street, Suite 400
Sacramento, CA 95814

downtownsac.org

From: Ardie Zahedani <ardie@northstatebia.org>
To: Concolino, Shirley <SConcolino@cityofsacramento.org>
Creation Date: 4/15 4:35 pm
Subject: Comment Letter - Agenda Item 11 (OPPOSED)

Dear Mayor Fargo and Members of the City Council:

Unfortunately, a last minute schedule conflict keeps me from attending tonight's City Council hearing. Thus, I write to communicate the North State Building Industry Association's position on the City's proposed General Plan Maintenance Fee.

We have had the opportunity to meet with Mr. Pace of your staff, yet we are in strong OPPOSITION to the proposed increase for a number of reasons, as outlined below.

1. Nexus to Fee Request - Budget Calculations

The cost for Community Plan updates is $650,000 per plan. And, the cost for a master EIR is $300,000. In total, these new benefits would cost around $2.2 million. And, our Infill Council supports these additive benefits.

However, the overall budget shortfall, due overwhelmingly to consultant and staff budgeting, is nearly $13 million.

According to the staff report, the "General Plan Consultant Cost" is 109% over budget thus far. And, "staff cost" is 439% over budget.

2. Comparison with Surrounding Jurisdictions

The staff report states that "the valuation-based fees imposed by the other jurisdictions are 40 to 80% higher." This statement is inaccurate (see below).

Sacramento County - No fee.
Folsom - No fee.
Roseville - No fee.
Elk Grove - $.23.
Rancho Cordova - $1.43.
Stockton - $1.00.
Oakland Charges - $1.00.
Orange County - $.50.
Emeryville - $.50.
Modesto - $.26.
Palm Springs - $.61.

In addition, staff provides an analysis of development impact fees ("DIF") throughout our regions. DIFs, though, require a full nexus study and are specific to the needs and impacts of development to jurisdictions. General Plan Maintenance Fees are an entirely separate issue.

3. Backup Data

There needs to be a detailed, data-driven review of consulting and staff expenses so that the City Council can make decisions about future outreach efforts. The fact that staff miscalculated costs by over 100% (Consultant Costs) and 400% (Staffing Costs) shows the need for a transparent and thorough review.

For these reasons, we respectfully urge you to not adopt the staff proposal. Instead, please direct staff to provide a complete accounting of expenditures so that a reasonable fee adjustment can be proposed.

Thank you for your consideration of our comments.

cc: Mr. Ray Kerridge, City Manager
Mr. Tom Pace, Long Range Planning

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