



# *CITY COUNCIL AGENDA REPORT*

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**MEETING DATE:** APRIL 19, 2016

**ITEM NUMBER:** NB-3

**SUBJECT:** INCLUSIONARY HOUSING

**DATE:** APRIL 7, 2016

**FROM:** DEVELOPMENT SERVICES, HOUSING & COMMUNITY DEVELOPMENT

**PRESENTATION BY:** GARY ARMSTRONG, ECONOMIC & DEVELOPMENT SERVICES  
DIRECTOR/DEPUTY CEO  
WILLA BOUWENS-KILLEEN, ZONING ADMINISTRATOR

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## **RECOMMENDATION:**

Determine if City Council wishes to initiate an Inclusionary (Affordable) Housing Ordinance.

## **BACKGROUND:**

At the City Council meeting of December 1, 2015, Council member Foley requested staff bring an Inclusionary Housing Ordinance to the City Council; however, it was not ascertained whether the majority of the Council were interested in adopting such an ordinance and, if they were, which components should be included.

## **ANALYSIS:**

Inclusionary housing is a tool that can be used by cities to integrate affordable units within market rate developments. One-third of cities and counties in California have adopted some form of inclusionary zoning, including ten in Orange County, requiring a stated percentage (typically 10 to 20%) of affordable units to be provided within newly constructed housing projects. The majority of these regulations allow for payment of a housing in-lieu fee as an alternative to providing the required affordable units on-site. The goal of inclusionary housing programs is to increase the supply of affordable housing proportionate to market-rate development, and to disperse affordable units throughout the community.

Assuming City Council is interested in such an ordinance, options could include requiring developments to incorporate affordable units within their development or to pay an in-lieu fee to the City with the City, ultimately, contracting with an affordable housing builder. Staff researched surrounding cities to see what requirements they have and found the following:

<b>City</b>	<b>Inclusionary Housing required</b>	<b>Threshold?</b>	<b>In-Lieu Fee Permitted?</b>
Fountain Valley	No – Incentives provided per State Law including density bonus	NA	NA
Huntington Beach	Yes – 10% of new units with density bonus available	3 units	Yes
Irvine	Yes – 15% of new units	50 units	Yes
Newport Beach	No	NA	NA
Santa Ana	Yes – rezone to allow greater density; rezone from non-residential to residential zone; or condominium conversion	5 residential lots or units	Yes

The City of Newport Beach had an Inclusionary Housing ordinance, requiring any new residential development projects to include a percentage of affordable units depending on whether the units were available to very low-income versus low income households, with the ability to pay an in-lieu fee when the project consisted of 50 dwelling units or less; however, it was deleted in 2013 based on the increased financial constraints due to the inclusionary housing program and the availability of other programs and resources for the production of affordable housing.

Currently, the City’s affordable housing requirements are contained in Chapter X, Article 4 of the Zoning Code which, basically, defers to Government Code Section 65915. City Council Policy 500-3 establishes methods for complying with Government Code Section 65915 – *Density Bonuses and Other Incentives*; however, it was last revised in 1991 and no longer accurately reflects either the Government Code or the City’s Zoning Code.

City Council has the option of continuing with the voluntary provision of affordable housing or amending the Code to require affordable housing. Depending on the changes Council may wish to institute, processing of a Code amendment would be required. Should City Council wish staff to proceed with the preparation of an

ordinance, direction regarding a threshold number of units to trigger the requirement as well as the type of projects, and the ability to pay an in-lieu fee should be provided.

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ATTACHMENT 1 - [Government Code Section 65195](#)

ATTACHMENT 2 - [City of Costa Mesa Zoning Code Chapter IX, Article 4](#)

ATTACHMENT 3 - [Affordable Housing Ordinances from four surrounding cities](#)