

ZONING TEXT AMENDMENT NO. 19-004

Affordable Housing Ordinance
City Council Public Hearing
September 21, 2021

Purpose and Background

- Affordable Housing policies established in the mid 1990's
- HBZSO Section 230.26 - Affordable Housing codified in 2004 and last updated in 2009
- 5th Cycle Housing Element (2013 - 2021) program to reevaluate ordinance and propose revisions consistent with current market conditions
- City contracted with Keyser Marston Associates (KMA) to provide analysis for proposed amendments

**SUPPLEMENTAL
COMMUNICATION**

Meeting Date: 9/21/2021

Agenda Item No.: 10 (21-015)

Request

- Updates and expands the options for projects to meet affordable housing requirements.
- Revises in-lieu fee payment option and fee calculation methodology for ownership and rental housing projects
- Clarifies that rental projects must provide affordable units at the Lower Income level (Low, Very-Low, Extremely-Low)
- Overall minor clarifications and revisions

Inclusionary Requirements

- Existing: New residential projects proposing 3 or more units shall provide at least 10% of the total units as affordable to either moderate or lower income households
- Proposed revisions for certain options to fulfill requirements:
 - Offsite production: Min. 15% inclusionary requirement
 - Acquisition/rehabilitation projects and land dedication: Min. 20% inclusionary requirement

Onsite Affordable Housing

1. Affordable ownership units
2. Affordable rental units within an ownership project
3. Affordable rental units

Onsite Affordable Housing

1. Affordable ownership units
 - 10% inclusionary requirement
 - Moderate Income affordability
 - Bedroom mix of affordable units proportional to bedroom mix of market rate units
 - Affordable units max. 20% smaller than average size of market rate units
 - Exterior and interior improvements (finishes, appliances, etc) comparable to base level market rate units

Onsite Affordable Housing

2. Affordable rental units within an ownership project

- May create separate affordable housing parcel within the market rate project
- Min. 40% of affordable units to include at least two bedrooms
- Market-rate developer may enter into agreement with affordable housing developer to construct, own, operate the offsite affordable units
 - Affordable developer required to enter into Affordable Housing Agreement with City

Onsite Affordable Housing

3. Affordable rental units

- 10% inclusionary requirement
- Lower Income affordability (Low, Very-Low, Extremely-Low)
- Bedroom mix of affordable units proportional to bedroom mix of market rate units
- Affordable units max. 20% smaller than average size of market rate units

Alternatives to Onsite Affordable Housing

1. Offsite production of affordable units
2. Acquisition and rehabilitation of existing units
3. Land dedication
4. In-lieu fee payment

Alternatives to Onsite Affordable Housing

1. Offsite production of affordable units
 - Min. 15% inclusionary requirement
 - Min. 40% of affordable units to include at least two bedrooms
 - Bedroom mix of affordable units proportional to bedroom mix of market rate units
 - Affordable units max. 20% smaller than average size of market rate units
 - Market-rate developer may enter into agreement with affordable housing developer to construct, own, operate the offsite affordable units
 - Affordable developer required to enter into Affordable Housing Agreement with City

Alternatives to Onsite Affordable Housing

2. Acquisition and rehabilitation of existing units

- Preservation of at-risk units identified in the Housing Element
- Motel conversion
- 20% minimum inclusionary requirement
 - Units exceeding 20% minimum requirement may be rented at market rates

Alternatives to Onsite Affordable Housing

3. Land Dedication

- City Council has *discretion*, not *requirement*, to allow a developer to dedicate land in-lieu of constructing affordable units
- 20% minimum inclusionary requirement
- Site's existing GP/Zoning designations, size, configuration, physical configuration must allow for construction of requisite number of affordable units
- Title report, appraisal, Phase I ESA, conceptual site plan and narrative describing potential affordable project

In-Lieu Fee Payment Alternative

- Existing Eligibility:
 - All projects up to 30 units
- Proposed Eligibility:
 - Ownership projects of any size
 - Rental projects up to 100 units
- Existing Methodology:
 - Fee calculated on a per-unit basis
- Proposed Methodology:
 - Fee calculated on a per square foot basis (net saleable or leasable area)
 - Ownership units over 2,000 square feet per unit capped at the total fee for a 2,000 square foot unit

Use of In-Lieu Fees

- No changes proposed to this section of the ordinance
- In-Lieu fees are placed in the City's Affordable Housing Trust Fund (AHTF)
- AHTF can be used for:
 - Projects with a min. 50% of units affordable to very low- and low-income households
 - AHTF units must be affordable for a minimum of 55 years
 - City Council has discretion to use AHTF for several items, including:
 - Pre-development costs
 - Gap financing
 - Rehabilitation
 - Administrative costs

Clarifications & Revisions

- Add Definitions section
 - Clarify existing and new terms/acronyms within the section
- Clarify that construction of an ADU does not fulfill the inclusionary requirements
- Delete existing 230.26(G) – Reduced Fees for Affordable Housing
 - Prior HE program completed through the adoption of reduced Development Impact Fees (DIF)
- Clarify affordable rental units be available to lower income households and affordable ownership units to moderate-income households
- General reorganization and renumbering to increase readability
- Supplemental communication
 - Revise proposed language 230.26(C) for clarity regarding Specific Plan applicability

Analysis

- Providing more options for developers to comply with affordable housing requirements supports General Plan Land Use Element policies
 - Encourage a mix of residential housing types
 - Accommodate diverse housing needs of the community
- Expanding in-lieu fee eligibility enables City to utilize AHTF for comprehensive affordable housing developments providing deeper levels of affordability
- Overall update facilitates production of housing for all economic segments of the community consistent with General Plan Housing Element goals and policies

Public Comments

- Received approx. 200 public comment emails prior to PC Public Hearing
- ZTA No. 19-004 does not propose to change the zoning designation of any property or construct any development
- Housing Element Update is a separate process
- Public Engagement for HEU:
 - Held 2 virtual Community Meetings, 1 Spanish outreach event, Public Input Survey over 2k responses, SEIR Scoping Meeting
 - Upcoming: Public comment period on Public Review Draft HE Document, Community Meeting #3, PC/CC Study Sessions and Public Hearings

Huntingtonbeachca.gov/housingelement

Planning Commission and Staff Recommendation

Approve ZTA No. 19-004 with a modification to revise the term “low-income” to “lower income” in Section 230.26(A)(1) for consistency with the definitions section, Staff modification to 230.26(C), approve for introduction Ordinance No. 4235, and adopt Resolution No. 2021-50 based upon the following:

- Consistent with the general land uses, programs, goals, and policies of the General Plan
- Addresses a community need to:
 - Implement Housing Element programs
 - Facilitate housing opportunities for all economic segments of the community
 - Reflect current market conditions