

Council/Agency Meeting Held: _____	_____ City Clerk's Signature
Deferred/Continued to: _____	
<input type="checkbox"/> Approved <input type="checkbox"/> Conditionally Approved <input type="checkbox"/> Denied	
Council Meeting Date: 8/4/2008	Department ID Number: PL08-08

**CITY OF HUNTINGTON BEACH
REQUEST FOR CITY COUNCIL ACTION**

SUBMITTED TO: HONORABLE MAYOR AND CITY COUNCIL MEMBERS *PHW*

SUBMITTED BY: PAUL EMERY, INTERIM CITY ADMINISTRATOR

PREPARED BY: SCOTT HESS, DIRECTOR OF PLANNING *SH*

SUBJECT: Adopt Resolution adjusting the Affordable Housing In-Lieu Fee

Statement of Issue, Funding Source, Recommended Action, Alternative Action(s), Analysis, Environmental Status, Attachment(s)

Statement of Issue:

Transmitted for City Council consideration is a resolution that provides for the annual adjustment to the affordable housing in-lieu fee for new residential projects with three to nine units, pursuant to the Zoning and Subdivision Ordinance. Staff recommends the City Council approve the resolution because the adjustment is in compliance with City regulations and reflects a decrease in the fee commensurate with current market conditions.

Funding Source: Not applicable

Recommended Action:

STAFF RECOMMENDATION:

Motion to:

1. "Adopt Resolution No. 2008-43, a resolution of the City of Huntington Beach adjusting the Affordable Housing In-Lieu Fee as authorized by Zoning & Subdivision Ordinance 3687 Section 230.26 (ATTACHMENT NO. 1)."

D-1

REQUEST FOR ACTION

MEETING DATE: 8/4/2008

DEPARTMENT ID NUMBER: PL08-08

Alternative Action(s):

The City Council may make the following alternative motion(s):

1. "Deny the resolution adjusting the Affordable Housing In-Lieu Fee."
2. "Continue the resolution adjusting the Affordable Housing In-Lieu Fee and direct staff accordingly."

Analysis:

A. PROJECT PROPOSAL:

Applicant: City of Huntington Beach

Location: Citywide

The proposed fee resolution represents a request to adjust the in-lieu fee for affordable housing, pursuant to Section 230.26 C.2 of the Huntington Beach Zoning and Subdivision Ordinance (ATTACHMENT NO. 2). The new fee amounts are as follows:

Project Size (No. of Units)	Per Unit In-Lieu Fee
Three	\$8,140
Four	\$9,150
Five	\$10,170
Six	\$11,180
Seven	\$12,200
Eight	\$13,230
Nine	\$14,240

Developers of small projects (three to nine units) have the option of paying the fee in lieu of recording a covenant on a unit in their project or off-site. Fee revenues are deposited in an account called the Housing Trust Fund; the uses of the fee generally include a variety of widely-used financing techniques to assist the development community.

B. BACKGROUND

In October 2004, the City Council adopted an affordable housing ordinance and established the option for payment of an in-lieu fee for projects with three to nine units. In October 2007, the City Council adopted the affordable housing in-lieu fee; the existing fee amounts are provided in the attached resolution.

D1 . 2

REQUEST FOR ACTION

MEETING DATE: 8/4/2008

DEPARTMENT ID NUMBER: PL08-08

C. STAFF ANALYSIS AND RECOMMENDATION:

The proposed fee amounts are 13.7 percent less than the existing fees, due to a decrease in median home prices as reported in January 2008. The fees were calculated by Keyser Marston Associates, Inc. (KMA), the City's consultant for affordable housing in-lieu fees. Staff recommends the City Council approve the new fee amounts.

Other Issues related to the In-Lieu Fee

In October 2007, the City Council directed staff to do further analysis in conjunction with input and direction from the City's Ad Hoc City Council Committee on various topics related to the in-lieu fee, including: allowance of a fee for all projects, fee methodology, and Regional Housing Needs Assessment (RHNA) requirements. Since that time the Committee has had one meeting and is in the processing of scheduling a second meeting to discuss additional analysis from KMA. Once that work has been completed, staff will process a Zoning Text Amendment to propose a number of changes to the affordable housing ordinance, including changes suggested by KMA for clarification to the existing ordinance.

