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INTELLIGENT COMMUNITY DEVELOPMENT

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Via Electronic Mail

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TO: Mike Kamino, Director of Planning and Redevelopment
CITY OF AGOURA HILLS

FROM: Jim Draughon, Housing Manager

SUBJECT: AGOURA HILLS INCLUSIONARY HOUSING ORDINANCE AND IN-LIEU FEE UPDATE MEMORANDUM NEXUS REPORT

Rosenow Spevacek Group Inc. (RSG) prepared the following evaluation pertaining to updating the City of Agoura Hills (the "City") Inclusionary Housing Ordinance (Ordinance) and proposed revised in-lieu fee payment program. The Ordinance is to assist and encourage development of affordable housing in proportion with the overall increase in residential units in the City. The Ordinance provides developers with several options for fulfilling the defined affordable housing requirements, including the payment of an in-lieu fee. The purpose of this memorandum is to assist the City in updating its Inclusionary Housing Ordinance and in-lieu fee payment amount, which will allow the City to provide mixed-income housing in off-site locations under the Ordinance.

AFFORDABLE HOUSING OVERVIEW

The City's affordable housing needs fall within two categories, which include the citywide targets as reflected by the City's Regional Housing Needs Assessment (RHNA), as promulgated by the Southern California Association of Governments (SCAG) and incorporated in the City's Housing Element, and the obligations within the Agoura Hills Redevelopment Project Area (the "Project Area") as reflected in the Five-Year Implementation Plan. The 2006 RHNA numbers reflect a projected Citywide need for a total of 109 dwelling units including 66 affordable units, which are targeted to be produced over the period from 2006 to 2014. During the same period of time, the Redevelopment Implementation Plan estimates that a total of 661 dwelling units will be produced in the Project Area, which reflects a requirement for 100 affordable units to be produced pursuant to the California Health and Safety Code Section 33000 et seq. (California Redevelopment Law (the "CRL").

The following table provides a summary of the total City and Agency needs per the RHNA and the CRL, as well as the surplus or deficit number of RHNA units which would result from the Agency's production of inclusionary housing units pursuant to the CRL.

SUMMARY AFFORDABLE HOUSING NEEDS

Household Income Categories	Redevelopment Affordable Housing Units	2006 – 2014 RHNA Units	Citywide RHNA Production Surplus (Deficit)
Very Low-Income	40	29	11
Low-Income	30	18	12
Moderate-Income	30	19	11
Subtotal Affordable Units	100	66	34
Above Moderate-Income	561	43	518
TOTAL UNITS	661	109	555

Affordable housing activities in the City fall primarily under the Redevelopment Agency's responsibility due to its continuing legal obligations and access to the only reliable source of ongoing funding via statutory deposits to its Low and Moderate-Income Housing Set-Aside Fund (LMIHF). Agencies are required to deposit each year not less than 20% of the total annual tax increment from each project area into a separate low- and moderate-income housing set-aside fund, which may only be used for the purposes of increasing, improving and preserving the community's supply of low- and moderate-income housing. Units produced using LMIHF monies must be made available to and occupied by persons and families of very low-, low- and moderate-income at an affordable housing cost as defined under the CRL (see Attachment 1 – 2007 Los Angeles County Income Limits & Affordable Housing Cost Calculation).

LMIHF monies may be used citywide subject to a number of limitations on their expenditure under Redevelopment Law. The CRL also requires the proportional expenditure of LMIHF monies in accordance with the community's proportional housing needs for very low- and low-income households. Proportional housing needs are identified as those reflected in the City's RHNA targets, thus the Agency's expenditure limitations are governed by the City's RHNA income category distribution adjusted to reflect only the proportion of very low-, low- and moderate-income categories. The Agoura Hills Redevelopment Agency's proportion expenditure requirements, as reflected by the City's 2006 RHNA, is 43.9% for very low-income households, 27.3% for low-income households, and the remaining 28.8% available for distribution to moderate-income households or lower income categories.

SUMMARY FINANCIAL NEEDS ASSESSMENT

The Agency's Five Year Implementation Plan Mid-Term Review, adopted December 2007, estimated that the cumulative deposits to 2014 would result in approximately $6.7 million available for very low-, low-, and moderate-income housing expenditures. The proportional expenditure allocation would reflect about $2,948,875 ($73,271 per unit) for very low-income, $1,833,810 ($61,127 per unit) for low-income, and $1,934,570 ($64,485 per unit) for moderate households. If LMIHF monies that are otherwise available for moderate-income units are applied to the very low-income units the amount available would increase to $4,883,445 ($122,086 per unit) for very low-income units, but require that the required moderate-income units in the Project Area be developed without public assistance.

The affordable housing gap funding analysis discussed below identifies that the gap funding assistance requirement (weighted average) for new construction affordable rental units (using 4% LIHTC) in the City is about $144,965 for very low-income units and $128,552 for low-income units. This would require over $9.6 million to assist in constructing the required 70 very low- and low-income units identified in the Implementation Plan. In addition, the weighted average gap funding assistance requirement for new construction ownership condominium units about $145,475 for moderate-income units, which would require over $2.9 million to assist in developing the 30 moderate-income units identified in the Implementation Plan.

The foregoing indicates that only about 49 rental housing units could be assisted using LMIHF monies during the period to 2014. While the 49 units would meet a portion of the City's RHNA requirements (47 very low- and low-income units), it would reflect about 71% of the City's total RHNA target, and less than 50% of the Agency's total housing production obligation for the planning period. Additional funding resources will be required to assist the City and Agency if fulfilling their respective goals and obligations. The additional funding amount needed to assist the Agency's very low- and low-income requirements would be over $2.8 million, with an additional amount of over $2.9 million to provide assistance in developing the 30 moderate-income condominium units.

