

COUNCILMEMBERS  
Melissa Hernandez, Mayor  
Dr. Sherry Hu, Vice Mayor  
Jean Josey, Councilmember  
Michael McCorriston, Councilmember  
Kashef Qaadri, Councilmember



Bray Community Room  
(Regional Meeting Room)  
Civic Center  
100 Civic Plaza  
Dublin, CA 94568

## Special Meeting of the **DUBLIN CITY COUNCIL**

**Tuesday, March 19, 2024**

**Location: Bray Community Room  
(Regional Meeting Room)  
100 Civic Plaza  
Dublin, CA 94568**

**Notice is hereby given that a Special Meeting of the City of Dublin City Council will be held on Tuesday, March 19, 2024 at 5:30 PM at Bray Community Room (Regional Meeting Room), Civic Center, 100 Civic Plaza, Dublin.**

### **1. CALL TO ORDER AND PLEDGE OF ALLEGIANCE**

### **2. PUBLIC COMMENT**

At this time, the public is permitted to address the City Council on non-agendized items. Please step to the podium and clearly state your name for the record. COMMENTS SHOULD NOT EXCEED THREE (3) MINUTES. In accordance with State Law, no action or discussion may take place on any item not appearing on the posted agenda. The Council may respond to statements made or questions asked, or may request Staff to report back at a future meeting concerning the matter. Any member of the public may contact the City Clerk's Office related to the proper procedure to place an item on a future City Council agenda. The exceptions under which the City Council MAY discuss and/or take action on items not appearing on the agenda are contained in Government Code Section 54954.2(b)(1)(2)(3).

### **3. STUDY SESSION**

#### **3.1 Inclusionary Zoning and Affordable Housing In-Lieu Fee Study Session**

On January 9, 2024, the City Council held a public hearing to consider amendments to the Inclusionary Zoning Regulations and Affordable Housing In-Lieu Fee. At the conclusion of that public hearing the City Council directed Staff to return at a future meeting with additional information and analysis regarding increasing the inclusionary zoning requirement to 15%; increasing the in-lieu fee; differentiating the affordable housing requirements for different ownership product types; the impact of interest rate fluctuations; and a projection of in-lieu fee revenue. The City Council will hold a Study Session and receive a presentation with this information. No formal action will be taken by the City Council at this Study Session.

**STAFF RECOMMENDATION:**

Receive a presentation and provide feedback and direction regarding amendments to the Inclusionary Zoning Regulations and Affordable Housing In-Lieu Fee program.

[Staff Report](#)

[Attachment 1 - Staff Report dated January 9, 2024 \(without attachments\)](#)

[3.1 PowerPoint Presentation](#)

**4. ADJOURNMENT**

**Upcoming City Council Schedule:** Regular City Council Meeting, March 19, 2024

*This AGENDA is posted in accordance with Government Code Section 54954.2(a)*

*If requested, pursuant to Government Code Section 54953.2, this agenda shall be made available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Section 12132), and the federal rules and regulations adopted in implementation thereof. To make a request for disability-related modification or accommodation, please contact the City Clerk's Office (925) 833-6650 at least 72 hours in advance of the meeting.*

**AFFIDAVIT OF NOTICING AND POSTING:**

**I, Marsha Moore, City Clerk for the City of Dublin, declare that a copy of this agenda / notice was posted in the kiosk in front of the Civic Center, on the City's website, and that the City of Dublin City Councilmembers and the Media were provided notice on March 13, 2024.**

**ATTEST:**

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**Marsha Moore, MMC, City Clerk**



## STAFF REPORT CITY COUNCIL

DATE: March 19, 2024

TO: Honorable Mayor and City Councilmembers

FROM: Linda Smith, City Manager

SUBJECT: Inclusionary Zoning and Affordable Housing In-Lieu Fee Study Session  
*Prepared by: Jason Earl, Senior Management Analyst*

### EXECUTIVE SUMMARY:

On January 9, 2024, the City Council held a public hearing to consider amendments to the Inclusionary Zoning Regulations and Affordable Housing In-Lieu Fee. At the conclusion of that public hearing the City Council directed Staff to return at a future meeting with additional information and analysis regarding increasing the inclusionary zoning requirement to 15%; increasing the in-lieu fee; differentiating the affordable housing requirements for different ownership product types; the impact of interest rate fluctuations; and a projection of in-lieu fee revenue. The City Council will hold a Study Session and receive a presentation with this information. No formal action will be taken by the City Council at this Study Session.

### STAFF RECOMMENDATION:

Receive a presentation and provide feedback and direction regarding amendments to the Inclusionary Zoning Regulations and Affordable Housing In-Lieu Fee program.

### FINANCIAL IMPACT:

None.

### DESCRIPTION:

#### Background

The City's Two-Year Strategic Plan includes Strategy 2: Housing Affordability, which incorporates the following two Objectives:

- Objective 2B: Ensure the City's inclusionary zoning regulations incentivize targeted housing production; and
- Objective 2C: Prepare a nexus study to evaluate the affordable housing commercial linkage fee and affordable housing in-lieu fee for for-sale and rental housing.

Staff and the City's consultant, Economic and Planning Systems (EPS), prepared an Affordable Housing In-Lieu Fee Feasibility Study and a Commercial Linkage Fee Nexus Study. As directed by the City Council, these studies analyzed and assessed the targeted housing production and fees, and provided a housing market analysis to ensure that Dublin remains competitive for both housing and commercial development, while ensuring the availability of affordable housing.

The City Council received an informational report on these efforts on August 15, 2023, and provided feedback and direction regarding updates to these programs. On September 19, 2023, the City Council received another informational report and directed Staff to prepare updates to the Inclusionary Zoning Regulations, Affordable Housing In-Lieu Fee, and Non-Residential Development Affordable Housing Impact Fee which is also referred to as a "Commercial Linkage Fee".

