

CITY OF  
**HAYWARD**  
HEART OF THE BAY

**Hayward Inclusionary Housing Ordinance/In-lieu  
Fee - Review**

**City Council Work Session  
June 29, 2010**



# Inclusionary Housing Ordinance Review

- **Current Ordinance Requirements**
- **Residential Nexus Analysis**
- **Financial Feasibility Analysis**
- **Proposed Relief Measures**



# Hayward Inclusionary Housing Ordinance

- Important component of Hayward's Affordable Housing Strategy
- Since 2006, City has approved Four Agreements resulting in
  - 64 Moderate-Income Units - 28 sold, remainder committed
  - 136 Very-Low –Income Units built
  - Land Dedication for future housing - 22 units
  - In-lieu fees equivalent to 7 affordable units



# Hayward Inclusionary Housing Ordinance

## Major Provisions of the Existing Ordinance

- Required for Developments with 20 or More Units
- Required a 15% Affordable Unit Production Requirement:
  - For-Sale Affordable Housing Required to be Priced to Moderate-Income Households
  - Rental Housing Required to be split 50/50 between Very-Low and Low (60% AMI) Households
- Required Affordable Housing to Be Maintained for 45 Years
- Allowed for Off-site Production with City Council Approval
- Allowed In-Lieu Affordable Fee Payment, For-Sale Only - \$80,000 per Affordable Unit
- Allowed for Combination Approaches



# Inclusionary Housing Developments

## Garden Walk Townhomes and The Crossings at Eden Shores



HAYWARD



# Inclusionary Housing Developments C & Grand Senior Housing



HAYWARD



# Inclusionary Housing Developments

## Walker Landing

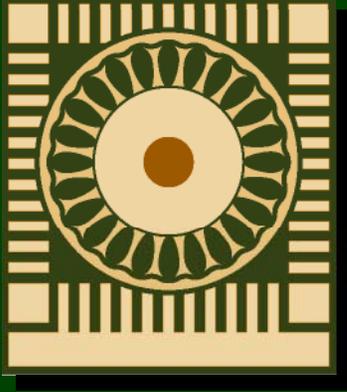




# Inclusionary Housing Ordinance Review - Why

- **Economic Recession/Housing Downturn – Consider Developer Relief Measures**
- **Recent Court Cases – Patterson and Palmer**
- **What is affected?**
  - Rental projects: impact fee now must be primary requirement
  - For Sale Projects: Probably not affected but nexus as a precaution





CITY OF  
**HAYWARD**  
HEART OF THE BAY

**Residential Nexus Analysis  
&  
Financial Feasibility**



## Residential Nexus Analysis

Newly constructed units → new households → new expenditures on goods and services → new jobs, a share of which are low paying → new lower income households → new demand for affordable units



# **Residential Nexus Analysis**

## **How the Analysis is Performed**

- 1. Prototypical New Units Identified**
  - **Household income of purchasers & renters**
- 2. Job Generation Analysis – IMPLAN Model**
- 3. Analysis of New Jobs – KMA Jobs Housing Nexus**
- 4. Application of Affordability Gaps to Produce Fees**



# Residential Nexus Analysis

## The Five Prototypes

	<i>Prototype 1 SFD</i>	<i>Prototype 2 SFD-Min</i>	<i>Prototype 3 Townhome</i>	<i>Prototype 4 Condo</i>	<i>Prototype 5 Rental</i>
<i>Sales Price/Rent</i>	\$650,000	\$500,000	\$385,000	\$340,000	\$2,330/mo
<i>Household Income</i>	\$134,000	\$103,000	\$80,000	\$72,000	\$93,000



## Residential Nexus Analysis

### Total Jobs Generated *per 100 residential units*

	<i>Prototype 1 SFD</i>	<i>Prototype 2 SFD-Min</i>	<i>Prototype 3 Townhome</i>	<i>Prototype 4 Condo</i>	<i>Prototype 5 Rental</i>
<i>Total Job Impacts</i>	55.4	42.6	33.3	30.0	38.7
<i>Total Worker Households (@1.57)</i>	35.2	27.1	21.2	19.0	24.6



## Residential Nexus Analysis

### New Worker Households by Income Tier *per 100 residential units*

<i>Income Category</i>	<i>Prototype 1 SFD</i>	<i>Prototype 2 SFD-Min</i>	<i>Prototype 3 Townhome</i>	<i>Prototype 4 Condo</i>	<i>Prototype 5 Rental</i>
<i>Under 50% AMI</i>	13.0	10.0	7.8	7.0	9.0
<i>50%-80% AMI</i>	8.3	6.4	5.0	4.5	5.8
<i>80%-120% AMI</i>	7.5	5.7	4.5	4.0	5.2
<i>Subtotal</i>	28.8	22.1	17.2	15.5	20.0



## Residential Nexus Analysis Inclusionary Percentages Supported (Cumulative)

<i>Income Category</i>	<i>Prototype 1 SFD</i>	<i>Prototype 2 SFD-Min</i>	<i>Prototype 3 Townhome</i>	<i>Prototype 4 Condo</i>	<i>Prototype 5 Rental</i>
<i>To 50% AMI</i>	11.5%	9.1%	7.2%	6.5%	8.3%
<i>To 80% AMI</i>	17.6%	14.1%	11.3%	10.3%	12.9%
<i>To 120% AMI</i>	22.3%	18.1%	14.7%	13.4%	N/A