The attached draft Inclusionary Housing Ordinance and In-Lieu Fee program is intended to provide some additional measure of assistance to the City and the Agency towards achieving their respective affordable housing needs.

INCLUSIONARY HOUSING ORDINANCE REQUIREMENTS

The Ordinance requirements that must be considered in establishing an in-lieu fee amount are:

1. New for sale and rental housing projects must make at least 15% of the new, converted or substantially rehabilitated units available to very low-, low- and moderate-income households, of which at least 40% must be affordable to very low-income households. Inclusionary units that are produced within market rate projects must comply with the following requirements:
   a. The units must be dispersed throughout the project.
   b. The units must be proportional in number, bedroom size and location to the market rate units.
   c. The units must be comparable with the market rate units in terms of design, materials, finish quality, and interior amenities.
   d. The units must be comparable in infrastructure, including sewer, water and other utilities.
   e. The units must be constructed and occupied concurrently with, or prior to, the construction and occupancy of market rate units.
   f. Income and affordability covenants must remain in place for at least forty-five (45) years for ownership units and fifty-five (55) years for rental units.

2. The inclusionary housing requirements may be satisfied by payment of the in-lieu fee in an amount established by resolution of the City Council.
   a. The in-lieu fees must be deposited in the City's dedicated affordable housing trust account to be held and administered separately from the Agency's LMIHF.

   b. The trust account will only be used to provide funding assistance for construction or retention of affordable housing, and for reasonable administration costs.
   c. The trust account funds may be combined with LMIHF monies for developing affordable housing subject to City Council approval.

3. The inclusionary housing requirements may also be satisfied by an irrevocable dedication of land. The value of the land dedication cannot be less than the amount of the in-lieu fee that would be imposed on the project.

In-Lieu Fee Approach and Methodology

The majority of new residential developments within the City is expected to be comprised of "for sale" home subdivisions. However, it is possible that rental development may also occur. Recognizing that the project economics vary broadly between ownership and rental projects, and to avoid imposing too onerous requirements on development in the City, the RSG analysis evaluates both development types.

In evaluating the potential financial impact of the requirements under the proposed inclusionary ordinance, RSG first identified the difference between the affordable housing costs and the market rate rents or housing prices. An evaluation of local market conditions was made using information obtained from DataQuick.com, RealFacts.com, the LA County Recorder Office, and independent field investigations performed. The data was summarized and compared to the affordable housing costs, as defined under the CRL. According to DataQuick Information Systems (dqnews.com), the 2007 median single family home price in the City was about $845,000, which reflects a market affordability gap of about $787,225 for very low-income households, $748,550 for low-income households, and $635,800 for moderate-income households. Since the median price for single family homes in the City is fairly high, it was determined that the single family calculations would be based on ownership condominiums. The resulting average housing affordability gap for existing market rate condominiums was identified at $289,285 per unit. In addition, based on the capitalization of the identified rent differential between market rate rents and affordable rents, the average affordability gap for existing apartments in the City was identified at $209,385 per unit. Due to the relatively high affordability gap between existing market rate units and the affordable housing costs, it was determined that an evaluation of the cost of developing inclusionary condominium and apartment units would be made using the most feasible funding and financing means available.

The principal of substitution serves as the basis for evaluating the prospective cost associated with developing new condominiums and apartments in the City under the restrictions imposed by the Inclusionary Housing Ordinance. The approach is based on the premise that the City will, and needs to, limit its assistance in developing inclusionary housing units to projects that use a combination of local, federal and state financing mechanisms. Rather than identify the financial impact as being equal to the difference between the market rate sale prices or rents and the affordable price for the required income-restricted units, the estimated costs to develop comparable replacement units is calculated to identify the funding shortfall, if any, to produce the inclusionary unit. The difference is identified as the affordable housing "construction funding gap". The costs associated with developing in affordable units using a combination of higher development density, reduced developer fees and profits, and leveraging City funds with other local, state and federal assistance are generally lower than comparable market rate units. This serves to substantially reduce the need for City assistance, which serves to lower the related in-lieu fee requirement accordingly. The estimated weighted average construction funding gap for condominiums is $145,475 per unit (see Attachment 3) and $102,084 per unit for apartments (see Attachment 4), which is about 50% lower than the market rate affordability gap for existing units.

The methodology for identifying the construction funding gap and determining the corresponding in-lieu fee is as follows:

1. Preparation of a detailed development financial pro forma for each product type using a comparable market building prototype to estimate direct and indirect construction costs including, but not limited to, financing cost and a base developer fee to identify the total estimated development costs.
2. Identification the total rents or sales revenue based on the maximum affordable sales price or rent limits, as defined under the affordability standards imposed by the Ordinance.
3. For ownership condominium units the difference between the affordable sale price per unit and the total estimated development cost per unit represents the affordable construction funding gap associated with each income category's affordable sale price.
4. For rental units, the difference between the total permanent loan amount per unit based on the supporting debt service derived from the unit's affordable rent and net operating income represents the affordable construction funding gap associated with each income category's affordable rent.
5. The weighted average of the three income categories comprising the inclusionary units is then calculated based on the income category's proportion of the total affordable units, as reflected in the City's current RHNA allocation, (i.e., very low-income (0.42 X very low-income gap) + low-income (0.28 X low-income gap) + moderate-income (0.30 X moderate-income gap) = weighted average affordable unit gap).
6. The weighted average construction funding gap for the inclusionary unit multiplied times the total number of units that must be income restricted. This represents the estimated effective cost to a developer of fulfilling the inclusionary housing requirements on site.
7. If a fee is going to be paid in-lieu of providing the inclusionary units on site, the total effective cost is divided by the total number of units in the project. This represents the in-lieu fee amount that can be justified per each market rate unit in the project based on the affordability gap associated with the Inclusionary Housing Ordinance requirements.