The City Council's direction included amendments which prioritize the collection of fees that can be leveraged to facilitate the production of lower income units to satisfy the City's Regional Housing Needs Allocation (RHNA) while providing on-site units where feasible. Staff prepared amendments to these programs that align with the priorities set by the City Council.

On December 12, 2023, the Planning Commission held a public hearing and unanimously recommended approval of the proposed amendments to the Inclusionary Zoning Regulations and Affordable Housing In-Lieu Fee. On January 9, 2024, the City Council held a public hearing to consider the proposed amendments to the Inclusionary Zoning Regulations, Affordable Housing In-Lieu Fee, and Non-Residential Development Affordable Housing Impact Fee (Attachment 1). At the conclusion of the public hearing the City Council directed Staff to return at a future meeting with additional information and analysis regarding the Inclusionary Zoning Regulations and Affordable Housing In-Lieu Fee.

At this Study Session, the City Council will receive a presentation by Staff and EPS addressing the following information as requested by the City Council:

- Evaluate increasing the inclusionary zoning requirement to 15%.
- Evaluate further increasing the proposed Affordable Housing In-Lieu Fee.
- Present options to differentiate the affordable housing requirements and in-lieu fee for the different ownership product types (i.e., condominiums, townhomes, and single-family homes).
- Demonstrate how interest rate fluctuations impact the inclusionary zoning and in-lieu fee recommendations.
- Provide a projection of the Affordable Housing In-Lieu Fee revenue.

## STRATEGIC PLAN INITIATIVE:

### Strategy 2: Housing Affordability

Objective 2B: Ensure the City's inclusionary zoning regulations incentivize targeted housing production.

Objective 2C: Prepare a nexus study to evaluate the affordable housing commercial linkage fee and affordable housing in-lieu fee for for-sale and rental housing.

## ENVIRONMENTAL REVIEW:

The City Council is holding a Study Session on the Inclusionary Zoning Regulations and Affordable Housing In-Lieu Fee, and no formal action will be taken at this time. The Study Session is not subject to the requirements of the California Environmental Quality Act (CEQA) as it does not have the potential to result in a direct physical change in the environment or a reasonably foreseeable indirect change in the environment and, thus, does not meet the definition of a project under CEQA Guidelines Section 15378.

## NOTICING REQUIREMENTS/PUBLIC OUTREACH:

A public notice is not required for the City Council to hold a Study Session. The City Council Agenda was posted.

## ATTACHMENTS:

- 1) City Council Staff Report dated January 9, 2024 (without attachments)



## STAFF REPORT

### CITY COUNCIL

**DATE:** January 9, 2024

**TO:** Honorable Mayor and City Councilmembers

**FROM:** Linda Smith, City Manager

**SUBJECT:** Amendment to the Dublin Municipal Code Inclusionary Zoning Regulations (Chapter 8.68), Adopting a Methodology for Determining Affordable Housing In-Lieu Fees and Adopting Non-Residential Development Affordable Housing Impact Fees (PLPA-2023-00032)  
*Prepared by: Jason Earl, Senior Management Analyst*

#### EXECUTIVE SUMMARY:

The City Council's Two-Year Strategic Plan includes a review of the Inclusionary Zoning Regulations (Dublin Municipal Code Chapter 8.68), Affordable Housing In-Lieu Fee, and Non-Residential Development Affordable Housing Impact Fee (aka "Commercial Linkage Fee"). Staff and the City's consultant, Economic and Planning Systems, prepared an Affordable Housing In-Lieu Fee Feasibility Study and a Commercial Linkage Fee Nexus Study to address the Strategic Plan objectives. The City Council received informational reports on August 15, 2023, and September 19, 2023, and directed Staff to prepare amendments to the Inclusionary Zoning Regulations, Affordable Housing In-Lieu Fee, and Non-Residential Development Affordable Housing Impact Fee programs to ensure they align with the economics of developing affordable housing and the City Council's priorities. Staff has prepared the updates to these programs. The City Council will hold a Public Hearing to consider adopting the amendments to these programs.

#### STAFF RECOMMENDATION:

Conduct the public hearing, deliberate, and take the following actions: 1) waive the reading and INTRODUCE the Ordinance Approving Amendments to Dublin Municipal Code Chapter 8.68 (Inclusionary Zoning Regulations); 2) Adopt the **Resolution** Establishing the Methodology for Determining the Affordable Housing In-Lieu Fee for Future Residential Units Subject to the City of Dublin Inclusionary Zoning Regulations; and 3) Adopt the **Resolution** Approving the Non-Residential Development Affordable Housing Impact Fees.

## FINANCIAL IMPACT:

The Affordable Housing In-Lieu Fee is proposed to be amended to align with the economics of developing affordable housing. This will generate additional funding for the Affordable Housing Fund. The proposed amendments to the Non-Residential Affordable Housing Impact Fee program will combine the Research & Development and Office uses into a single fee and ensure that the impact fee program does not overburden the economic development priorities set by the City Council.

## DESCRIPTION:

### Background

The City of Dublin Two-Year Strategic Plan includes Strategy 2: Housing Affordability, which includes the following two objectives:

- Objective 2b: *Ensure the City's inclusionary zoning regulations incentivize targeted housing production; and*
- Objective 2c: *Prepare a nexus study to evaluate the affordable housing commercial linkage fee and affordable housing in-lieu fee for for-sale and rental housing.*

The consulting firm Economic and Planning Systems (EPS) was selected through a competitive process to assist Staff with addressing these Strategic Plan Objectives. Staff and EPS prepared an analysis of the development economics, reviewed industry best practices, reviewed inclusionary regulations in the surrounding Tri-Valley cities, and evaluated the nexus between non-residential development and the need it generates for affordable housing to formulate recommendations to the City Council. This culminated in the Affordable Housing In-Lieu Fee Feasibility Study and the Commercial Linkage Fee Nexus Study which are included as Attachments 3 and 5.

