



COUNTY OF PLACER
Community Development Resource Agency

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PLANNING

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MEMORANDUM

DATE: NOVEMBER 27, 2007

TO: HONORABLE BOARD OF SUPERVISORS

FROM: MICHAEL JOHNSON, DIRECTOR OF PLANNING

SUBJECT: **Update/Status Report on Affordable Housing Stakeholder Group /
Discussion of Proposed Affordable Housing Program**

ACTION REQUESTED

This is an update to the Board of Supervisors on the status of the Affordable Housing Stakeholder Group, convened in June 2005, and to confirm future actions by staff regarding next steps in developing an affordable housing program for the County.

BACKGROUND

In May 2003, the Board of Supervisors adopted the Housing Element of the Placer County General Plan. As set forth in the Housing Element there are numerous programs and policies identified to address the ongoing issue of housing affordability throughout Placer County. Goal A of the Housing Element calls for the County "To provide a continuing supply of affordable housing to meet the needs of existing and future residents in all income categories." To implement the provisions of the Housing Element, the Board convened a group of interested stakeholders to address issues associated with the provision of affordable housing within Placer County. As set forth by the Board, the stakeholders for this group included representatives from the Building Industry Association (BIA), local real estate interests and affordable housing advocacy groups. The purpose of these stakeholder meetings was to determine if there were any areas of agreement/consensus on how to provide affordable housing in Placer County.

The Stakeholder Group first met in June 2005, and the meetings have been facilitated by Dave Ceppos of the Center for Collaborative Policy. Staff from the Planning Department, the County Executive's Office and County Counsel have participated regularly to provide program and technical clarification, historical perspective and general input. On an as-needed basis, staff from the Redevelopment Agency has attended meetings to provide information and direction regarding their experience with affordable housing programs.

The area of discussion for these meeting has focused on the region below 5,000 feet in elevation (i.e., the area west of Blue Canyon). This delineation was done in recognition that workforce housing issues for the Tahoe area are already being addressed in a separate forum.

As defined by the Board of Supervisors, the Stakeholders Group has functioned as a collection of three interested-based "caucuses" comprised of representatives from the Building Industry Association, affordable housing advocates, and representatives of real estate and landowner interests. The County staff defined its role early on as providing support to the process, as well as providing technical expertise. It is important to note that County staff did not act as a negotiating stakeholder in this process.

The status of the Affordable Housing Stakeholders Group was last presented to the Board of Supervisors in October 2006. At that time, while much progress had been made with the Affordable Housing Stakeholders Group, no final conclusions had been reached, and it was the desire of the group to continue meeting see if a formal recommendation could be reached. The Board agreed that there was merit in having the Group continue to meet, and directed staff to continue to facilitate discussions with the Affordable Housing Stakeholders Group to see if a formal recommendation could be reached.

Activities Since the October 2006 Board Presentation

Since the October 2006 Board meeting, the Stakeholders Group has continued to meet in an effort to reach a consensus on affordable housing issues. The meetings were delayed temporarily while the Sacramento Area Council of Governments (SACOG) worked through the Regional Housing Needs Assessment for the upcoming Housing Element Update for agencies throughout the region. The group has since reconvened and has actively worked towards the development of an affordable housing program to present to the Board. This report presents will outline the conceptual affordable housing program that is based upon the discussions of the Stakeholders Group.

CONCEPTUAL AFFORDABLE HOUSING PROGRAM

In developing this conceptual affordable housing program, staff looked to the guiding principles agreed to by the Stakeholders Group, as well as the areas where there was general consensus in how such a program could be successfully implemented. The most important issue to all parties continues to be the certainty and timeliness of delivering affordable housing units.