<u>Household Income Limits</u>

The Ordinance defines the income limits for very low-, low- and moderate-income households as defined in the California Health and Safety Code Section 50105 for very low-income, Section 50079.5 for low-income, and Section 50093 for moderate-income households. The income information is published by the State of California Housing and Community Development Department (HCD) annually. The income limits for Los Angeles County cities in 2007 are as follows:

Household Size	Very Low-Income	Low-Income	Moderate Income
1 Person	$25.900	$41,450	$47,500
2 Person	$29,600	$47,350	$54,200
3 Person	$33,300	$53,300	$61,000
4 Person	$37,000	$59,200	$67,800
5 Person	$39,950	$63,950	$73,200
6 Person	$42,900	$68,650	$78,600
7 Person	$45,900	$73,400	$84,100
8 Person	$48,850	$78,150	$89,500

(Note: Revised Income Limits for 2008 are due to be published by HCD in late March 2008.)

Affordable Housing Cost Calculation Methodology

The Ordinance identifies the affordable housing cost calculation as those imposed by the California Health and Safety Code, which provides the methodologies for calculating affordable housing costs for ownership units (Section 50052.5(b)), and for rental units (Section 50053(b)).

AFFORDABILITY GAP ANALYSIS – OWNERSHIP PROJECTS

Affordable Housing Cost Calculations

Calculation of affordable housing cost for ownership units pursuant to Section 50052.5(b) is performed based on household income adjusted for family size appropriate to the unit.

1. Household size incomes are applied based on unit sizes as follows:
   a. 3-person households for two-bedroom units;
   b. 4-person household for three-bedroom units;
   c. 5-person-household for four-bedroom units; and
   d. 6 person-household for five-bedroom units.
2. Affordable housing cost calculations are defined as follows:
   a. For very low-income units, the affordable housing cost calculation is set at 30% X 50% of the Los Angeles County area median income (AMI);
   b. For low-income units, the affordable housing cost calculation is set at the average of 30% X 70% AMI and, at the City's option, for household earning between 70% and 80% AMI an amount equal to 30% X the household's gross income; and
   c. For moderate-income units, the affordable housing cost calculation is set at the average of 35% X 110% AMI and, at the City's option, for households earning between 110% and 120% AMI an amount equal to 35% X the household's gross income.

d. The defined monthly affordable housing cost is adjusted to reflect housing related expenses. These expenses are defined as mortgage debt service payments, property taxes, homeowner fees, insurance costs and utility costs.

e. The adjusted (net) monthly affordable housing cost reflects the maximum amount available for payment of monthly principal and interest and for purposes of calculating the maximum supportable loan amount for an inclusionary unit. The calculation is based on a 30-year fully amortizing mortgage at 6.25% interest rate.

Assuming the homebuyer makes a down payment equal to 5% of the affordable purchase price, the affordable purchase prices for the income-restricted units are summarized below. See Attachment 2 for complete analysis by income category, applicable income limits and unit sizes.

Very Low-Income Households	One Bedrooms	Two Bedrooms	Three Bedrooms	Four Bedrooms
Max Loan Amt.	$ 41,123	$ 44,026	$ 50,097	$ 52,186
+ 5% Down Payment.	$ 2,164	$ 2,318	$ 2,636	$ 2,747
Affordable Price	$ 43,287	$ 46,344	$ 52,733	$ 54,933

Low-Income Households	One Bedrooms	Two Bedrooms	Three Bedrooms	Four Bedrooms
Max Loan Amt.	$ 72,092	$ 110,011	$ 123,715	$ 133,002
+ 5% Down Payment.	$ 3,794	$ 5,790	$ 6,511	$ 7,001
Affordable Price	$ 75,886	$ 115,801	$ 130,226	$ 140,003

Moderate-Income Households	One Bedrooms	Two Bedrooms	Three Bedrooms	Four Bedrooms
Max Loan Amt.	$ 162,434	$ 192,958	$ 215,912	$ 232,493
+ 5% Down Payment.	$ 8,549	$ 10,156	$ 11,364	$ 12,236
Affordable Price	$ 170,983	$ 203,114	$ 227,276	$ 244,729

Funding/Affordability Gap Calculations

Calculation of the difference between the total construction costs and the maximum affordable rage prices for inclusionary units identifies the construction funding gap. Assuming a project unit mix of 10% on bedroom units, 40% two bedroom units, 40% three bedroom units, and 10% four bedroom units, the weighted average construction funding gap is $213,808 for very low-income units, $145,377 for low-income units, and $54,462 for moderate-income units (see Attachment 3 – For Sale Condominium Construction Funding Gap Analysis).

The weighted average construction funding gap amounts are then multiplied by the proportion of very low- (40%), low- (30%), and moderate income (30%) units required to identify the weighted average of the construction funding gap per the inclusionary housing unit requirements under the Ordinance. The weighted average housing affordability gap amount identified in Attachment 3 is $145,475 per each affordable unit required, which is multiplied by the number of inclusionary units required in a project to reflect the total inclusionary in-lieu fee amount for a project.

For Sale Units Inclusionary Housing Obligation Cost / In-Lieu Fee Amount

The Ordinance requires developers to allocate 15% of the units in an ownership project to moderate income households, thus for a 20-unit project, three (3) inclusionary units would be required onsite. If developed off site, the total in-lieu fee amount would be $436,425 (3 X $145,475). When the total $487,797 in-lieu fee is distributed across all units in a project, the cost is equal to $21,821 for each market rate unit developed ($436,425 / 20 units = $21,821). To fully reflect total costs associated with developing the inclusionary units off site, payment of an in-lieu in the amount of $21,821 per residential unit in a project is required ($21.821 / 15% = $145,475).