Strategic Plan Goal:

The affordable housing in-lieu fee is consistent with Strategic Plan Goal L-1, "Establish the vision and create a land use plan for reuse of critical parcels so that the next phase of the community investment and improvement can begin." The in-lieu fee will create a source of funds that the City can use to assist development and redevelopment of parcels suitable for housing and to stimulate investment in target areas.

Environmental Status:

The proposed request is exempt from the California Environmental Quality Act pursuant to Section 15061 (b)(3).

Attachment(s):

City Clerk's Page Number	No.	Description
4 7 11	1.	Resolution No. <u>2008-43</u> , a resolution of the City of Huntington Beach adjusting the affordable housing in-lieu fee as authorized by <u>Zoning & Subdivision Ordinance 3687 Section 230.26</u>
	2.	<u>Existing Zoning and Subdivision Ordinance Section 230.26 Affordable Housing</u>
	3.	PowerPoint Presentation Slides

SH:HF:MBB

D1.3

**INTENTIONALLY
LEFT
BLANK**

D1.4

ATTACHMENT #1

**INTENTIONALLY
LEFT
BLANK**

RESOLUTION NO. 2008-43

A RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF HUNTINGTON BEACH ADJUSTING THE AFFORDABLE HOUSING
IN-LIEU FEE AS AUTHORIZED BY ZONING & SUBDIVISION
ORDINANCE 3687 SECTION 230.26

WHEREAS, on November 1, 2004 the Council adopted Ordinance No. 3687 adding Zoning & Subdivision Ordinance Section 230.26, relating to the goals and objectives of the City's Housing Element, which is intended to encourage very-low, low and median housing;

Pursuant to Section 230.26(B), a minimum of ten (10) percent of all residential construction projects of three (3) or more units must provide affordable housing units;

Pursuant to Section 230.26(b)(4), developers of residential projects consisting of nine or fewer units may elect to pay a fee in lieu of providing the required affordable units on site to fulfill the City's requirement of the Inclusionary Housing Ordinance, unless the affordable housing requirement is outlined as part of a Specific Plan Project;

On October 15, 2007, the City Council adopted Resolution No. 2007-71 establishing a per project in-lieu fee and requiring the fee to be adjusted by the Cost of Living Index every January beginning 2008.

NOW, THEREFORE, the City Council of the City of Huntington Beach does hereby resolve as follows:

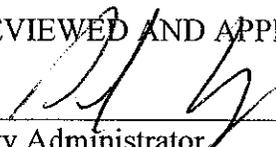
1. The fees adopted pursuant to Resolution No. 2007-71 are hereby adjusted by the Cost of Living Index such that the proposed per project in-lieu fee shall be as follows:

<u>Sliding Scale In-lieu Fee</u>	<u>Fee/Unit</u>		<u>Total Fee</u>
	<u>2007</u>	<u>2008 Update</u>	
3 Unit Projects	\$9,430	\$8,140	\$24,420
4 Unit Projects	\$10,600	\$9,150	\$36,600
5 Unit Projects	\$11,780	\$10,170	\$50,850
6 Unit Projects	\$12,960	\$11,180	\$67,080
7 Unit Projects	\$14,140	\$12,200	\$85,400
8 Unit Projects	\$15,330	\$13,230	\$105,840
9 Unit Projects	\$16,500	\$14,240	\$128,160

PASSED AND ADOPTED by the City Council of the City of Huntington Beach at a regular meeting thereof held on the _____ day of _____, 2008.

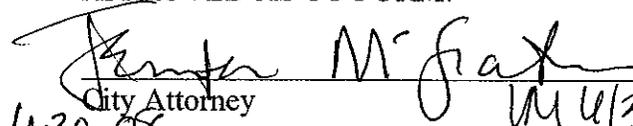
Mayor

REVIEWED AND APPROVED:



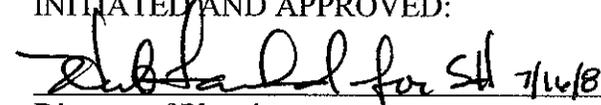
City Administrator

APPROVED AS TO FORM:



City Attorney
4-30-08 M 4/30/08

INITIATED AND APPROVED:



Director of Planning
7/16/08

D1.6

D1.7

ATTACHMENT #2

**INTENTIONALLY
LEFT
BLANK**

Landscaping

Tree wells adjacent to landscape parkways on the street side of curb is encouraged, however shall not encroach into the min. 24 foot wide drive aisle. Also see Chapter 232 Landscaping