On August 15, 2023, the City Council received an informational report on these efforts (Attachment 7). The City Council provided initial feedback and direction regarding updates to these programs. On September 19, 2023, the City Council received another informational report (Attachment 8) and directed Staff to prepare the following updates to the Inclusionary Zoning Regulations, Affordable Housing In-Lieu Fee, and Non-Residential Development Affordable Housing Impact Fee which is also referred to as a "Commercial Linkage Fee".

- Lower the Inclusionary Zoning Regulations applicability threshold to projects of 10+ units; and
- Assess in-lieu fees on a per-square-foot basis for each market-rate unit; and
- Establish separate regulations for ownership and rental developments; and
- Retain the existing Commercial Linkage Fee amount with an annual inflationary index; and

- Combine the Research & Development and Office use categories and set the fee at \$1.39 per square foot, which is the average of the current fee for those two use categories.

Staff has prepared the amendments to these programs for consideration by the City Council. The Ordinance adopting amendments to the Inclusionary Zoning Regulations is included as Attachment 1, the Resolution approving the methodology for determining the Affordable Housing In-Lieu Fee is included as Attachment 2, and the Resolution approving the Non-Residential Development Affordable Housing Impact Fee is included as Attachment 4.

### Analysis

The following is an overview of the proposed amendments to the Inclusionary Zoning Regulations, Affordable Housing In-Lieu Fee, and the Non-residential Development Affordable Housing Impact Fee. The proposed amendments align the economics of developing affordable housing and the efforts of the City Council to prioritize the collection of fees that can be leveraged to facilitate the production of lower income units to satisfy the City's Regional Housing Need Allocation (RHNA) while providing on-site units.

### *Inclusionary Zoning Requirements*

The proposed amendments to the Inclusionary Zoning Regulations (IZR) in the Dublin Municipal Code (Chapter 8.68) create separate regulations for ownership and rental developments. The threshold for projects subject to the IZR would be reduced from 20 units to 10 units. The proposed allocation of affordable ownership units remains unchanged. However, the allocation of affordable rental units is proposed to focus on low-income households. Table 1 summarizes these proposed regulations.

**Table 1. Ownership and Rental Policy Recommendations**

|                  | <b>Project Size Threshold</b> | <b>Overall Affordability Requirement</b> | <b>Very Low</b> | <b>Low</b> | <b>Moderate</b> |
|------------------|-------------------------------|------------------------------------------|-----------------|------------|-----------------|
| <b>Ownership</b> | 10 Units                      | 12.5%                                    | 0%              | 40%        | 60%             |
| <b>Rental</b>    | 10 Units                      | 10%                                      | 0%              | 100%       | 0%              |

The IZR (Section 8.68.020.E) requires resale controls to ensure that affordable ownership units remain affordable for a total of 55 years. Staff proposes to amend the regulations to reset the 55-year period with each transfer of ownership of future for sale units created through the inclusionary program.

The implementation procedures for the IZR include selection criteria that provide for the use of preference points by the developer upon the initial sale of units (Section 8.68.050.D). Staff is proposing to amend this section to require the use of preference points with the resale of ownership units.

The draft Ordinance approving the amendments to the Inclusionary Zoning Regulations is included as Attachment 1. Please refer to Attachment 6 for the proposed amendments in redline format where underlined text is proposed to be added and text with a ~~striketrough~~ is proposed to be deleted.

#### *Affordable Housing In-Lieu Fee*

The proposed Affordable Housing In-Lieu Fee would be assessed on a per-square-foot basis for each market-rate unit produced. The proposed fee is based on the Affordable Housing In-Lieu Fee Feasibility Study and rounded to the nearest dollar. This fee is reflective of the cost to produce affordable ownership and rental units. The proposed fee would be set at \$9/square foot and adjusted annually based on an inflationary index. The proposed fee is equivalent to approximately \$400,000 per affordable ownership unit and \$237,000 per rental unit. The Resolution to approve the proposed Affordable Housing In-Lieu Fee is included as Attachment 2.

#### *Non-Residential Development Affordable Housing Impact Fee*

The DMC (Chapter 7.86) established the authority for the City to impose a Non-Residential Development Affordable Housing Impact Fee, also known as a “Commercial Linkage Fee”. This fee is based on a nexus between non-residential development and the need it generates for affordable housing. The fee was first adopted by the City Council in 2005 (Resolution 70-05) and is adjusted annually based on an inflationary index. The amount was set to ensure that it does not overburden the economic development priorities set by the City Council. New non-residential development is assessed this fee on a per-square-foot basis at the time a building permit is issued.

On September 19, 2023, the City Council directed Staff to retain the existing fee structure with an inflationary index but combine Research & Development and Office uses into a single category and set the fee at \$1.39 per square foot. Additionally, the names of the land use categories have been updated to be consistent with the Nexus Study and current industry terminology. The remainder of the program is unchanged. The Resolution adopting the Non-Residential Development Affordable Housing Impact Fee is included as Attachment 4.

### **ENVIRONMENTAL DETERMINATION:**

The California Environmental Quality Act (CEQA), together with State Guidelines and City of Dublin CEQA Guidelines and Procedures require that certain projects be reviewed for environmental impacts and that environmental documents be prepared. The proposed Zoning Ordinance Amendments are exempt from the requirements of CEQA pursuant to CEQA Guidelines Section 15061(b)(3) as the amendments would not result in any physical changes and it can be seen with certainty that the amendments would not have a significant effect on the environment.

## **PLANNING COMMISSION REVIEW:**

On December 12, 2023, the Planning Commission held a public hearing to consider the proposed amendments to the Inclusionary Zoning Regulations and make a recommendation to the City Council. Following the public hearing, the Planning Commission unanimously adopted Resolution No. 23-12 (Attachment 9), recommending the City Council approve the proposed amendments. The Planning Commission further recommended periodic review of the Inclusionary Zoning Regulations.