AFFORDABILITY GAP ANALYSIS - RENTAL PROJECTS

Calculation of the affordable housing gap associated with inclusionary rental units is similar to that for ownership units. The construction funding gap, however, is determined by the difference between the supportable loan amount based on the net operating income from the affordable rents, as defined under the CRL, and the total projected cost to develop the affordable unit.

Affordable Housing Cost Calculations

Calculation of affordable housing cost for rental units pursuant to Section 50053(b) is performed based on household income adjusted for family size appropriate to the unit.

1. Household size incomes are applied based on unit sizes as follows:
    a. 3-person household for two-bedroom units;
    b. 4-person household for three-bedroom units;
    c. 5-person household for four-bedroom units; and
    d. 6-person household for five-bedroom units.
2. Affordable housing cost calculations for rental units are defined as follows:
    a. For very low-income units, the income calculation limit is set at 30% X 50% of the Los Angeles County area median income (AMI);
    b. For low-income units, the income calculation limit is set at the average of 30% X 60% AMI and, at the City's option, for households earning between 60% and 80% AMI an amount equal to 30% X the household's gross income; and
    c. For moderate-income units, the income calculation limit is set at the average of 30% X 110% AMI and, at the City's option, for households earning between 110% and 120% AMI, an amount equal to 30% X the household's gross income.
3. The maximum allowable rent must be adjusted to an allowance for payment of utility cost. Based on the 2007 allowances provided by the Los Angeles County Housing Authority, the utilities are estimated at $35 for studio units, $50 per month for one-

bedroom units and $65 per month for two-bedroom units, $79 for three-bedroom units, and $102 for four-bedroom units.

The maximum allowable 2007 affordable rents under the defined income categories are as follows:

Very Low-Income Households	Studio/ Efficiency	One Bedrooms	Two Bedrooms	Three Bedrooms
Monthly Housing Cost	$ 495.00	$ 565.00	$ 636.25	$ 706.25
- Utility Allowance	$ 35.00	$ 50.00	$ 65.00	$ 79.00
Affordable Rent	$ 460.00	$ 515.00	$ 571.25	$ 627.25

Low-Income Households	Studio/ Efficiency	One Bedrooms	Two Bedrooms	Three Bedrooms
Monthly Housing Cost	$ 594.00	$ 678.00	$ 763.50	$ 847.50
- Utility Allowance	$ 35.00	$ 50.00	$ 65.00	$ 79.00
Affordable Rent	$ 559.00	$ 628.00	$ 698.50	$ 768.00

Moderate-Income Households	Studio/ Efficiency	One Bedrooms	Two Bedrooms	Three Bedrooms
Monthly Housing Cost	$1,089.00	$1,243.00	$1,399.75	$1,553.75
- Utility Allowance	$ 35.00	$ 50.00	$ 65.00	$ 79.00
Affordable Rent	$1,054.00	$1,243.00	$1,399.75	$1,474.75

Funding/Affordability Gap Calculations

The calculation of the difference between the estimated total construction costs and the maximum supportable loan amount based on the available net operating income from the affordable rents for inclusionary units identifies the construction funding gap (see Attachment 4 – Mixed Income 4% LIHTC Apartments Construction Funding Gap Analysis). Assuming a project unit mix of 10% studio units, 40% one bedroom units, 40% two-bedroom units, and 10% three-bedroom units, the weighted average construction funding gap under a mixed-income 4% LIHTC project scenario is $149,394 for very low-income units, $132,935 for low-income units, and $8,212 for moderate-income units.

The weighted average construction funding gap amounts are then multiplied by the proportion of the very low- (40%), low- (30%), and moderate income (30%) units to identify the weighted average of the housing affordability gap per the affordable unit requirements under the Ordinance. The weighted average housing affordability gap amount identified in Attachment 3 is $102,084 per each affordable unit required, which is multiplied by the number of inclusionary units required in a project to reflect the total inclusionary in-lieu fee amount for a project.

Rental Units Inclusionary Housing Obligation Cost / In-Lieu Fee Amount

The Ordinance requires developers to allocate 15% of the units in a project to low and moderate-income households, thus for a 20-unit project, three (3) inclusionary units would be required onsite. If developed off site, the total in-lieu fee amount would be $306,252 (3 X

$102,084). When the $102,085 construction funding gap amount is distributed across all units in a project, the cost is equal to $15,313 per market rate unit ($15,313 / 20 units = $15,313). To fully reflect total costs associated with developing the inclusionary units off site, payment of an in-lieu in the amount of $15,313 per residential rental unit in a project is required ($15,313 / 15% = $102,084).

SUMMARY 2007 MAXIMUM IN-LIEU FEES

As identified above, the housing affordability gap is determined to be reflected by the construction funding gap associated with developing new condominium or apartment units. The construction funding gap is translated into the in-lieu fee amount that would have to be charged to provide the City with adequate funds to produce the required inclusionary units off site with similar product types at another location in the City. Key assumptions used in setting the in-lieu fee amounts include the following:

1. The in-lieu fee is calculated at the 100% estimated construction funding gap.
2. The in-lieu fee is calculated independently for ownership housing units and for rental units to reflect current market factors and availability of financing and other funding sources.
3. The in-lieu fee should be updated at least annually to reflect current household income limits, affordable housing costs, and housing market conditions.

