

REPORT TO CITY COUNCIL

DATE: NOVEMBER 14, 2007

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: GREG RAMIREZ, CITY MANAGER

BY: NATHAN HAMBURGER, ASSISTANT CITY MANAGER

SUBJECT: AFFORDABLE HOUSING ASSISTANCE LEVELS FOR NEW CONSTRUCTION: VERY-LOW AND LOW- INCOME UNITS

At the June 27, 2007 City Council meeting an Affordable Housing Implementation Strategy was approved. This document outlined and prioritized potential options that would work towards compliance with Redevelopment Law and the Regional Housing Needs Assessment (RHNA) in relation to affordable housing units within the City, specifically the Redevelopment Project Area.

Following the receipt of the City Council's direction, staff and the City's housing consultant, RSG, have continued to pursue and investigate the plausibility of the various program alternatives approved in the Implementation Strategy. One of the strategies approved was to encourage affordable housing units within new developments including very-low and low-income units which are indistinguishable from the market rate units in the same development. This option provides the greatest opportunity to create affordable units at all income levels and is consistent with Redevelopment Law and the RHNA projected requirements.

As such, the Agoura Village Sub-committee (committee) was created to review and interact with developers who would be constructing the largest undeveloped land areas within the City's Redevelopment Project Area. The committee has reviewed several preliminary designs and has been faced with the fact that the construction of affordable units, specifically very-low and low-income units, reduces the amount of return on investment for developers and at times may create a "cost gap" that could make certain projects financially implausible. Although the affordable housing units are required to be built along with market rate units, many developers desire to build affordable units offsite or pay an in-lieu fee.

The committee has discussed this issue and recommends that the affordable units be built within these potential projects which are in line with the intent of the proposed specific plan. The committee also felt that it was necessary to make the affordable units indistinguishable from the market rate units within the same project so as to keep continuity in the look and feel. With this in mind, it is also noteworthy to point out that in reality, most very-low and low-income units need to be developed as rental units to insure that applicants can meet the income thresholds of the affordable housing program. The committee felt that some level of assistance or subsidy should be provided for the very-low and low units as described to serve as an incentive to

construct quality affordable units that have a cap on their sales/rental price. The committee also recommended that any affordable units that are required in addition to the development's base minimum due to an award of a density bonus would not be eligible for any financial assistance related to the construction of the unit.

The City does have limited funding that can only be used towards affordable housing programs. It is estimated that at the end of fiscal year 2007-2008, there would be approximately \$3.2 million in the Housing Fund (assuming no first-time homebuyer and rehabilitation loans occur) and \$1.9 million in the Inclusionary Housing In-Lieu Fund.

In order for this Sub-committee and staff to have a clear direction as developments which include a housing component come forth, it is requested that the City Council provide some direction on the level of financial assistance that is desirable. The committee expressed that a maximum dollar amount or percentage (of cost gap, identified by the City's housing consultant based on real market examples) would be the most appropriate. At this time, the committee is recommending the City contribution not exceed 50% of the cost gap identified in the City's Affordable Housing Implementation Strategy. Based on the study completed by RSG, the cost to acquire and secure long-term affordability restrictions for an affordable rental unit can be approximately \$223,600 for very-low units and up to \$192,600 for low-income.

RECOMMENDATION

Staff respectfully recommends the City Council provide direction to staff and the committee regarding the maximum level of assistance, if any, that may be provided to secure very-low and low-income units for new development projects.