## **STRATEGIC PLAN INITIATIVE:**

Strategy 2: Housing Affordability

Objective 2b: Ensure the City's inclusionary zoning regulations incentivize targeted housing production.

Objective 2c: Prepare a nexus study to evaluate the affordable housing commercial linkage fee and affordable housing in-lieu fee for for-sale and rental housing.

## **NOTICING REQUIREMENTS/PUBLIC OUTREACH:**

In accordance with State law, a public notice was published in the *East Bay Times* ten days prior to the hearing and again five days prior to the hearing, posted at several locations throughout the City, and sent to interested parties notifying the community of the City Council's consideration of the proposed amendments to the Inclusionary Zoning Regulations, Affordable Housing In-Lieu Fee, and the Non-Residential Development Affordable Housing Impact Fee. The City Council Agenda was posted.

## **ATTACHMENTS:**

- 1) Ordinance Approving Amendments to Dublin Municipal Code Chapter 8.68 (Inclusionary Zoning Regulations)
- 2) Resolution Establishing the Methodology for Determining the Affordable Housing In-Lieu Fee for Future Residential Units Subject to the City of Dublin Inclusionary Zoning Regulations
- 3) Exhibit A to the Resolution - Inclusionary Housing Feasibility Report dated December 7, 2023
- 4) Resolution Approving the Non-Residential Development Affordable Housing Impact Fees
- 5) Exhibit A to the Resolution - Commercial Linkage Fee Nexus Study dated October 27, 2023
- 6) Redlined Version of Amendment to Inclusionary Zoning Regulations
- 7) City Council Staff Report dated August 15, 2023
- 8) City Council Staff Report dated September 19, 2023
- 9) Planning Commission Resolution 23-12 Recommending City Council Approval of Amendments to Dublin Municipal Code Chapter 8.68 (Inclusionary Zoning Regulations)

# UPDATED INCLUSIONARY ZONING SCENARIOS

Dublin City Council Study  
Session

March 19, 2024



Economic & Planning Systems, Inc.  
*The Economics of Land Use*

1330 Broadway, Suite 450 ■ Oakland, CA 94612  
510.841.9190 ■ [www.epsys.com](http://www.epsys.com)

# BACKGROUND

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- Strategic Plan Strategy 2: Housing Affordability
- August 15, 2023, & September 19, 2023
  - Information Report and Recommendations:
- December 12, 2023
  - Planning Commission held a public hearing and recommended approval of the proposed amendments
- January 9, 2024
  - City Council directed staff to return at a future meeting with additional information

# PRIOR CITY COUNCIL DIRECTION

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- Prioritize the collection of Affordable Housing In-Lieu Fees
- Lower the Inclusionary Zoning Regulations applicability threshold to projects of 10+ units;
- Assess in-lieu fees of \$9 per square foot for each market-rate unit;
- Establish separate regulations for ownership and rental developments;

|           | Project Size Threshold | Overall Affordability Requirement | Income Targets Very Low | Income Targets Low | Income Targets Moderate | Must Build Requirement |
|-----------|------------------------|-----------------------------------|-------------------------|--------------------|-------------------------|------------------------|
| Ownership | 10+ Units              | 12.5%                             | 0%                      | 40%                | 60%                     | 60% of IZR             |
| Rental    | 10+ Units              | 10%                               | 0%                      | 100%               | 0%                      | 60% of IZR             |

# WHAT WE TESTED

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## Questions

- Can we increase the inclusionary requirement on ownership housing to 15%?
- Can we raise the in-lieu fee?
- Would lower interest rates allow City to consider higher inclusionary requirement or higher in-lieu fees?
- Projection of units and revenue

## Tested Illustrative 100-unit Development

Threshold Profit/Return Requirements:



15% profit for  
ownership product



5.5% yield-on-cost  
for rental product

# REASONS PROJECT DEVELOPMENT ECONOMICS VARY

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- It's not ideal to push too close to the feasibility threshold, because project economics vary widely, and the inclusionary requirements should work for most (if not all) new development
  - Timing and cost of land acquisition
  - Length and complexity of entitlement process
  - Changes in costs of labor and materials
  - Availability of materials and supply chain challenges
  - Availability of capital and interest rate environments
  - Other new construction and competitive supply
  - Market prices and rents
  - Developer/investor return requirements
  - Etc.

# CURRENT PROGRAM

- Overall inclusionary requirement is 12.5% affordable
  - Option 1: Build full requirement on-site
  - Option 2: Must build 60% and pay in-lieu fee of \$241,131 per affordable unit on remaining 40%

| Option                            | Metric                             | Rental                           | Ownership                        |                                  |                                  |
|-----------------------------------|------------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
|                                   |                                    | Apartment                        | Condominium                      | SF Detached                      | Townhome                         |
| <b>Option 1: Build Only</b>       | Affordable Units Built             | 12                               | 12                               | 12                               | 12                               |
|                                   | Cost/Value of Requirement          | \$2,330,823<br>(\$21.19/sq. ft.) | \$5,876,104<br>(\$39.17/sq. ft.) | \$7,493,752<br>(\$31.22/sq. ft.) | \$5,797,149<br>(\$28.99/sq. ft.) |
|                                   | Feasibility                        | marginal                         | no                               | yes                              | yes                              |
| <b>Option 2: Must Build + Fee</b> | Affordable Units Built             | 7                                | 7                                | 7                                | 7                                |
|                                   | Equiv. Fee per Market Rate Sq. Ft. | \$11.79                          | \$8.64                           | \$5.40                           | \$6.48                           |
|                                   | City Fee Revenue                   | \$1,205,655                      | \$1,205,655                      | \$1,205,655                      | \$1,205,655                      |
|                                   | Cost/Value of Requirement          | \$2,385,222<br>(\$21.68/sq.ft.)  | \$4,652,349<br>(\$31.02/sq. ft.) | \$5,599,769<br>(\$23.33/sq. ft.) | \$4,608,400<br>(\$23.04/sq. ft.) |
|                                   | Feasibility                        | marginal                         | yes                              | yes                              | yes                              |