The 2007 maximum in-lieu fees that are supported by this analysis are as follows:

	Ownership Projects	Rental Projects
Per Affordable Unit	$ 145,475.00	$ 102,084.00
Per Market Rate Unit	$ 21,821.00	$ 15,313.00

IN-LIEU FEE COMPARISON ANALYSIS

To assist the City in setting the in-lieu fee payment amount, RSG reviewed information for over 180 other California jurisdictions that have inclusionary housing requirements including those that allow payment of in-lieu fees. Pursuant to emerging case law and best practices identified by HCD, many cities require the City Council to provide discretionary approval for a fee to be paid in-lieu of producing the affordable units. However, a number of cities calculate the in-lieu fee on a case-by-case basis, which has become legally problematic since the fees may not be uniformly applied within a jurisdiction.

For the cities that have established fee schedules, in-lieu fees are generally established by resolution of the City Council and calculated on the one of the following bases:

1. Per square foot of gross building area (GBA) included in the project;
2. Per the identified pricing difference between the market rate unit and the affordable unit;
3. Per funding or financing deficit for units developed in a market rate project; or
4. As a percentage of project construction value.

The review inclusionary ordinances in other cities are summarized below.

1. Inclusionary requirements are generally applied to all new residential (owner and rental) projects and require that 15% of the units be affordable.
2. Generally, projects with fewer than 10 units are exempt from the Inclusionary Housing Ordinance requirements, or where a city's ordinance requirements are applicable to a lower number of units, there is generally a lower fee charged to such units.
3. A separate (generally lower) fee is typically charged for apartment projects and a separate (generally higher) fee is charged for ownership projects, which may or may not make a distinction between single family detached and condominium units.

As can be seen, the methods for calculation of in-lieu fees the resulting in-lieu fees that are being charged by the surveyed cities vary widely. Moreover, since many cities negotiate the in-lieu fee on a case-by-case basis, it is very difficult to identify the "typical" in-lieu fee being charged by cities that are implementing inclusionary housing programs. However, based on the available information, the fees identified for Agoura Hills are comparable with the fees being charged by other Southern California cities.

IN-LIEU FEE RECOMMENDATIONS

As previously stated, the provision of an in-lieu fee payment as an option to producing the inclusionary housing units onsite may provide the City with greater flexibility in meeting its affordable housing requirements, particularly if developed in projects that receive additional federal or state funding assistance such as LIHTC's and tax-exempt bond financing. Identification of an in-lieu fee amount, however, requires several qualitative and quantitative judgments and decisions by the City. These judgments typically are based on a community's total housing needs and the level of community "buy-in" to achieving affordable housing objectives as having a beneficial economic impact in the community. To provide a framework for our in-lieu fee recommendations, RSG considered the following factors.

1. The City's primary objective is to attract sufficient housing to fulfill affordable housing requirements identified in the Redevelopment Project Area, as well as its RHNA targets.
2. The market characteristics in Agoura Hills strongly favor ownership single family detached housing development over condominium and/or rental development. Nevertheless, the potential exists to develop affordable housing on a more cost efficient basis in infill locations through development of attached townhomes, condominiums and/or apartment projects. If the City uses the revenues generated by the in-lieu fee to implement such a strategy, it would be financially beneficial and assist the City in meeting its housing objectives.
3. The estimated median sale price for single-family homes in Agoura Hills averages about $845,000. The gap between the market price and the price that would be affordable to a moderate income household for a three bedroom home averages about $635,800 with the average increasing to $748,550 for low-income households, and to about $787,225 for very low-income households. The affordability gaps at lower income levels are clearly too large to be filled by the inclusionary housing requirement.
4. The City has only limited financial resources that are available to assist in providing affordable housing citywide, while, as identified above, the Agency's LMIHF monies are

insufficient to fund the number of affordable housing units that it is required produce in the Redevelopment Project Area. The funding deficiency is particularly critical in the Redevelopment Project Area since the affordable housing requirements are a legal mandate under the CRL, which must be fulfilled within defined time periods. This indicates that a large proportion of the units needed to fulfill the City's and Agency's affordable housing needs will have to be accomplished either through the production of inclusionary units onsite and/or assisted with revenues generated by inclusionary housing in-lieu fees coupled with LMIHF monies. Based on these factors, it is the RSG recommendation that the in-lieu fee be set to reflect 100% of the estimated construction funding gap.

Use of the in-lieu fees deposited into the City Affordable Housing Development Trust Account should be combined with the Agency's LMIHF monies to expand the funding resources available for developing very low- and low-income housing units when possible. This is particularly applicable to affordable housing units developed outside of the Redevelopment Project Area, since the CRL provides that a unit may be produced outside a project area but requires that two units must be produced outside the project area for each one unit required to be produced in the project area.

Based on the preceding analysis, RSG's conclusion is that the in-lieu fee could legitimately be set at as much as $145,475 per affordable unit required in an ownership project, and $102,084 per affordable unit required in a rental project. To better reflect the total per unit development cost for units not developed onsite, RSG recommends allocation of the affordable housing gap among all of the units developed in a project, which results in an in-lieu fee amount of $21,821 per unit in an ownership housing project and $15,313 per unit in a rental housing project.

RSG also recommends that the City establish a mechanism for re-evaluating the in-lieu fee amount on a periodic basis. RSG suggests that the re-evaluation be performed at least annually so that the in-lieu fee will keep pace with changes in affordable household income limits, the calculation of affordable housing costs, and the changes in the local housing market.

ADMINISTRATIVE FEE

CRL Section 33418(c) provides that an agency may establish and impose fees upon owners of properties monitored pursuant to its ongoing annual affordable housing compliance monitoring requirements. RSG surveyed cities with inclusionary housing ordinances to determine whether administrative fees are being charged to reimburse the cities for the staff time spent administering the program. RSG's review of inclusionary housing provisions for large and small cities failed to identify a city that currently charges an administrative fee. While the City of Pasadena has a provision in their ordinance that allows the City Council to set an administrative fee, to date the City continues to fund the staff time expenditures from the in-lieu fees generated by the inclusionary housing program and/or its redevelopment LMIHF monies. Nevertheless, since the annual affordable housing compliance monitoring responsibilities fall on the Redevelopment Agency, RSG recommends the City of Agoura Hills establish a fee to recover the cost related to the monitoring and administrative activities in order to mitigate future financial impacts to the Agency's LMIHF. The amount of the annual administrative fee should be established by resolution of the City Council, as it deems appropriate.

