ITEM NO. 21

STAFF REPORT *CITY OF OCEANSIDE*

DATE: December 6, 2023

TO: Honorable Mayor and City Councilmembers

FROM: Housing and Neighborhood Services Department

SUBJECT: **REVISIONS TO THE INCLUSIONARY HOUSING ORDINANCE (CHAPTER 14C OF THE CITY CODE)**

SYNOPSIS

Staff recommends that the City Council introduce an ordinance to amend Chapter 14C of the Oceanside City Code to:

1) Increase the requirement to reserve housing for low and/or moderate-income households from 10 percent to 15 percent, with the exception of new residential projects developed within the Residential Single Family (RS) or Residential Estate (RE) districts;
2) Require that reserved units within a multifamily residential project provide for a proportionate unit mix, based on bedroom count, as market rate units, be dispersed throughout the residential project, and have access to the same amenities as market units; and,
3) Clarify the use of Accessory Dwelling Units as an alternative housing type that may be incorporated into a single-family residential project in satisfaction of the inclusionary housing requirement.

BACKGROUND

The City's Inclusionary Housing Ordinance (Chapter 14C of the City Code) requires that residential projects of three or more units reserve 10 percent of the units for occupancy by and at affordable housing costs to low or moderate-income households. A low-income household is defined as a household unit whose combined income does not exceed 80 percent of the area median income (AMI) for San Diego County for an equivalent size household, currently $110,250 a year for a family of four. A moderate-income household is defined as a household unit whose combined income exceeds 80 percent but does not exceed 120 percent of the AMI for San Diego County for an equivalent size household, currently $140,150, a year for a family of four.

At an August 30, 2023 workshop on Affordable Housing Production Strategies, City Council directed staff to prepare amendments to Chapter 14C to facilitate and encourage the construction of additional reserved units to address the need for affordable housing opportunities of low- and moderate-income households in Oceanside.

ANALYSIS

As directed by City Council on August 30, staff reviewed Chapter 14C and has prepared text amendments addressing the following items:

1. Sec. 14C.5. Reservation requirements for affordable housing.
   Currently, residential projects of three (3) or more units in any area of the City must provide for at least ten percent (10%) of such housing units to be reserved for sale to lower- and moderate-income households or reserved as rental units for low-income households, known as the inclusionary housing requirement.

   The City's Regional Housing Needs Allocation (RHNA) sets a goal for the construction of 5,443 new housing units for the 2021-2029 planning cycle to keep up with projected population growth. Of this, a total of 1,986 housing units is needed during the current RHNA eight-year planning cycle for lower-income households (i.e., Very Low-Income, and Low-Income). The year 2022 marked the second year of the current RHNA production period. Oceanside has been able to meet 25 percent of its total RHNA goal thus far, including 7 percent of its lower-income housing goals.

   In Oceanside, 65 percent of renter households are considered to be lower-income, with 23 percent low-income and 42 percent considered very low-income (making $68,900 or less a year for a family of four). Sixty-three percent of lower-income renters pay more than 50 percent of their income for housing. For homeowners, 40 percent are lower-income, with 19 percent low-income and 21 percent considered very low-income.

   To address the need for housing affordable to the City's lower income households, Council directed staff to prepare an amendment to Chapter 14C to increase the inclusionary housing requirement from 10 percent to 15 percent, with the exception of those residential projects developed within single family residential districts (i.e., Residential Single Family and Residential Estate). To date, many residential projects have leveraged State Density Bonus Law to satisfy the inclusionary housing requirement, often times resulting in projects with several requested waivers from the City's Zoning Code. Therefore, it is recommended to exclude single family districts from the increase in the inclusionary housing requirement to lessen the impact of increased densities in these areas of the City.

2. Sec. 14C.6. Affordable housing standards and incentives.
   To "affirmatively further fair housing" and take meaningful actions to overcome patterns of segregation and foster inclusive communities free from barriers that restrict access to opportunity" for persons of color, persons with disabilities, and other protected classes in compliance with Assembly Bill 686, staff is

recommending an amendment to Section 14C.6. (a)(3) for the design and construction of the reserved units provided on-site with market rate units in multifamily housing developments to be in proportionate mix, based on bedroom size, with market rate units, dispersed throughout the residential project, and with access to the same amenities as market rate units.

3. The City's Inclusionary Housing Ordinance currently allows for the provision of Accessory Dwelling Units (ADUs) as an alternative compliance method to satisfy the inclusionary housing requirement (reference Section 14C.8(h)). However, to provide clarity that the provision of ADUs is considered to be an alternative housing type to satisfy the inclusionary housing requirement within a single-family residential development, this provision is being moved to Section 14C.6. It is anticipated that staff will bring forward amendments to Article 30 Section 3032: Affordable Housing Density Bonus to allow ADUs as an acceptable housing type for the provision of affordable housing for single family developments, as well as other necessary amendments in compliance with recent State legislative actions, in early 2024.

A copy of the draft text amendments is provided as Attachment 1. Modifications to Chapter 14C are indicated by underlined/strikeout text.