# JANUARY 2024 RECOMMENDATION

- Overall requirement of 12.5% affordable for Ownership (SF Detached, Townhomes, and Condos) and 10% affordable for Rental
  - Option 1: Build full requirement on-site
  - Option 2: Must build 60% and pay in-lieu fee of \$9 per market-rate sq. ft. on remaining 40%

| Option                            | Metric                      | Rental                           | Ownership                        |                                  |                                  |
|-----------------------------------|-----------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
|                                   |                             | Apartment                        | Condominium                      | SF Detached                      | Townhome                         |
| <b>Option 1: Build Only</b>       | Affordable Units Built      | 10                               | 12                               | 12                               | 12                               |
|                                   | Cost/Value of Requirement   | \$2,369,153<br>(\$21.54/sq. ft.) | \$5,876,104<br>(\$39.17/sq. ft.) | \$7,493,752<br>(\$31.22/sq. ft.) | \$5,797,149<br>(\$28.99/sq. ft.) |
|                                   | Feasibility                 | marginal                         | no                               | yes                              | yes                              |
| <b>Option 2: Must Build + Fee</b> | Affordable Units Built      | 6                                | 7                                | 7                                | 7                                |
|                                   | Fee per Market Rate Sq. Ft. | \$9.00                           | \$9.00                           | \$9.00                           | \$9.00                           |
|                                   | City Fee Revenue            | \$930,600                        | \$1,255,500                      | \$2,008,800                      | \$1,674,000                      |
|                                   | Cost/Value of Requirement   | \$2,352,092<br>(\$21.38/sq. ft.) | \$4,702,194<br>(\$31.35/sq. ft.) | \$6,402,914<br>(\$26.68/sq. ft.) | \$5,076,745<br>(\$25.38/sq. ft.) |
|                                   | Feasibility                 | marginal                         | yes                              | yes                              | yes                              |

# HIGHER INCLUSIONARY PERCENTAGE

- Overall requirement of 12.5% and 15% affordable for Ownership
  - Option 1: Build full requirement on-site, tested at 12.5% and 15%

| Option                                      | Metric                    | Ownership                        |                                  |                                  |
|---------------------------------------------|---------------------------|----------------------------------|----------------------------------|----------------------------------|
|                                             |                           | Condominium                      | SF Detached                      | Townhome                         |
| <b>Option 1:<br/>Build Only<br/>@ 12.5%</b> | Affordable Units Built    | 12                               | 12                               | 12                               |
|                                             | Cost/Value of Requirement | \$5,876,104<br>(\$39.17/sq. ft.) | \$7,493,752<br>(\$31.22/sq. ft.) | \$5,797,149<br>(\$28.99/sq. ft.) |
|                                             | Feasibility               | no                               | yes                              | yes                              |
| <b>Option 1:<br/>Build Only<br/>@ 15%</b>   | Affordable Units Built    | 15                               | 15                               | 15                               |
|                                             | Cost/Value of Requirement | \$7,288,230<br>(\$48.59/sq.ft.)  | \$9,298,915<br>(\$38.75/sq. ft.) | \$7,183,212<br>(\$35.92/sq. ft.) |
|                                             | Feasibility               | no                               | yes                              | yes                              |

# HIGHER IN-LIEU FEE

- Overall requirement of 15% affordable for Ownership
  - Option 2: Must build 60% and pay in-lieu fee of \$9, \$12, or \$15 per market-rate sq. ft. on remaining 40%

| Option                                           | Metric                      | Ownership                        |                                  |                                  |
|--------------------------------------------------|-----------------------------|----------------------------------|----------------------------------|----------------------------------|
|                                                  |                             | Condominium                      | SF Detached                      | Townhome                         |
| <b>Option 2:<br/>Must Build +<br/>Fee @ \$9</b>  | Affordable Units Built      | 9                                | 9                                | 9                                |
|                                                  | Fee per Market Rate Sq. Ft. | \$9.00                           | \$9.00                           | \$9.00                           |
|                                                  | City Fee Revenue            | \$1,228,500                      | \$1,965,600                      | \$1,638,000                      |
|                                                  | Cost/Value of Requirement   | \$8,516,730<br>(\$56.78/sq. ft.) | \$7,654,189<br>(\$31.89/sq. ft.) | \$6,049,087<br>(\$30.25/sq. ft.) |
|                                                  | Feasibility                 | no                               | yes                              | yes                              |
| <b>Option 2:<br/>Must Build +<br/>Fee @ \$12</b> | Affordable Units Built      | 9                                | 9                                | 9                                |
|                                                  | Fee per Market Rate Sq. Ft. | \$12.00                          | \$12.00                          | \$12.00                          |
|                                                  | City Fee Revenue            | \$1,638,000                      | \$2,620,800                      | \$2,184,000                      |
|                                                  | Cost/Value of Requirement   | \$8,926,230<br>(\$59.51/sq. ft.) | \$8,309,389<br>(\$34.62/sq. ft.) | \$6,595,087<br>(\$32.98/sq. ft.) |
|                                                  | Feasibility                 | no                               | yes                              | yes                              |
| <b>Option 2:<br/>Must Build +<br/>Fee @ \$15</b> | Affordable Units Built      | 9                                | 9                                | 9                                |
|                                                  | Fee per Market Rate Sq. Ft. | \$15.00                          | \$15.00                          | \$15.00                          |
|                                                  | City Fee Revenue            | \$2,047,000                      | \$3,276,000                      | \$2,730,000                      |
|                                                  | Cost/Value of Requirement   | \$9,335,730<br>(\$62.24/sq. ft.) | \$8,964,589<br>(\$37.35/sq. ft.) | \$7,141,087<br>(\$35.71/sq. ft.) |
|                                                  | Feasibility                 | no                               | yes                              | yes                              |

