

**Summary of May 9, 2007, Inclusionary Workshop
Facilitators: Steve Sanders and Paul Peninger**

Priority Issues

Land Dedication/ Land Trust

Off-site language to ensure equity, de-concentration

Making sure Inclusionary supports Redevelopment goals

Affordable homes should be integrated

Ownership

Access to transit

Preserving affordable Housing

In-lieu fees

Acquisition/Rehabilitation for ownership

Market feasibility

Resale formula

1. Off-Site vs. Integrated

Off-site:

Pros- Site near transportation and other public services, more flexibility, partnership with affordable housing developer, infill strategy, economic integration, makes rehab happen

Cons -may not lead to mixed-income neighborhoods, might lead to over-concentration, may not be built, need for finding a comparable site, need for additional City resources.

On-site:

Pros-integrated, done at the same time, produces units, reduces need for direct public subsidy

Cons-may not be transit and services accessible

Possible Ordinance Features:

- Require on-site affordable units, OR as an alternative, allow developer to propose off-site option which meets certain criteria- such as: provide land and/or in-lieu fee will be sufficient to produce equivalent or greater number of affordable units.
- Ensure that off-site is within 1-mile of the market-rate development, OR allow developer to acquire and rehabilitate rental or owner units at a higher ratio (say 2 to 1) off-site.

2. In-Lieu Fees

Pro: Flexibility, accommodates smaller projects, finances rehabilitation, homeownership, can develop land trusts

Con: May not achieve integration, money does not get spent, rehabilitation only is allowed for up to 25% of Fair Share goal and only if housing was previously market-rate (certain criteria).

Possible Ordinance Features:

- Allow production of affordable units within project, OR allow payment of in-lieu fee equal to the cost of producing the unit into a City Housing Trust Fund which could then be used for the acquisition and rehabilitation of either ownership or rental housing with deed restrictions for long term affordability, or for new affordable construction. Funds could then be allocated by City to a nonprofit or community land trust that could acquire and rehabilitate units.
- The intent of the ordinance is to create a range of affordable housing choices not met by the market. The first priority will be production of units or land dedication. If there is no way to meet the requirement in those ways, in lieu fees will be considered as long as the fees adequately represent the value of meeting the requirement.
- In-lieu fees are currently at \$500,000 per affordable unit. This figure could be recalculated since there has been a drop in the median price, which might reduce the in-lieu fee and encourage this as an option.
- Given that rehabilitated units may only count toward up to 25% of ABAG Goals and only in certain circumstances, allowance of in-lieu fee payments toward rehabilitation should be limited and at approval be at the City's discretion.

3. Rental/Ownership

Homeownership Pro: stability

Rental Pro: accommodates service workers

How much down payment is appropriate?

What about lease to own?

Resale formula that allows some equity but maintains affordability.

Meet Redevelopment requirements

Possible Ordinance Features:

- Provide deed restriction on affordable ownership and rental units that meets Redevelopment law.
- Allow resale calculation to be indexed to AMI, which allows some appreciation and places some of the risk of interest rate changes on the buyer.
- Include inclusionary requirement for both rental and owner projects.