The City Council will consider at a future date, the revised Chapter 14C text as Local Coastal Program Amendment (LCPA23-00002), upon completion of the required 45-day review period of such text amendments as part of the implementing document of the Local Coastal Program. Staff will then forward the revised Chapter 14C text to the California Coastal Commission (CCC) for certification in order to become effective in the Zone.

FISCAL IMPACT

Amending the City Code to increase the City's inclusionary housing requirements in multifamily residential district may result in the collection of additional in-lieu fees if the developers of such projects elect to pay the fee, rather than build reserved units.

INSURANCE REQUIREMENTS

Does not apply.

COMMISSION OR COMMITTEE REPORT

On November 6, 2023, the Planning Commission approved by motion, on a vote of 5-2, Planning Commission Resolution No. 2023-P28 recommending City Council approve the amendments to Chapter 14C of the Oceanside City Code.

ENVIRONMENTAL DETERMINATION

Staff finds that the proposed project involves regulatory changes and would not, in and of itself, involve land development or any other material change to the environment. Therefore, in accordance with the provisions of the CEQA Guidelines Section 15061(b)(3), the commonsense exemption, the proposed text amendment does not have the potential for causing a significant effect on the environment and is therefore exempt from CEQA.

CITY ATTORNEY'S ANALYSIS

The City Council is authorized to hold a public hearing in this matter. Consideration of the matter should be based on the testimony and evidence presented at the hearing. After conducting the public hearing, the Planning Commission shall affirm, modify, or deny the project. The supporting documents have been reviewed and approved as to form by the City Attorney.

RECOMMENDATION

Staff recommends that the City Council introduce an ordinance to amend Chapter 14C of the Oceanside City Code to:

1) Increase the requirement to reserve housing for low and/or moderate-income households from 10 percent to 15 percent, with the exception of new residential projects developed within the Residential Single Family (RS) or Residential Estate (RE) districts;
2) Require that reserved units within a multifamily residential project provide for a proportionate unit mix, based on bedroom count, as market rate units, be dispersed throughout the residential project, and have access to the same amenities as market units; and,
3) Clarify the use of Accessory Dwelling Units as an alternative housing type that may be incorporated into a single-family residential project in satisfaction of the inclusionary housing requirement.

PREPARED BY:

Leilani Hines
Housing and Neighborhood
Services Director

SUBMITTED BY:

Jonathan Borrego
City Manager

ATTACHMENTS:

1. City Council Ordinance (w/Exhibit A)
2. City Council Staff Report Item No. 1 Affordable Housing Production Strategies (August 30, 2023)
3. Planning Commission Staff Report Revisions to the Inclusionary Housing Ordinance (November 6, 2023)

ORDINANCE NO. __________

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF OCEANSIDE AMENDING CHAPTER 14C OF THE OCEANSIDE CITY CODE TO ESTABLISH REVISED INCLUSIONARY HOUSING REGULATIONS

WHEREAS, on August 30, 2023, at a workshop of the City Council on Affordable Housing Production Strategies, Council provided direction to staff to prepare amendments to Chapter 14C-Inclusionary Housing of the Oceanside City Code (OCC) to: 1) Increase the production of housing for lower-income households towards the City's Regional Housing Needs Allocation goals; 2) Affirmatively further fair housing, and 3) Facilitate the use of Accessory Dwelling Units as an alternative housing type;

WHERAS, the City seeks to establish the amended text of Chapter 14C of the OCC to: 1) Increase the requirement to reserve housing for low and/or moderate-income households from 10 percent to 15 percent, with the exception of new residential projects developed within the Residential Single Family (RS) or Residential Estate (RE) districts; 2) Require that reserved units within a multifamily residential project provide for a proportionate unit mix, based on bedroom count, as to the market rate units, be dispersed throughout the residential project, and have access to the same amenities as market units; and, 3) Clarify the use of Accessory Dwelling Units (ADUs) as an alternative housing type that may be incorporated into a single-family residential project to satisfy such inclusionary housing requirement;

WHEREAS, the Planning Commission conducted a duly-noticed public hearing on November 4, 2023, to consider the suggested amendments to the City's inclusionary housing provisions and heard and considered written and oral testimony regarding said amendments and voted 5-2 to recommend City Council approval of said amendments; and

WHEREAS, the City Council conducted a duly-noticed public hearing on December 6, 2023, to consider said amendments to the City's inclusionary housing provisions, and the recommendation of the Planning Commission thereon, and heard and considered written and oral testimony regarding said amendments; and

WHEREAS, based upon such evidence, testimony and staff reports, this Council finds that said amendments conform to the General Plan of the City of Oceanside; and, WHEREAS, a Notice of Exemption was prepared by the Resource Officer of the City of Oceanside for this project pursuant to the California Environmental Quality Act of the 1970 and State Guidelines.

NOW, THEREFORE, the City Council of the City of Oceanside does ordain as follows:

SECTION 1. The amended text of City Code Chapter 14C, applicable in areas outside of the Coastal Zone and only applicable within the Coastal Zone upon certification of LCPA 23-00001 by the Coastal Commission as specified in Exhibit "A", is hereby adopted and, the City Clerk is hereby directed to amend the City Code as specified by this Ordinance.