# FEE SURVEY OF LOCAL JURISDICTIONS

## SINGLE FAMILY DETACHED (OWNERSHIP)

| City         | Overall Inclusionary Requirement | Income Targets              | Project Size Threshold | In-Lieu Fee                                                  | Last Ordinance Update |
|--------------|----------------------------------|-----------------------------|------------------------|--------------------------------------------------------------|-----------------------|
| Dublin       | 12.5%                            | 60% Moderate<br>40% Low     | 20 units               | \$241,131 per inclusionary unit                              | 2002                  |
| Fremont      | 15%                              | 66% Low<br>33% Moderate     | All units              | \$44.00 per sq. ft.                                          | 2021                  |
| Concord      | 15%                              | 50% Moderate<br>50% Low     | 5 units                | \$20.00 per sq. ft. <sup>[1]</sup>                           | 2024                  |
| San Ramon    | 10%                              | Moderate                    | 10 units               | \$15.70 per sq. ft.                                          | 2019                  |
| Hayward      | 10%                              | Moderate                    | 2 units                | \$23.46 per sq. ft.                                          | 2018                  |
| Walnut Creek | 10%                              | Moderate                    | All units              | \$21.86 per sq. ft.                                          | 2017                  |
|              | 7%                               | Low                         |                        |                                                              |                       |
|              | 6%                               | Very Low                    |                        |                                                              |                       |
| Livermore    | 15%                              | 50% Moderate<br>50% Low     | 11 units               | \$39.94 per sq. ft. (under 11 units)<br>11+ units must build | 2015                  |
| Danville     | 10%                              | Moderate                    | 10 units               | market gap calculation                                       | 2014                  |
| Pleasanton   | 20%                              | Moderate<br>Low<br>Very Low | 15 units               | \$50,480 per dwelling unit                                   | 2000 <sup>[2]</sup>   |

[1] In-lieu fee option applies to Ownership projects between 5 and 9 units.

[2] Pleasanton's inclusionary zoning was first adopted in 2000 and the fee level was last revised in 2018.

# FEE SURVEY OF LOCAL JURISDICTIONS

## MULTIFAMILY (RENTAL)

| City         | Overall Inclusionary Requirement | Income Targets                          | Project Size Threshold | In-Lieu Fee                                                  | Last Ordinance Update |
|--------------|----------------------------------|-----------------------------------------|------------------------|--------------------------------------------------------------|-----------------------|
| Dublin       | 12.5%                            | 50% Moderate<br>20% Low<br>30% Very Low | 20 units               | \$241,131 per inclusionary unit                              | 2002                  |
| Fremont      | 10%                              | Low                                     | All units              | \$17.50 per sq. ft.                                          | 2021                  |
| Concord      | 6%                               | 4% Moderate<br>1% Low<br>1% Very Low    | 5 units                | \$15 per sq. ft.                                             | 2024                  |
| San Ramon    | 15%                              | 50% Low<br>50% Very Low                 | 5 units                | \$14.63 per sq. ft. (under 10 units)<br>10+ units must build | 2019                  |
| Hayward      | 6%                               | 50% Low<br>50% Very Low                 | 2 units                | \$23.46 per sq. ft.                                          | 2018                  |
| Walnut Creek | 10%<br>6%                        | Low<br>Very Low                         | All units              | \$21.86 per sq. ft.                                          | 2017                  |
| Livermore    | 15%                              | 50% Low<br>50% Very Low                 | 11 units               | <i>In-lieu fee N/A; must build</i>                           | 2015                  |
| Danville     | 15%                              | Moderate                                | 10 units               | <i>market gap calculation</i>                                | 2014                  |
| Pleasanton   | 15%                              | Low<br>Very Low                         | 10 units               | \$50,480 per dwelling unit                                   | 2000*                 |

\* Pleasanton's inclusionary zoning was first adopted in 2000 and the fee level was last revised in 2018.