Minimum Percentage of Units to be Provided

One of the most discussed issues during the Stakeholders Group meetings centered on how much affordable housing was needed, and what percentage of affordable housing should be provided with each new development. As the Board is aware, in an effort to encourage the development of more affordable housing units throughout the region, the Sacramento Area Council of Governments (SACOG) adopted the Sacramento Regional Compact for Production of Affordable Housing (the Housing Compact) in March 2004. The Housing Compact is a voluntary membership program that gives incentives to participating cities and counties that meet the Compact's affordable housing production standard. As set forth in the Housing Compact, 10 percent of all new housing construction is to be made available to qualifying residents in the following percentages (known as the "4-4-2 standard"):

- 4 percent of all new housing construction is to be made available to very-low income households (as defined by the State of California);
- 4 percent of all new housing construction is to be made available to low income households (as defined by the State of California); and
- 2 percent of all new housing construction is to be made available to moderate income households (as defined by the State of California).

As envisioned by SACOG, the 4-4-2 standard can be met through a combination of new construction and substantial rehabilitation of existing residences. Additionally, jurisdictions may elect to include or exclude units that are under existing Development Agreements or Vesting Subdivision Maps that were previously approved prior to the adoption of the Housing Compact (on the basis that the agency had no legal right to “renegotiate” these binding contracts). In May 2004, the Board of Supervisors adopted Resolution 2004-124, agreeing to participate in the Sacramento Regional Compact for Production of Affordable Housing.

Menu of Options

While there was general agreement with the inclusion of the 4-4-2 standard as one way of providing affordable housing opportunities, it was the consensus of the Stakeholders Group that a ‘menu of options’ should be provided to increase flexibility and creativity in the delivery of affordable housing units. Based upon the discussions of the Stakeholders Group, the following menu of options was developed for the delivery of affordable housing units:

- Allow for the affordable housing units to be constructed on- or off-site;
- Allow for the dedication of land (either on- or off-site) in-lieu of constructing affordable housing units;
- Allow for the payment of an in-lieu fee to be used for the construction of affordable housing units;
- Develop a non-residential fee for the creation of affordable housing;
- Allow for the construction of alternative housing types (i.e., duplexes on corner lots, attached housing);
- Allow for the conversion and/or rehabilitation of existing housing to dedicated affordable housing units;
- Allow for a sliding scale for the provision of affordable housing units (i.e., provide eight percent of the units at the Very Low Income range instead of the 4-4-2), provide 13 percent of the units at the Moderate Income range instead of the 4-4-2); or
- Any other solution deemed by the County to meet the spirit and intent of the affordable housing program.

The intent of the menu of options was to recognize the diversity of the County and various project conditions (i.e., building type, economic status, geographic location), thereby allowing project applicants to fine-tune a proposal that might fit their specific needs, while at the same time furthering the County’s affordable housing efforts.

Two of the most strongly debated issues within this 'Menu of Options' were:

- The payment of an in-lieu fee to be used for the construction of affordable housing units: Instead of actually constructing affordable housing units, the builder would pay an in-lieu fee to the County to meet the obligation for the provision of affordable housing. The County (or an entity working on behalf of the County) would then be responsible for assuring that the affordable housing units were constructed. While all members of the Stakeholders Group were open to considering the payment of an in-lieu fee, no agreement could be reached on what the actual fee should be. The BIA is open to considering and discussing further a fee similar to that charged in the cities of Elk Grove and Patterson (\$4,000 to \$6,000 for every new residential unit constructed), while the affordable housing advocates want to have a higher fee that is more reflective of the actual cost needed to cover the affordability gap between the market-rate and affordable housing units. It should be clearly noted that the BIA has not adopted an official position on whether or not to support the imposition of an in-lieu fee. At the same time, the BIA remains open to discussing this issue further with the Stakeholders Group.
- Development of a Non-Residential Fee: In discussing affordable housing issues, there was a general consensus that non-residential builders (i.e., commercial and industrial developments) were a missing element in the development of an affordable housing program. As noted by other communities that have adopted an affordable housing fee for non-residential development, it was concluded that the jobs generated by non-residential development generate the need for affordable housing, and non-residential builders should be part of the solution in addressing affordable housing needs (as opposed to the home building industry carrying the entire burden for the development of affordable housing). It should be noted that no representatives from the commercial/industrial development community are a part of the current Stakeholders Group.

