



HOUSING DEPARTMENT

PROPOSED UPDATES TO INCLUSIONARY HOUSING ORDINANCE



INCLUSIONARY HOUSING ORDINANCE UPDATES

- **March/June Budget Message directed:**
 - Streamline processes
 - Incentive usage of the credit exchange system
 - Adjust AMI target levels to prioritize workforce housing development between 60% and 120% AMI
 - Exempt 100% Affordable developments from the IHO

Program Performance Data

- 🏠 2019 to 2025 – Period of Data Review, Phase 1 IHO
- 🏠 404 Total Applications Submitted
 - Only 43 Projects (10.6%) Built 1,442 or 288 Units Annually
- 🏠 28 Project Built Affordable Units
 - 43% of units at 50% AMI
 - 56% units at 60% AMI – 110%
- 🏠 15 Projects Paid In-Lieu (\$47M, overwhelming majority from 5 Projects)

Take Aways:

1. Program supports workforce housing
2. Developers favor building units over paying in-lieu fees
3. Program unit production parallels Department Gap Financing Program for affordable units

Proposed Ordinance Changes

5.08.500 Inclusionary Housing Requirement for On-Site Compliance

Option	Existing	Proposed
Rental	5% at 50% AMI 5% at 60% AMI <u>5% at 100% AMI</u> 15% total OR 10% at 30% AMI	5% at 60% AMI 5% at 80% AMI <u>5% at 110% AMI</u> 15% total
For-Sale	15% at 120% AMI (maximum sales price at 110% AMI)	15% at 120% AMI (maximum sales price at <u>120% AMI</u>)

Proposed Ordinance Changes

5.08.510 Inclusionary Housing Requirement for Off-Site Compliance

Option	Existing	Proposed
Rental	10% at 50% AMI 5% at 60% AMI 5% at 100% AMI 20% total	10% at 60% AMI 10% at 80% AMI 10% at 100% AMI 30% total
For-Sale	20% at 120% AMI (maximum sales price at 110% AMI)	25% at 110% AMI (maximum sales price at 110% AMI)

Proposed Ordinance Changes

- **5.08.400 Streamlined Process for 100% Affordable Developments**
 - Reduce additional work by utilizing regulatory agreements to show IHO compliance rather than an IHO Process & Agreement
- **5.08.600 Affordability Period for Rental Inclusionary Units**
 - Reduce affordability restriction term to 55 years to align with state and federal regulations.

Initial Surplus Credit Program

Concept & Intent

When a developer provides more affordable housing units than required for a given project, the *surplus units* can be converted into credits. These credits can then be:

- Banked for use in future projects by the same developer, or
- Transferred/sold to other developers who need to meet their IHO obligations.
- The Housing Department will establish the exchange and manage the transactions to ensure equivalency and transferability

Surplus Credit Program

Restrictions

- **Equivalency:** Credits must match the unit type and tenure to be eligible for transfer. *For example, a surplus One Bedroom unit cannot be used to satisfy a Two Bedroom unit requirement.*
- **Transferability:** *align AMI ranges and timing for utilization*

Benefits

- **Flexibility for developers** → encourages them to provide more affordable units when feasible.
- **Efficiency** → makes it easier to balance where and how affordable housing gets produced.
- **Incentivizes** → exceeding requirements to synchronize with shift in capital markets

Inclusionary Housing Ordinance Regulations

To make the updated requirements easier to follow, we'll offer:

- Clear pathways for selecting compliance options
- Detailed guides for each compliance option
- Visual exhibits to illustrate requirements
- Interactive calculators for obligation estimates
- Ready-to-use templates for applications, agreements, and other compliance forms



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