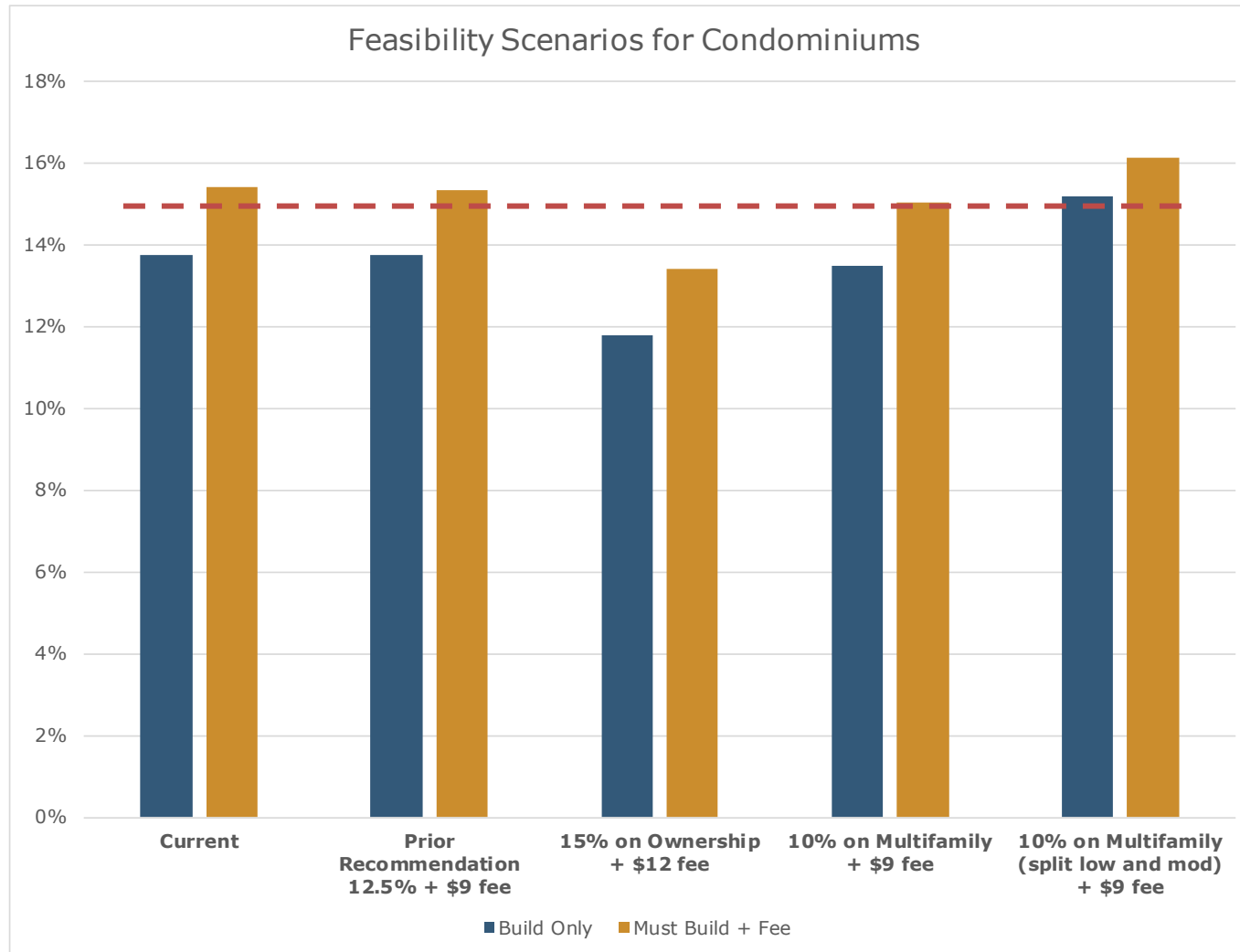
# ALIGN CONDOS WITH APARTMENTS

- 10% affordable for multifamily: rental apartments and condominiums
  - Option 1: Build full requirement on-site
  - Option 2: Must build 60% and pay in-lieu fee of \$9 per market-rate sq. ft. on remaining 40%

| Option                                     | Metric                      | Multifamily                      |                                  |
|--------------------------------------------|-----------------------------|----------------------------------|----------------------------------|
|                                            |                             | Apartment                        | Condominium                      |
| <b>Option 1: Build Only @ 10%</b>          | Affordable Units Built      | 10                               | 10                               |
|                                            | Cost/Value of Requirement   | \$2,369,153<br>(\$21.54/sq. ft.) | \$6,224,420<br>(\$41.50/sq. ft.) |
|                                            | Feasibility                 | marginal                         | no                               |
| <b>Option 2: Must Build + Fee @ \$9.00</b> | Affordable Units Built      | 6                                | 6                                |
|                                            | Fee per Market Rate Sq. Ft. | \$9.00                           | \$9.00                           |
|                                            | City Fee Revenue            | \$930,600                        | \$1,269,000                      |
|                                            | Cost/Value of Requirement   | \$2,352,092<br>(\$21.38/sq. ft.) | \$5,003,652<br>(\$33.36/sq. ft.) |
|                                            | Feasibility                 | marginal                         | yes                              |