Develop a Plan to Implement the Density Bonus Provisions

While the stakeholders group was appreciative of the County's adoption of the recent changes to State law regarding Density Bonus provisions, some comments were raised that the County was not doing all that it could to encourage builders to take advantage of these provisions. The stakeholder group recommended, and staff concurs, that density bonus incentives should be tailored to the specific needs and conditions of County residents and project applicants through the development of Implementation Guidelines for Density Bonus provisions. The intent of these Implementation Guidelines would be to identify ways for staff to work with project applicants to maximize the myriad of options available to applicants to facilitate the development of affordable housing units.

Area of Applicability of Proposed Program

As discussed by the Stakeholders Group, because of the wide-range of options presented with the 'Menu of Options', the affordable housing program should apply to all new development in the area west of Blue Canyon. Because one of the options available may include the payment of an in-lieu fee, smaller builders would have an alternative available to meet the requirements of providing affordable housing without having to construct actual units. This is especially important for the smaller development areas in the Loomis Basin, where the availability of infrastructure and the proximity to services may be limited.

In addition, the Stakeholders Group concluded that there may be other opportunities to capture new affordable housing units. Similar to the requirements being placed on the larger Specific Plans in Western Placer County, when an applicant/property owner requests a General Plan Amendment, it was concluded that they because the property owner is requesting a change in land use that will benefit their property, the County should also be able to benefit from such a land use change. To this end, the Stakeholders Group concluded that it is appropriate to require any project requesting a General Plan Amendment, regardless of where the property is located (in the area west of Blue Canyon), to provide affordable housing in a manner consistent with the terms of this proposed program (excluding Specific Plan areas, which will have their own affordable housing requirements).

Consideration of Establishing an Affordable Housing Administrative Permit Process

One of the challenges to getting affordable housing projects constructed is the multitude of discretionary review processes the projects need to go through. In an effort to expedite the review process for affordable housing projects, one solution would be to establish an affordable housing discretionary permit process that would be handled at the Zoning Administrator level. Such a solution would require Zoning Ordinance changes to reflect this new streamlined process. Ideally, such a solution would identify possible "by right" provisions (as opposed to discretionary provisions) that would limit appeals, while at the same time assuring adequate public review is provided for.

Modification to Current County Planning and Public Works Standards

One of the challenges identified by the Stakeholder Group was limitations enforced by staff of certain County standards (including zoning standards and Public Works standards). A solution to encourage the development of affordable housing projects would be for the County to consider allowing for modified standards for affordable housing projects. It is important to note that the intent of this solution is not to create a sub-standard living condition for affordable housing projects, but rather to provide flexibility in standards to reduce the cost of delivering affordable housing projects. Some reductions in standards may include reductions in building setbacks, as well as reductions in roadway rights-of-way/curb-to-curb widths.

NEXT STEPS IN THE PROCESS

While the Stakeholders Group has identified some challenges to implementing an affordable housing program, none of the challenges are viewed as being insurmountable. The meetings with the Stakeholders Group has shown, for any affordable housing program to be successful, it cannot be a top-down, County-driven process, but rather a collaborative process including all members of the Stakeholders Group.

Based upon the input from the Stakeholders Group, County staff now has sufficient information to move forward with the development of an actual affordable housing program. While staff would be the lead on the preparation of the affordable housing program, the program would be centered on the discussions and direction provided by the Stakeholder Group. As needed, the Stakeholder Group would be convened to be updated on the process and polled for input and direction.

The affordable housing program as envisioned by staff would be created around the foundation set by the Stakeholders Group, as highlighted above. Some of the issues still to be resolved and/or refined include:

- Timing and Certainty: How does the County assure that affordable housing units are constructed in a timely manner? What certainty is provided in the program to assure this construction?
- Concurrency: How does the County assure that the affordable housing units are constructed concurrently with the market-rate units, rather than deferring the affordable housing units to the last phase of the project?
- If an in-lieu fee is established, what mechanism does the County have to assure that the monies are spent, in a timely manner, on affordable housing units?
- To assure that all areas of the development community participate in the provision of affordable housing, there is a need to consider the creation of a non-residential fee to be used for the construction of affordable housing.
- If an in-lieu fee and non-residential fee are established, the County would need to identify a partner (either a non-profit or for-profit builder of affordable housing) to facilitate the actual expenditure of funds and assure the timely construction of affordable housing units.