LIST OF ATTACHMENTS

Attachment 1 – 2007 Los Angeles County Income Limits & Affordable Housing Cost Calculation

Attachment 2 – 2007 Los Angeles County Affordable Ownership Price CalculationS

Attachment 3 – For Sale Condominium Construction Funding Gap Analysis

Attachment 4 – Mixed-Income 4% LIHTC Apartments Construction Funding Gap Analysis

Attachment 1 - 2007 Los Angeles County Income Limits & Affordable Housing Cost Calculations

Los Angeles County - 2007
Affordable Rental Housing Cost Limits

Median Income	Utility Allowance	Section 8 Voucher	Number of Persons	Number of Bedrooms	Very Low-Income 50% of Median: Qualifying Income Limit	Very Low-Income 50% of Median: Max. Rent 30% X 50%	Low-Income 80% of Median: Qualifying Income Limit	Low-Income: Maximum Rent Range 30% X 60%	Low-Income: Maximum Rent Range 30% X 80%	Moderate-Income 120% of Median: Qualifying Income Limit	Moderate-Income: Maximum Rent Range 30% X 110%	Moderate-Income: Maximum Rent Range 30% X 120%
			H&S Code 500053.(h)		H&S Code 500053.(b)(2)		H&S Code 500053.(b)(3)			H&S Code 500053.(b)(4)		
$39,600	*$35*	*$789*	One	Studio	$25,900	$460.00	$41,450	$559.00	$1,001.25	$49,700	$1,054.00	$1,207.50
$45,200	*$50*	*$952*	Two	One	$29,600	$515.00	$47,350	$628.00	$1,133.75	$56,800	$1,193.00	$1,370.00
$50,900	*$65*	*$1,189*	Three	Two	$33,300	$571.25	$53,300	$698.50	$1,267.50	$63,900	$1,334.75	$1,532.50
$56,500	*$79*	*$1,597*	Four	Three	$37,000	$627.25	$59,200	$768.50	$1,401.00	$71,000	$1,474.75	$1,696.00
$61,000	*$102*	*$1,921*	Five	Four	$39,950	$660.50	$63,050	$813.00	$1,474.25	$76,700	$1,575.50	$1,815.50
$65,500	*$117*	*$1,921*	Six	Five	$42,900	$701.75	$68,650	$865.50	$1,599.25	$82,400	$1,684.25	$1,943.00

Note: Maximum Rent reflects net rent amount after deduction for utility allowance per LA PHA 2006 Schedule.

Los Angeles County - 2007
Ownership Housing Cost Limits

Median Income	Utility Allowance	Section 8 Voucher	Number of Persons	Number of Bedrooms	Very Low-Income 50% of Median: Qualifying Income Limit	Very Low-Income 50% of Median: Max. Rent 30% X 50%	Low-Income 80% of Median: Qualifying Income Limit	Low-Income: Affordable Housing Cost 30% X 70%	Low-Income: Affordable Housing Cost 30% X 80%	Moderate-Income 120% of Median: Qualifying Income Limit	Moderate-Income: Affordable Housing Cost 35% X 110%	Moderate-Income: Affordable Housing Cost 35% X 120%
			H&S Code 500053.(h)		H&S Code 500052.5(b)(2)		H&S Code 500052.5(b)(3)			H&S Code 500052.5(b)(4)		
$39,600	*$60*	*n.a.*	One	Studio	$25,900	$594.00	$41,450	$693.00	$1,036.25	$49,700	$1,270.50	$1,449.58
$45,200	*$85*	*n.a.*	Two	One	$29,600	$678.00	$47,350	$791.00	$1,183.75	$56,800	$1,450.17	$1,656.67
$50,900	*$110*	*n.a.*	Three	Two	$33,300	$763.50	$53,300	$890.75	$1,332.50	$63,900	$1,633.04	$1,863.75
$56,500	*$134*	*n.a.*	Four	Three	$37,000	$847.50	$59,200	$988.75	$1,480.00	$71,000	$1,812.71	$2,070.83
$61,000	*$173*	*n.a.*	Five	Four	$39,950	$915.00	$63,050	$1,067.50	$1,576.25	$76,700	$1,957.08	$2,237.08
$65,500	*$198*	*n.a.*	Six	Five	$42,900	$982.50	$68,650	$1,146.25	$1,716.25	$82,400	$2,101.46	$2,403.33

Note: Affordable Housing Cost reflects gross amount available for housing before deductions for utility allowance, RE Taxes & Insurance, HOA and other fees.