## Residential Nexus Analysis Affordability Gaps

<i>Income Category</i>	<i>Unit Tenure</i>	<i>Total Development Costs</i>	<i>Affordable Price/Unit Value</i>	<i>Affordability Gap</i>
<i>Under 50% AMI</i>	Rental	\$287,000	\$54,500	\$232,500
<i>50%-80% AMI</i>	Rental	\$287,000	\$88,900	\$198,100
<i>80%-120% AMI</i>	Owner	\$360,000	\$289,000	\$71,000



## Residential Nexus Analysis

### Maximum Fee Supported by Nexus

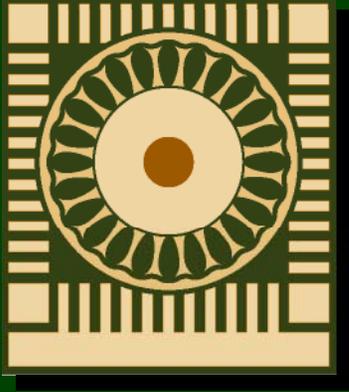
<i>Income Category</i>	<i>Prototype 1 SFD</i>	<i>Prototype 2 SFD-Min</i>	<i>Prototype 3 Townhome</i>	<i>Prototype 4 Condo</i>	<i>Prototype 5 Rental</i>
<i>Under 50% AMI</i>	\$30,000	\$23,000	\$18,000	\$16,000	\$21,000
<i>50%-80% AMI</i>	\$17,000	\$13,000	\$10,000	\$9,000	\$11,000
<i>80%-120% AMI</i>	\$5,000	\$4,000	\$3,000	\$3,000	N/A
<i>Total Nexus Costs</i>	\$52,000	\$40,000	\$31,000	\$28,000	\$32,000



## Financial Feasibility Analysis

- **Current economic conditions make all projects very difficult**
  - **Single family detached – most feasible**
  - **Condominiums – generally not feasible**
  - **Rentals – also not feasible**
- **Markets are beginning to change – worst is over**
- **Recovery will be slow**
- **Developers will need to look to stronger sales prices and rents before they start building again**





CITY OF  
**HAYWARD**  
HEART OF THE BAY

**Proposed Relief Measures**



## Proposed Relief Measures

- 1. Adjust Inclusionary Percentages** - Lesser burden than existing program for attached units
- 2. Modify and Reduce In-Lieu Fees** - Fees lower than existing program for most units
- 3. In-Lieu Fees by Right** – Important to many developers
- 4. Allow Fee Payment Deferral** – to close of escrow
- 5. Adopt Impact Fee for Rental Housing** - per Palmer



## In-Lieu Fee Options Per Square Foot & Total Fee for 100-unit Development

SFD – large      SFD – small      Townhome      Condo      Rental

<i>Existing Ordinance</i>	15%, \$4.44 \$1,200,00	15%, \$6.49 \$1,200,000	15%, \$8.57 \$1,200,000	15%, \$10.00 \$1,200,000	15%, \$13.33 \$1,200,000
<i>Nexus Supported</i>	22.3%, \$19.26 \$5,200,000	18.1%, \$21.62 \$4,000,000	14.7%, \$22.14 \$3,100,000	13.4%, \$23.33 \$2,800,000	12.9%, \$35.56 \$3,200,000
<i>Option One Low</i>	15%, \$3.50 \$945,000	15%, \$3.50 \$647,500	13%, \$3.50 \$490,000	13%, \$3.50 \$420,000	12%, \$3.50 \$315,000
<i>Option Two Recommend</i>	15%, \$4.00 \$1,080,000	15%, \$4.00 \$740,000	14%, \$4.00 \$560,000	14%, \$4.00 \$480,000	12%, \$3.50 \$315,000
<i>Option Three High</i>	15%, \$5.00 \$1,350,000	15%, \$5.00 \$925,000	14%, \$4.50 \$630,000	<b>13%</b> , \$4.50 \$540,000	12%, \$4.00 \$360,000



## Proposed Relief Measures

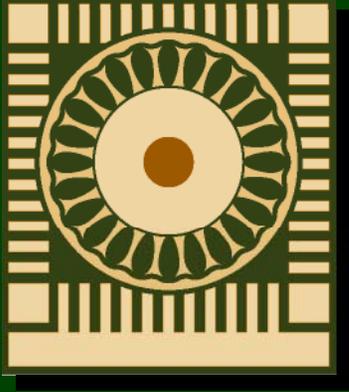
- Relief Measures Effective for 2 ½ Year Period – Similar to other fee relief measures
- Proposed Long Term Changes –
  - “Palmer” - Rental Projects pay impact unless developer wants to negotiate with the City of do on-site units – May be
  - Fees changed to per square foot – more equitable for small v. large units



# Hayward Inclusionary Housing Ordinance/In-lieu Fee - Next Steps

- **Council Direction Regarding Proposed Relief Measures**
- **Introduce Inclusionary Housing Relief Ordinance – 7/20/2010**





CITY OF  
**HAYWARD**  
HEART OF THE BAY

**Hayward Inclusionary Housing Ordinance/In-lieu  
Fee - Review**

**City Council Work Session  
June 29, 2010**