CONCLUSION / RECOMMENDED ACTION

As discussed above, the Affordable Housing Stakeholders Group has made significant progress regarding the ability to reach consensus on affordable housing. Based upon this consensus, staff is prepared to take the information provided by the Stakeholders Group and create an affordable housing program that reflects the direction provided by the Stakeholders Group.

Based upon the consensus reached with the Stakeholders Group, staff will move forward with the following actions:

- Develop an affordable housing program centered on the 'Menu of Options' identified by the Affordable Housing Stakeholder Group and as discussed in this staff report. Staff has assembled a draft outline of a possible affordable housing program that has been presented to the Stakeholders Group, and this draft outline incorporates the thoughts and ideas of the Stakeholders Group (refer to Exhibit A).

- Retain the services of a consultant to prepare a nexus study for the development of an affordable housing in-lieu fee program for all new residential development west of Blue Canyon (exclusive of Specific Plan areas). The contract for said consultant shall be presented to the Board for review and approval.
- Retain the services of a consultant to prepare a nexus study for the development of a non-residential fee for all new development west of Blue Canyon (exclusive of Specific Plan areas). The contract for said consultant shall be presented to the Board for review and approval.
 - In conjunction with this action, staff will start an outreach program to the non-residential development community to make this group aware of the proposal for a non-residential fee.
- Retain the services of a consultant to analyze the benefits and liabilities associated with the use of non-profit or for-profit partners to administer and implement an affordable housing program for the County.
- As part of any affordable housing program, staff will consider the development of Implementation Guidelines for Density Bonus provisions. The intent of these Implementation Guidelines would be to identify ways for staff to work with project applicants to maximize the myriad of options available to applicants to facilitate the development of affordable housing units.
- Staff will analyze the options available to establish an affordable housing discretionary permit process that would be handled at the Zoning Administrator level. Such a solution would require Zoning Ordinance changes to reflect this new streamlined process, with the intent of creating “by right” provisions (as opposed to discretionary provisions) that would limit appeals, while at the same time assuring adequate public review is provided for.
- Staff will analyze the options available for allowing modified development standards (i.e., reductions in building setbacks, reductions in roadway rights-of-way/curb-to-curb widths).
- To implement any identified affordable housing program, staff will develop an “affordable housing team”, including members from the Planning Department, Engineering and Surveying Department, and Redevelopment Agency, to assure staff resources are available to:
 - Review any affordable housing project proposal in a timely manner.
 - Maintain a high level of technical working knowledge about affordable housing issues to assist in problem-solving for and with applicants.

Respectfully Submitted,



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Director of Planning

ATTACHMENTS: Exhibit A (Draft Affordable Housing Program)

cc: Thomas Miller, County Executive Officer
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DRAFT AFFORDABLE HOUSING PROGRAM

I. Key Principles

- To provide for an availability of a mix of housing options for citizens within Placer County in a timely manner, new development should construct affordable housing concurrent with the build-out of the projects.
- To provide an opportunity for citizens of all economic levels to have home ownership and residency in the community they work, the Placer County affordable housing program should provide for a variety of housing types, including ownership opportunities for low-income families and individuals.
- To provide opportunity for all citizens to benefit from communities with amenities, quality schools, and quality of life that come from diverse and vibrant neighborhoods, affordable housing should be distributed around the County, not concentrated in any one geographic area, and constructed on-site within larger development projects.

II. Program Purpose

The proposed program is intended to provide housing within Placer County for very low, low and moderate income households. The overall goal of the program is to provide that a minimum 10% of new residential housing units will be affordable to these income levels. The income distribution of these units is to provide for 4% at the very low income level, 4% at the low income level and 2% for moderate income households, countywide. Timeliness and certainty of the development of affordable housing units will also be addressed through the implementation of this program.