Attachment 2 – Los Angeles County Affordable Ownership Housing Price Calculations

Agoura Hills 2007 Projected Affordable Housing Price Calculations - Ownership Units

SUMMARY	*Very Low-Income (50% of median income)*					*Low-Income (80% of median income)*				*Moderate-Income (120% of median income)*			
Household Income Limits	$29,600	$33,300	$37,000	$39,950	$42,900	$53,300	$59,200	$63,050	$68,650	$63,900	$71,000	$76,700	$82,400
Households Size	2 person	3 person	4 person	5 person	6 person	3 person	4 person	5 person	6 person	3 person	4 person	5 person	6 persons
Dwelling Unit Size	1 Bedrooms	2 Bedrooms	3 Bedrooms	4 Bedrooms	5 Bedrooms	2 Bedrooms	3 Bedrooms	4 Bedrooms	5 Bedrooms	2 Bedrooms	3 Bedrooms	4 Bedrooms	5 Bedrooms
Max. Monthly Housing Cost	**$678.00**	**$763.50**	**$847.50**	**$915.00**	**$982.50**	**$1,111.63**	**$1,234.38**	**$1,321.88**	**$1,431.25**	**$1,748.40**	**$1,941.77**	**$2,097.08**	**$2,252.40**
Less: Taxes (1.15%)	0.00	67.75	73.70	76.19	80.69	114.62	125.83	132.44	141.16	225.50	242.36	265.46	284.15
Insurance (0.3%)	0.00	49.69	58.13	65.63	72.19	49.69	58.13	65.63	72.19	49.69	58.13	65.63	72.19
HOA Fees & Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Utilities	85.00	110.00	134.00	173.00	198.00	110.00	134.00	173.00	198.00	110.00	134.00	173.00	198.00
Other Fees & Assmts.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Available For Debt Service	**$593.00**	**$536.06**	**$581.68**	**$600.19**	**$631.62**	**$837.32**	**$916.42**	**$950.81**	**$1,019.90**	**$1,363.21**	**$1,507.28**	**$1,593.00**	**$1,698.06**
						** Max. Low -Income Reflects Average 70% & 80% AMI*				** Max. Moderate-Income Reflects Average 110% & 120% AMI*			
Max. Loan Amount	*$96,310*	*$87,062*	*$94,472*	*$97,478*	*$102,583*	*$135,991*	*$148,838*	*$154,423*	*$165,644*	*$221,402*	*$244,801*	*$258,723*	*$275,786*
@ Interest Rate 6.25%		*Amortized Years: 30*											
Affordable Housing Price		**$91,645**	**$99,444**	**$102,608**	**$107,982**	**$143,149**	**$156,672**	**$162,550**	**$174,362**	**$233,055**	**$257,686**	**$272,340**	**$290,301**

Reflects 5% Down Payment Requirement

Attachment 3 – For Sale Condominium Construction Funding Gap Analysis

		Very Low-Income			Low-Income Units			Moderate-Income Units			Total	
Acres		0.29			0.21			0.21			3.9	
Est. Density (d.u./acre)		28			28			28			28	
Wt. Avg. Unit Size		974			974			974			974	
Wt. Avg. Unit Price		$49,453			$120,000			$213,727				
Total Units		8	*40%*		6	*30%*		6	*30%*		20	
I. Revenue												
Total Gross Sale Revenue		$395,624			$720,000			$1,282,362			$2,397,986	
II. Costs												
Directs			$ Per Bldg SF			$ Per Bldg SF			$ Per Bldg SF			Cost Per Unit
Site Work /Sq.Ft.		$80,897	6.50		$60,673	6.50		$60,673	6.50		$202,243	*10,112*
Residential Building		$849,226	101.80		$636,919	101.80		$636,919	101.80		$2,123,064	*106,153*
Garages/Parking Structure		$85,958	24.42		$64,469	24.42		$64,469	24.42		$214,896	*10,745*
Construction Contingency	*6.0%*	$60,965	7.82		$45,724	7.82		$45,724	7.82		$152,412	*7,621*
General Conditions	*3.5%*	$35,563	4.56		$26,672	4.56		$26,672	4.56		$88,907	*4,445*
Insurance & Bonds	*3.5%*	$35,563	4.56		$26,672	4.56		$26,672	4.56		$88,907	*4,445*
Contractor Fee	*5.0%*	$50,804	6.52		$38,103	6.52		$38,103	6.52		$127,010	*6,351*
Total Directs		$1,198,976	153.87	*56.9%*	$899,232	153.87	*56.5%*	$899,232	153.87		$2,997,439	*$149,872*
Indirects												
A&E Fees	*5.0%*	$50,804	6.52		$38,103	6.52		$38,103	6.52		$127,010	*6,351*
City Fees & Permits	*5.7%*	$68,000	8.73		$51,000	8.73		$51,000	8.73		$170,000	*8,500*
Taxes	*1.1%*	$4,714	0.61		$3,536	0.61		$3,536	0.61		$11,786	*589*
A&D Loan Fees	*2.0%*	$23,980	3.08		$17,985	3.08		$17,985	3.08		$59,949	*2,997*
Construction Interest	*7.0%*	$83,928	10.77		$62,946	10.77		$62,946	10.77		$209,821	*10,491*
Sales & Marketing	*3%*	$11,869	1.52		$21,600	3.70		$38,471	6.58		$71,940	*3,597*
Builder G&A	*1.5%*	$17,985	2.31		$13,488	2.31		$13,488	2.31		$44,962	*2,248*
Total Indirects		$261,280	33.53		$208,658	35.70		$225,529	38.59		$695,467	*$34,773*
Subtotal Costs		$1,460,255	187.40	*69.3%*	$1,107,890	189.58	*69.6%*	$1,124,761	192.46	*69.9%*	$3,692,906	*$184,645*
Builder Profit	*15.0%*	$217,258	27.88	*10.3%*	$162,943	27.88	*10.2%*	$162,943	27.88	*10.1%*	$543,145	*$27,157*
Land Value Allocation		$428,571	55.00	*20.3%*	$321,429	55.00	*20.2%*	$321,429	55.00	*20.0%*	$1,071,429	*$53,571*
Total Costs		$2,106,085	270.29	*100%*	$1,592,262	272.46	*100%*	$1,609,133	275.35	*100%*	$5,307,479	*$265,374*
Total Sale Revenue		395,624			720,000			1,282,362			2,397,986	
Funding Excess (deficit)		($1,710,461)	*($213,808)*	*Per Unit*	($872,262)	*($145,377)*	*Per Unit*	($326,771)	*($54,462)*	*Per Unit*	($2,909,493)	*($145,475)*
		58.8%			*30.0%*			*11.2%*				

