



Housing and Planning Commission Agenda Report

November 8, 2017

Item 1.a.(1)

SUBJECT: P17-0903

APPLICANT: City of Pleasanton

PURPOSE: Joint meeting with the Housing and Planning Commissions to discuss an amendment to the Inclusionary Zoning Ordinance (IZO) of the Pleasanton Municipal Code to promote City goals and policies related to affordable housing.

LOCATION: Citywide

**GENERAL PLAN/
SPECIFIC PLAN/
ZONING:** Various

EXHIBITS: A. [Discussion Topics](#)

STAFF RECOMMENDATION

Staff recommends that the Housing and Planning Commissions discuss an amendment to the Inclusionary Zoning Ordinance (IZO) of the Pleasanton Municipal Code to promote City goals and policies related to affordable housing as detailed in this report, take public comment, and provide direction to staff so the matter can be brought forward for formal action at a future meeting.

BACKGROUND

The City's IZO was adopted to allow for the development of affordable residential units as part of private development projects. The IZO requires that 15 percent of all units in a new multi-family residential rental development of 15 units or more be rent restricted to very low income households (i.e., households making 50 percent of the Area Annual Median Income for Alameda County or AMI¹) and low income households (i.e., households making 80 percent of the AMI). The IZO also requires that 20 percent of all units in a new single-family residential ownership development of 15 units or more be made available to very low, low, and/or moderate income households (i.e., households making 120 percent of the AMI). While the IZO is clear in stating that the goal is to require affordable units to be built as part of private development projects, it recognizes this may not always be practical and lists alternatives including:

¹ The current Annual Median Income for Alameda County is as follows by Persons in Household: 1=\$68,200; 2=\$77,900; 3=\$87,650; and 4=\$97,400

- Provide for inclusionary units at a location within the City other than the project site;
- Dedicate land to a non-profit housing developer for development of affordable units;
- Allow developments that have provided more inclusionary units than required by the IZO to receive inclusionary unit credits that can be used for another development; and
- Undertake another alternative approved by the City.

As a last alternative, the City allows private development applicants to pay the City's Lower Income Housing Fee (LIHF) instead of constructing affordable units. The LIHF is adjusted annually based on the Consumer Price Index, and is currently \$2,882/unit for rental developments and single-family homes under 1,500 square feet. The fee for single-family homes in excess of 1,500 square feet is currently \$11,627/unit, and the fee for commercial development is \$3.07 per square foot. It should be noted that in accordance with long term practice, the LIHF is the minimum payment and may be negotiated higher, and the option is considered only after all other options are determined to be impractical.

The City has generally been successful in obtaining inclusionary units within multi-family rental developments. However, developers of new single-family developments often opt out of constructing affordable units, indicating it is more costly to construct affordable units than it is to pay the LIHF, and that building affordable ownership units often raises equity issues.

DISCUSSION

The IZO has been successful in producing affordable housing within multi-family rental projects; however, developers have requested to pay the LIHF for all recent single-family home developments with no affordable units constructed within the current Housing Element cycle. Although no ownership units have been constructed, the City considers the payments into the LIHF important as they have helped to fund the construction of other affordable projects in the City such as Kottinger Gardens and the future Sunflower Hill community. They have also contributed to other City programs that promote housing affordability.

In the context of low rates of affordable ownership unit production, staff believes the creation of compact units such as smaller single-family ownership units and rental Accessory Dwelling Units (ADU's) will be a practical way to create additional units that are smaller and more affordable. The creation of smaller compact units and ADUs will help to implement the following goals, policies and programs in the City's General Plan Housing Element:

Policy 6: Actively promote the creation of second units on single-family residential lots and their maintenance as sources of housing affordable to moderate-, low-, and very low-income households.

Policy 28: Strongly encourage housing developers to build small single-family housing units, including detached second units. Single-family residential developments with units and/or second units less than 1,200 square feet in floor area, which provide housing affordable to moderate-income households, shall have the third highest priority for City approval. To the extent that these developments provide resale restrictions to retain the units as affordable to moderate-income households, they may qualify for incentives at the discretion of the City Council.

Program 38.2: Encourage the development of second units and shared housing in R-1 zoning districts to increase the number of housing units while preserving the visual character within existing neighborhoods of single-family detached homes.

Staff does not propose that the compact units and ADUs be income restricted. Even without rent restrictions however, the City is able to count ADUs as moderate income level units towards meeting our Regional Housing Needs Assessment (RHNA) goals. Due to their limited size, smaller units are often considered to be “affordable by design” and would diversify the City’s housing stock, providing more options for new homeowners or households wanting or needing to downsize. It should be noted that even small residential units in this very expensive housing market would not be considered “affordable” under conventional definitions, but are expected to be more affordable than larger units (other variables being equal).

To help facilitate the creation of compact units, staff is recommending that at least 20 percent of the total units in all detached single-family projects with 15 units or more be compact. This would be in addition to the requirement to provide inclusionary units or pay the LIHF. Compact units are proposed to be defined as a dwelling unit that is between 500 and 1,800 square feet. For sale single-family home compact units would be permitted up to 1,800 square feet and be located on a single lot. Attached and detached ADUs would be permitted up to 1,200 square feet and be located on a lot as an accessory use to the main single-family home. Staff has identified a minimum and maximum unit size to encourage units that are small, but still be able to accommodate a household of two or more persons. The proposed amendment is included in Exhibit A for reference.

As recommended by staff, the amended IZO would allow developers to choose between the construction of smaller ownership units or the construction of ADU’s on the same lot as a single-family home. A combination of smaller units and ADUs could also be developed as part of a project. For ADUs, one of the units could be renter occupied while the other unit on the lot would need to be owner occupied. Staff believes the proposed amendment provides flexibility to builders to determine which type of units would best complement their proposed project. The final make-up of the proposed compact units would then be finalized as part of an Affordable Housing Agreement for each project.

CONSIDERATIONS FOR THE MEETING

The following section provides potential discussion topics for the proposed amendments. This meeting will allow the Housing and Planning Commissions to provide direction to staff in order to further refine a recommendation so the matter can be brought forward for formal action at a future meeting. Although staff is recommending the IZO amendment detailed in this report, staff would like to hear all comments and alternative amendments that may be proposed by the Commissioners or public. A list of these discussion topics is attached to this report as Exhibit C for the Commission’s consideration and discussion.

Discussion Point #1 - Inclusionary Zoning Ordinance

1. Are the discussed amendments to the IZO, as proposed, acceptable?

If not:

- a. What types of housing units should be encouraged? Smaller single-family homes (ownership units), ADUs, or both?
- b. Is limiting compact homes to 1,800 square feet acceptable (attached and detached ADUs are limited to 1,200 square feet)?
- c. For all new single-family detached residential projects of 15 units or more, is requiring at least 20 percent to be compact units acceptable?

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