230.26 Affordable Housing (3687-12/04)

A. Purpose.

1. The purpose and intent of this Chapter is to implement the goals, objectives and policies of the City's Housing Element. It is intended to encourage very low, low-and median income housing, which is integrated, compatible with and complements adjacent uses, and is located in close proximity to public and commercial services. (3687-12/04)
2. The affordable housing program is one tool the City utilizes to meet its commitment to provide housing affordable to all economic sectors, and to meet its regional fair-share requirements for construction of affordable housing. (3687-12/04)

B. Applicability. This section shall apply to new residential projects three (3) or more units in size. (3687-12/04)

1. A minimum of ten (10) percent of all new residential construction shall be affordable housing units. (3687-12/04)
2. Rental units included in the project shall be made available to very low or low-income households based on the Orange County Median Income, adjusted for appropriate family size, as published by the United States Department of Housing and Urban Development or established by the State of California, pursuant to Health and Safety Code Section 50093, or a successor statute. (3687-12/04)
3. For sale units included in the project shall be made available to very low, low or median income level households based on the Orange County Median Income, adjusted for appropriate family size, as published by the United States Department of Housing and Urban Development or established by the State of California, pursuant to Health and Safety Code Section 50093, or a successor statute. (3687-12/04)
4. Developers of residential projects consisting of nine or fewer units may elect to pay a fee in lieu of providing the units on-site to fulfill the requirement of the Section, unless the affordable housing requirement is outlined as part of a specific plan project. (3687-12/04)
5. Developers of residential projects may elect to provide the affordable units at an off-site location pursuant to subsection B unless otherwise outlined as part of a specific plan project. If affordable units are off-site, they must be under the full control of the applicant, or other approved party. (3687-12/04)
6. New residential projects shall include construction of an entirely new project or new units added to an existing project. For purposes of determining the required number of affordable housing units, only new units shall be counted. (3687-12/04)

C. Fees in Lieu of Construction.

1. Fees paid to fulfill the requirements of this Section shall be placed in the City's Affordable Housing Trust Fund, the use of which is governed by subsection E. (3687-12/04)
2. The amount of the in-lieu fees shall be calculated using the fee schedule established annually by resolution of the City Council. (3687-12/04)
3. One hundred (100) percent of the fees required by this Section shall be paid prior to issuance of a building permit. (3687-12/04)
4. Fees paid as a result of new residential projects shall be based upon the total number and size of the new residential units which are to be constructed. (3687-12/04)

D. Off-Site Construction of Affordable Units. Except as may be required by the California Coastal Act and/or the California Government Code Section 65590 or a successor statute, developers may provide the required affordable housing off-site, at one or several sites, within the City of Huntington Beach. (3687-12/04)

1. Off-site projects may be new construction or major physical rehabilitation, equal to more than one-third the value of the existing improvement, excluding land value, of existing non-restricted units conditioned upon being restricted to long-term affordability. "At Risk" units identified in the Housing Element or mobile homes may be used to satisfy this requirement. (3687-12/04)
2. All affordable off-site housing shall be constructed or rehabilitated prior to or concurrently with the primary project. Final approval (occupancy) of the first market rate residential unit shall be contingent upon the completion and public availability, or evidence of the applicant's reasonable progress towards attainment of completion, of the affordable units. (3687-12/04)

E. Miscellaneous Provisions.

1. The conditions of approval for any project that requires affordable units shall specify the following items: (3687-12/04)
 - (a) The density bonus being provided pursuant to Section 230.14, if any; (3687-12/04)
 - (b) The number of affordable units; (3687-12/04)
 - (c) The number of units at each income level as related to Orange County Median Income; and (3687-12/04)
 - (d) A list of any other incentives offered by the City. (3687-12/04)
2. An Affordable Housing Agreement outlining all aspects of the affordable housing provisions shall be executed between the applicant and the City and recorded with the Orange County Recorder's Office prior to issuance of the first building permit. (3687-12/04)
3. The Agreement shall specify an affordability term of not less than sixty (60) years. (3687-12/04)