This program is designed such that all new development, in concert with Placer County and affordable housing interests, will participate in its implementation. It is also intended to afford new development projects with a number of options through which this obligation might be fulfilled.

The County intends to partner with a non-profit or a for-profit entity to achieve its affordable housing goals. This provision would limit the need for Placer County to expand its role and increase staffing levels to address the specific and unique needs of such a program and, further, to engage the use of existing expertise and resources within the Community.

EXHIBIT A

III. Affordable Housing Program

As mentioned above, one premise of the affordable housing program states that all development will participate. However, the various types of development activities within Placer County require different approaches.

The following describes one program to cover residential projects and a second program to address non-residential development. (Note: Based upon the considerable amount of work that has already been completed toward a residential program, it is anticipated that this will become the initial component of the overall program.)

A. RESIDENTIAL AFFORDABLE HOUSING PROGRAM:

1. General Provisions:

- a. **Applicability:** Although the overall goal of 10% is considered a countywide goal and administrative programs developed under this program may ultimately be used for specific plan areas, this current program as described applies to:
 - Below 5000 feet
 - Non-specific plan areas (specific plan areas are subject to separate development agreements)
 - All residential building permits.

The program describes three different types of residential projects: (1) Residential Subdivisions, (2) Construction on individual lots, and (3) Multi-family, rental construction. The program has been tailored to address each type of residential use.

- b. **Menu of Options:** While it is the intent of the program and the preference of the County that the units are constructed with each project, this may not always be feasible nor does it provide for the flexibility in approach that has been requested by the stakeholders, in particular the building industry representatives. The program provides for a "menu of options" from which a developer can choose.

Some alternative approaches to on-site construction of affordable units (for residential subdivisions) may include off-site construction, dedication of land, rehabilitation of existing units with the provision of an affordability covenant, modification of the affordability mix (e.g. 10% low income units rather than 4% very low, 4% low and 2% moderate),

participation in the development or expansion of transitional housing facilities, and payment of an in-lieu fee.

Still other alternatives may be proposed for review and approval by the County. In addition, other options may be available for the builder of an individual lot or for multi-family projects, as described below.

- c. Exemptions: Exemptions from the Affordable Housing Program that may be considered include mobile homes, second units, homes less than x,xxx square feet, etc. (The identification of exemptions, if any, will be determined through the development of program details.)
- d. Incentives: The County will provide incentives for projects that exceed the minimum requirements of this program or to encourage particular options such as on-site construction or land dedication. Projects that comply with the minimum requirements would not be eligible for incentives.

The incentives may include, but are not limited to, density bonuses (pursuant to state law), reduced processing times, fee waivers or fee deferrals, and reduced development standards.

2. Residential Subdivisions:

Projects that include residential subdivisions may contribute to the affordable housing program through one of the following approaches: (1) Construction of affordable units on-site or off-site; (2) Dedication of land; (3) Payment of an in-lieu fee; or through a unique alternative that may be proposed by the project proponent for County review and approval (“menu of options.”)

The first option will be determined to be adequate if the construction of the units comprises a minimum of 10% of the units being affordable.

The acceptance of a land dedication must be based on the amount of land to be dedicated and the appropriateness of the land for the construction of affordable housing. This evaluation may include the consideration of the availability of infrastructure, transit service, adequate site access and other site-specific attributes. This may be determined by the Planning Director, the Design Review Committee (through a process similar to the pre-development review currently in place for projects), or by a “Housing Committee.” The latter could be a group of representatives from

various parties interested in the provision of affordable housing and County staff with appropriate technical expertise.

The developer of a residential subdivision may also pay an in-lieu fee. The fee schedule can be a "flat rate" per unit or it could be a graduated fee based on the size of the unit (e.g. square footage, number of bedrooms). The fee shall be based upon the affordability gap between market-rate housing and housing affordable to very low, low and moderate income households. The appropriate fees will be paid at the time of final map approval (could be improvement plan approval, etc.)