Eligible Basis :	*$1,665,645*	*$1,249,233*
TCAC Basis Limit :	*$1,889,206*	*$1,416,904*
High Cost Area Adj. :	*130%*	*130%*
Ajusted Basis :	*$2,165,338*	*$1,624,003*
Applicable Fed. LIHTC Factor :	*3.41%*	*3.41%*
Maximum Fed. LIHTC :	*$738,380*	*$553,785*
Est. Net LIHTC Proceeds :	*$708,845*	*$531,634*
@ $0.96		

IN-LIEU FEE ANALYSIS

Wt. Avg. Construction Funding Gap :	**$145,475**	*Per Affordable Unit Required*
Indicated In-Lieu Fee Amount :	**$21,821**	*Per Project Residential Unit*

Attachment 4 – Mixed Income 4% LIHTC Apartment Construction Funding Gap Analysis

			Very Low-Income			Low-Income Units			Moderate-Income Units			Total	
	Acres		0.29			0.21			0.21			3.9	
	Est. Density (d.u./acre)		28			28			28			28	
	Wt. Avg. Unit Size		974			974			974			974	
	Total Units		8	*40%*		6	*30%*		6	*30%*		20	
I.	**Revenue**												
	Annual Gross Schedule Rent		$52,150			$47,761			$91,006			$190,917	
	Vacancy & Collection Loss	5.0%	$2,607			$2,388			$4,550			$9,546	
	RE Taxes & Assessments	1.1%	$0	*(exempt)*		$0	*(exempt)*		$0			$0	
	Annual Op. Exp. & Reserves		$36,000			$27,000			$27,000			$90,000	
	Net Operating Income		$13,542			$18,373			$122,557			$154,472	
	Max. Loan Amount *1.1* @	*6.5%*	$162,311			$220,214			$1,468,922			$1,851,447	
II.	**Costs**												
	Directs			$ Per Bldg SF			$ Per Bldg SF			$ Per Bldg SF			Cost Per Unit
	Site Work /Sq.Ft.		$80,897	6.50		$60,673	6.50		$60,673	6.50		$202,243	*10,112*
	Residential Building		$833,226	101.80		$624,919	101.80		$624,919	101.80		$2,083,064	*104,153*
	Garages/Parking Structure		$85,958	24.42		$64,469	24.42		$64,469	24.42		$214,896	*10,745*
	Construction Contingency	*6.0%*	$60,005	7.70		$45,004	7.70		$45,004	7.70		$150,012	*7,501*
	General Conditions	*3.5%*	$35,003	4.49		$26,252	4.49		$26,252	4.49		$87,507	*4,375*
	Insurance & Bonds	*3.5%*	$35,003	4.49		$26,252	4.49		$26,252	4.49		$87,507	*4,375*
	Contractor Fee	*5.0%*	$50,004	6.42		$37,503	6.42		$37,503	6.42		$125,010	*6,251*
	Total Directs		$1,180,096	151.45	*58.3%*	$885,072	151.45	*58.3%*	$885,072	151.45		$2,950,239	*$147,512*
	Indirects												
	A&E Fees	*3.5%*	$35,003	4.49		$26,252	4.49		$26,252	4.49		$87,507	*4,375*
	City Fees & Permits	*3.1%*	$36,000	4.62		$27,000	4.62		$27,000	4.62		$90,000	*4,500*
	Taxes	*1.1%*	$0	0.00		$0	0.00		$0	0.00		$0	*0*
	A&D Loan Fees	*1.5%*	$17,701	2.27		$13,276	2.27		$13,276	2.27		$44,254	*2,213*
	Construction Interest	*6.5%*	$76,706	9.84		$57,530	9.84		$57,530	9.84		$191,766	*9,588*
	Sales & Marketing	*Allow*	$28,000	3.59		$21,000	3.59		$21,000	3.59		$70,000	*3,500*
	Builder G&A	*1.5%*	$17,701	2.27		$13,276	2.27		$13,276	2.27		$44,254	*2,213*
	Total Indirects		$211,112	27.09		$158,334	27.09		$158,334	27.09		$527,780	*$26,389*
	Subtotal Costs		$1,391,208	178.54	*68.7%*	$1,043,406	178.54	*68.7%*	$1,043,406	178.54	*68.7%*	$3,478,019	*$173,901*
	Builder Profit (TCAC)	*15.0%*	$204,481	26.24	*10.1%*	$153,361	26.24	*10.1%*	$153,361	26.24	*10.1%*	$511,203	*$25,560*
	Land Value Allocation		$428,571	55.00	*21.2%*	$321,429	55.00	*21.2%*	$321,429	55.00	*21.2%*	$1,071,429	*$53,571*
	Total Costs		$2,024,260	259.79	*100%*	$1,518,195	259.79	*100%*	$1,518,195	259.79	*100%*	$5,060,651	*$253,033*
	Loan Proceeds (deficit)		(1,861,949)			(1,297,981)			(49,274)			(3,209,203)	
	4% LIHTC Inv. Funds		$667,158			$500,369			$0			$1,156,068	
	Financing Excess (deficit)		($1,194,791)	*($149,349)*	*Per Unit*	($797,612)	*($132,935)*	*Per Unit*	($49,274)	*($8,212)*	*Per Unit*	($2,041,676)	*($102,084)*
			58.5%			*39.1%*			*2.4%*				

IN-LIEU FEE ANALYSIS

Wt. Avg. Construction Funding Gap : **$102,084** *Per Affordable Unit Required*

Indicated In-Lieu Fee Amount : **$15,313** *Per Project Residential Unit*