4. In a project requiring an in-lieu fee, the applicant shall execute and record an Agreement to pay an Affordable Housing In-Lieu Fee. (3687-12/04)
 5. All affordable on-site units in a project shall be constructed concurrently with or prior to the construction of the primary project units unless otherwise approved through a phasing plan. Final approval (occupancy) of the first market rate residential unit shall be contingent upon the completion and public availability, or evidence of the applicant's reasonable progress towards attainment of completion, of the affordable units. (3687-12/04)
 6. All affordable units shall be reasonably dispersed throughout the project unless otherwise designed through a master plan, shall contain on average the same number of bedrooms as the market rate units in the project, and shall be comparable with the market rate units in terms of exterior appearance, materials and finished quality. (3687-12/04)
 7. Affordable Housing Trust Funds shall be used for projects which have a minimum of fifty (50) percent of the dwelling units affordable to very low- and low-income households, with at least twenty (20) percent of the units available to very low-income households. Concurrent with establishing the annual fee schedule pursuant to subsection C, the City Council shall by resolution set forth the permitted uses of Affordable Housing Trust Funds. All units that obtain Affordable Housing Trust Funds shall maintain the affordability of the units for a minimum of sixty (60) years. The funds may, at the discretion of the City Council, be used for pre-development costs, land or air rights acquisition, rehabilitation, land write downs, administrative costs, gap financing, or to lower the interest rate of construction loans or permanent financing. (3687-12/04)
 8. New affordable units shall be occupied in the following manner: (3687-12/04)
 - (a) If residential rental units are being demolished and the existing tenant(s) meets the eligibility requirements, he/she shall be given the right of first refusal to occupy the affordable unit(s); or (3687-12/04)
 - (b) If there are no qualified tenants, or if the qualified tenant(s) chooses not to exercise the right of first refusal, or if no demolition of residential rental units occurs, then qualified households or buyers will be selected. (3687-12/04)
- F. Price of Affordable Units. Affordable units shall be sold or rented at prices affordable to very low, low- or median-income households pursuant to terms of the Affordable Housing Agreement. (3687-12/04)

~~230.28 (Reserved)~~

~~230.30 (Reserved)~~

Non-Residential Districts

230.32 Service Stations

The following supplemental development standards shall apply to the Service Station use classification.

- A. Minimum parcel size. 22,500 square feet.

D1 . 10

**INTENTIONALLY
LEFT
BLANK**

D1 . 11

ATTACHMENT #3

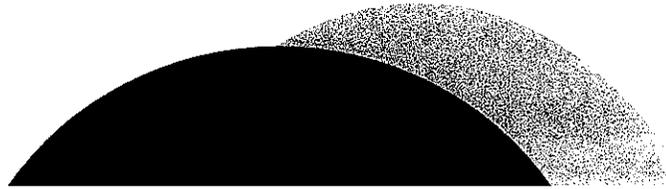
**INTENTIONALLY
LEFT
BLANK**

**Affordable Housing In-Lieu Fee
Annual Adjustment**

August 4, 2008

Request

- Adopt annual adjustment to the affordable housing in-lieu fee for small residential projects with 3 to 9 units

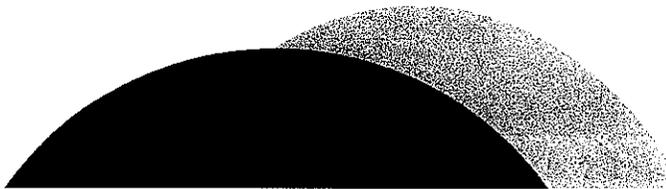


Background

- City Council approved affordable housing ordinance October 2004
- Ordinance allows for an in-lieu fee for projects with 3 to 9 units
- City Council approved affordable housing in-lieu fee in October 2007
- Ordinance requires approval of adjusted fees by City Council resolution

Existing and Proposed Adjusted In-Lieu Fee

Project Size (No. of Units)	Existing Per Unit In-Lieu Fee	Proposed Per Unit In-Lieu Fee
Three	\$9,430	\$8,140
Four	\$10,600	\$9,150
Five	\$11,780	\$10,170
Six	\$12,960	\$11,180
Seven	\$14,140	\$12,200
Eight	\$15,330	\$13,230
Nine	\$16,500	\$14,240



Analysis

- The recommended fee is 13.7% less than the existing fee
- Downward adjustment due to decrease in median home price as of January 2008
- Revised fees calculated by Keyser Marston Associates, Inc.

Recommendation

- Staff recommends the City Council:
 - Adopt the adjusted Affordable Housing In-Lieu Fee for small projects