(INSERT FEE SCHEDULE / TABLE)

3. Individual Lots:

Development on an existing lot that requires only a building permit shall also participate in the Affordable Housing Program. The range of options for participation is more limited than that of a residential subdivision, as described above. The builder with an individual lot may participate by one of two methods: (1) Construct a second unit (with a deed restriction to ensure affordability); or (2) Payment of a fee. Similar to the in-lieu fee, the fee schedule for an individual lot can be a "flat rate" per unit or it could be a graduated fee based on the size of the unit (e.g. square footage, number of bedrooms). The fee shall be paid at the issuance of a building permit.

(Note: the County may have to develop a tracking program for development fees paid; for example, fees might be paid at the time of subdivision map approval/recordation rather than at the time the building permit is issued. Details will need to be resolved through the development of the program.)

(INSERT FEE SCHEDULE / TABLE)

4. Multi-family Rental Development:

The developers of multi-family development will also be required to participate in the program. These projects will also be allowed to participate in a variety of ways. The development may (1) Provide the 10% affordable units within the complex (the mix of affordability may differ from that of ownership projects) or (2) Pay a fee. The fee may be based upon the number of bedrooms or square footage of the units or on a per-unit basis. (Participation by condominiums and other attached units must be addressed.)

(INSERT FEE SCHEDULE / TABLE)

B. NON-RESIDENTIAL FEE PROGRAM:

All commercial, industrial and office developments shall participate in the Affordable Housing Program. Amount of the fee shall be subject to the completion of a nexus study and participant outreach. It is anticipated that the fee will be based upon the total square footage of the development that is multiplied by a factor that is determined by employee generation rates for each type of non-residential use.

(Will there be a "menu of options" for non-residential development? Most programs that are developed for non-residential uses are strictly fee programs; however, there may be an ability to approve options such as the construction of work force housing or the dedication of land.)

(INSERT FEE SCHEDULE / TABLE)

IV. Administration

The program administration may be a cooperative effort between Placer County and one or more non-profit or for-profit entities ("entity"). This may include a partnership with an entity that currently exists or one that is established for the sole purpose of administering the funds generated through this program with oversight by the County.

The partnership with an entity should be structured such that costs associated with the development of affordable housing are reduced through the elimination of prevailing wage requirements and other direct or indirect costs that may be incurred if the program were administered by the County. Also, the use of a non-County entity will provide for the use of specialized services that may result in the delivery of affordable units in a more timely and cost-effective manner.

This entity may be responsible for a range of responsibilities associated with the development of affordable housing. These may include the purchase or holding of land for future construction, the construction or rehabilitation of affordable housing, maintaining a list of eligible renters and/or owners of affordable housing, monitoring deed restrictions, and reporting of activities to the County.

The County shall be responsible for the collection of funds, the transfer of funds to the non-profit entity, and ensuring that the County's affordable housing goals are being met through the program. This assurance could be through a monitoring system that includes an annual report. This report would be prepared by the entity and provided to the County for evaluation and approval. The County should establish protocols for the annual reporting process that might include the

information to be contained in each report and the timing of its submission. In the case of non-compliance by the entity, the County must establish remedies to correct the deficiencies.

In addition, an overall evaluation by the County, based on the annual reports in concert with a review of countywide housing goals, should be completed in no less than every five years. Should there be a short-fall in attaining the goals of the County's program, the County may be required to take corrective action, such as processing contract amendments, modifying the nature of the established partnerships, or modifying the program, itself.

The appropriate Entity (or entities) would be identified through a Request for Proposal (RFP) process. The RFP would include a scope of work that would more clearly define preferences and roles for the management and operation of the Placer County Affordable Housing Program.

The selection of the Entity (Entities) would be through a committee that is made up of various stakeholder groups. An agreement would be developed for approval by the Board of Supervisors that describes the process of transferring funds (to a Housing Trust Fund created for that purpose) and land, establishes monitoring requirements, and describes compliance and enforcement procedures.