# TESTING CONDOMINIUMS

## WHAT IF WE ALIGN CONDOS WITH APARTMENTS?



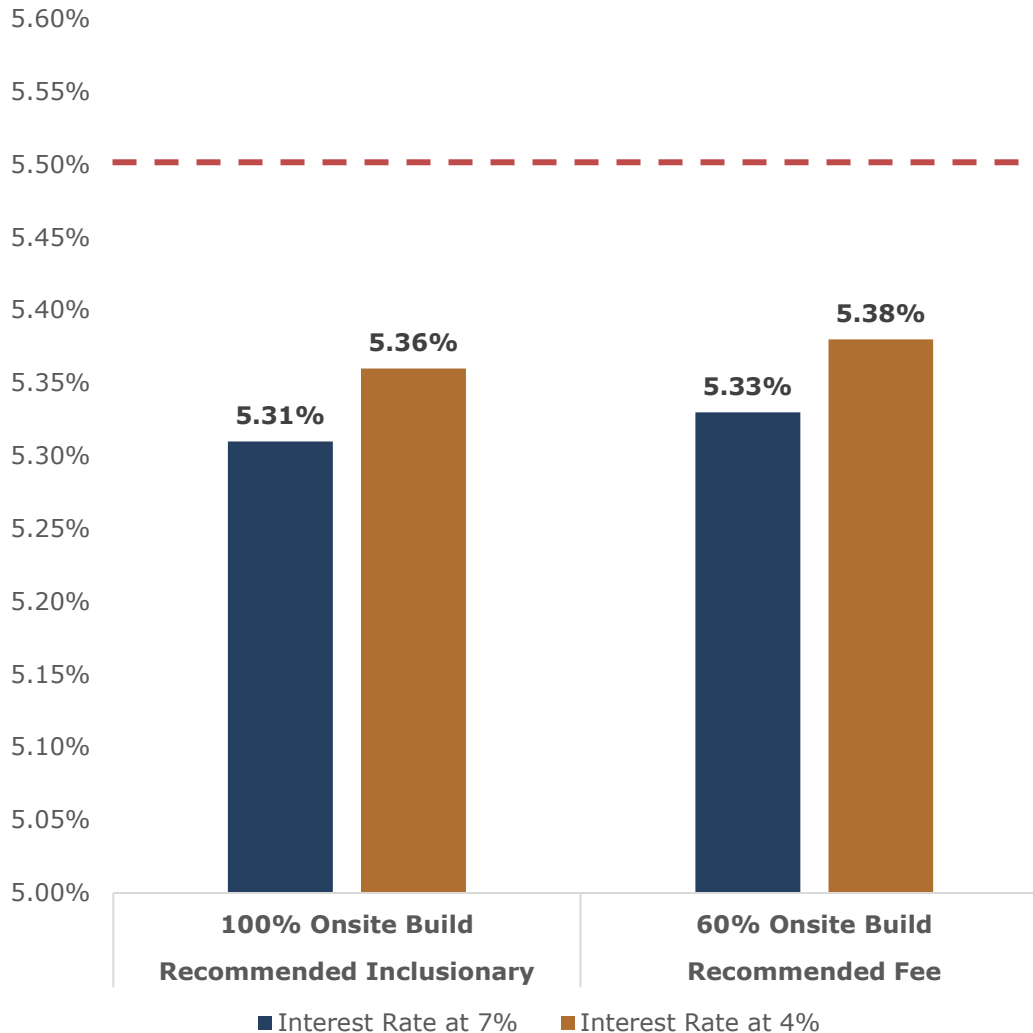
# FEASIBILITY OUTCOMES

## “VALUE” OF THE INCLUSIONARY REQUIREMENT IS PROVIDED

| Scenario                                                                                                                                      | Option           | Rental      | Ownership   |             |             |
|-----------------------------------------------------------------------------------------------------------------------------------------------|------------------|-------------|-------------|-------------|-------------|
|                                                                                                                                               |                  | Apartment   | Condominium | SF Detached | Townhome    |
| <b>Current</b> <ul style="list-style-type: none"> <li>Rental and Ownership, 12.5%</li> <li>\$241,131 fee per affordable unit</li> </ul>       | Build Only       | \$2,330,823 | \$5,876,104 | \$7,493,752 | \$5,797,149 |
|                                                                                                                                               | Must-Build + Fee | \$2,385,222 | \$4,652,349 | \$5,599,769 | \$4,608,400 |
| <b>January Recommendation</b> <ul style="list-style-type: none"> <li>Rental, 10% and \$9 fee</li> <li>Ownership, 12.5% and \$9 fee</li> </ul> | Build Only       | \$2,369,153 | \$5,876,104 | \$7,493,752 | \$5,797,149 |
|                                                                                                                                               | Must-Build + Fee | \$2,352,092 | \$4,702,194 | \$6,402,914 | \$5,076,745 |
| <b>Test:</b> <ul style="list-style-type: none"> <li>15% + \$9 fee (test on Ownership only)</li> </ul>                                         | Build Only       |             | \$7,288,230 | \$9,298,915 | \$7,183,212 |
|                                                                                                                                               | Must-Build + Fee |             | \$8,516,730 | \$7,654,189 | \$6,049,087 |
| Scenario                                                                                                                                      | Option           | Multifamily |             | Ownership   |             |
|                                                                                                                                               |                  | Apartment   | Condominium | SF Detached | Townhome    |
| <b>Test:</b> <ul style="list-style-type: none"> <li>10% on Multifamily + \$9 fee</li> <li>15% on SF and TH + \$12 fee</li> </ul>              | Build Only       | \$2,369,153 | \$6,224,420 | \$9,298,915 | \$7,183,212 |
|                                                                                                                                               | Must-Build + Fee | \$2,352,092 | \$5,003,652 | \$8,309,389 | \$6,595,087 |
| <b>Test:</b> <ul style="list-style-type: none"> <li>10% on Multifamily + \$9 fee</li> <li>15% on SF and TH + \$15 fee</li> </ul>              | Build Only       | \$2,369,153 | \$6,224,420 | \$9,298,915 | \$7,183,212 |
|                                                                                                                                               | Must-Build + Fee | \$2,352,092 | \$5,003,652 | \$8,964,589 | \$7,141,087 |

# INTEREST RATES

## ILLUSTRATIVE IMPACT OF LOWER INTEREST RATES ON FINANCING COSTS



- Current interest rates are higher than in recent past
- Chart at left shows feasibility of a multifamily rental development at the recommended 10% Low inclusionary level with \$9/sq. ft. fee.
- A lower interest rate can reduce development costs, leading to improvements in feasibility, but does not significantly alter the development economics of the project.

# ESTIMATED INCLUSIONARY FEE REVENUE

| Product Type                       | Approximate # of Units | Current In-Lieu fee of \$241,131 | Proposed In-Lieu \$9/s.f. | In-Lieu Alternative 1<br>For Sale: \$12/s.f.<br>Rental: \$9/s.f. | In-Lieu Alternative 2<br>For Sale: \$15/s.f.<br>Rental: \$9/s.f. |
|------------------------------------|------------------------|----------------------------------|---------------------------|------------------------------------------------------------------|------------------------------------------------------------------|
| For Sale Units<br>IZO - 12.5%      | 474                    | \$5,787,144                      | \$9,521,712               | \$12,695,616                                                     | \$15,869,520                                                     |
| Condos & Rental Units<br>IZO - 10% | 2,722                  | \$32,793,816                     | \$25,330,932              | \$25,330,932                                                     | \$25,330,932                                                     |
| Totals                             | 3,196                  | \$38,580,960                     | \$34,852,644              | \$38,026,548                                                     | \$41,200,452                                                     |

Assumes 1,100 square foot rental units and 2,400 square foot for-sale units.

# DISCUSSION AND DIRECTION

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## Questions

1. Should the City's policy continue to prioritize the collection of Affordable Housing In-Lieu Fees?
2. How should condominiums be treated?
  - Like single-family and townhomes
  - Like apartments
  - Their own category
3. Should the inclusionary requirement on for-sale units remain at 12.5% as proposed?
  - If not, what percentage should be required?
4. Should the affordable housing in-lieu fee be set at \$9 per square foot as proposed?
  - If not, what amount should be required?