SECTION 2. Severability. If any section, sentence, clause or phrase of this Ordinance is for any reason held to be invalid or unconstitutional by a decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this ordinance. The City Council hereby declares that it would have passed and adopted this Ordinance and each section, sentence, clause or phrase thereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses or phrases be declared invalid or unconstitutional.

SECTION 3 . The City Clerk of the City of Oceanside is hereby directed to publish this ordinance, or the title hereof as a summary, pursuant to state statute, once within fifteen (15) days after its passage in a newspaper of general circulation published in the City of Oceanside.

SECTION 4 . This ordinance shall take effect and be in force on the thirtieth (30^{th}) day from and after its final passage.

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INTRODUCED at a regular meeting of the City Council of the City of Oceanside, California, held on the 6th day of December, 2023, and, thereafter,

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Oceanside California, held on the ____ day of ____________, 2022, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAIN:

MAYOR OF THE CITY OF OCEANSIDE

ATTEST:

CITY CLERK

APPROVED AS TO FORM:

John P. Mullen

CITY ATTORNEY

Chapter 14C
INCLUSIONARY HOUSING[1]

Sec. 14C.1. Intent.

Housing requirements for lower and moderate-income households in residential projects. It is the intent of this chapter to establish requirements for the provision of housing opportunities for lower- and moderate-income households, in residential projects requiring development plans. Such opportunities provide a public benefit of making housing available to all economic segments of the population that may not otherwise be accessible in the market. It is further the intent of this chapter to define a variety of ways that the requirement for inclusionary housing may be satisfied, inclusive of on- or off-site alternatives, housing for sale or for rent, or a payment of an in-lieu fee so as not to unduly burden the production of housing.

(Ord. No. 22-OR0848-1 , § 1(Exh. A), 12-21-2022)

Sec. 14C.2. Applicability.

(a) The provisions of this chapter shall apply to all residential projects of three (3) or more units including, without limitation, mixed-use developments with residential units, condominium conversions and time extensions of development plan approval for previously approved residential projects.

(b) This chapter shall not apply to the following:

   (1) The construction of a new residential structure of three (3) or more units which replaces a residential structure that was destroyed or demolished within two (2) years prior to the application for a building permit for the new residential structure, provided that the number of residential units is not increased from the number of residential units of the previously destroyed or demolished residential structure or expanded or enlarged by five hundred (500) square feet or more of habitable space;

   (2) Residential projects for which an application for a planning permit has been deemed complete no later than the effective date of this chapter, provided that such residential projects shall comply with any predecessor ordinance, resolution, or policy in effect on the date the application for the development was deemed complete.

(Ord. No. 22-OR0848-1 , § 1(Exh. A), 12-21-2022)

Sec. 14C.3. Reserved.

[1]Editor's note(s)—Ord. No. 22-OR0848-1 , § 1(Exh. A), adopted Dec. 21, 2022, repealed the former Ch. 14C, §§ 14C-1—14C-10, and enacted a new Ch. 14C as set out herein. The former Ch. 14C pertained to similar subject matter and derived from Ord. No. 91-49, § 2, adopted Oct. 23, 1991; Ord. No. 92-05, §§ 1, 2, adopted Jan. 29, 1992; Ord. No. 00-241-1, § 1, adopted April 12, 2000; Ord. No. 00-278-1, adopted May 10, 2000; Ord. No. 11-OR0543-1, § 1, adopted July 5, 2011; Ord. No. 13-OR0083-1, § 1(Exh. A), adopted Jan. 30, 2013; and Ord. No. 20-OR0563-1 , §§ 1—4, adopted Sept. 9, 2020.

Sec. 14C.4. Definitions.

Affordable. For the purposes of this chapter, the term "affordable" shall refer to the affordable sales price or rent defined herein.

Affordable housing means dwelling units required by this chapter to be reserved as affordable to and occupied by lower- or moderate-income households.

Affordable housing agreement means a legally binding agreement between an applicant and the city to ensure that the inclusionary housing requirements of this chapter are satisfied. The agreement establishes, among other things, the number of required reserved units, the unit sizes, location, affordability tenure, terms and conditions of affordability and unit production schedule.

Affordable housing guidelines means any requirements for implementation and administration of this chapter adopted by the city council in accordance with section 14C.9 of this chapter.

Affordable housing trust account means a fund or account designated by the city to maintain and account for all monies received pursuant to this chapter.

Affordable rent means the maximum monthly rent, including an allowance for tenant paid utilities (HUD Allowances for Tenant-Furnished Utilities for the Housing Choice Voucher program) calculated at the specified income level in accordance with California Health and Safety Code Section 50053 and implementing regulations. Consistent with California Government Code Section 65915 (c)(1)(B), for housing developments with one hundred (100) percent of all units in the development, including total units and density bonus units, but exclusive of a manager's unit or units, for lower income households, the rent shall be as follows:

(1) The rent for at least twenty (20) percent of the units in the development shall be set at an affordable rent, as defined in Section 50053 of the Health and Safety Code.

(2) The rent for the remaining reserved units in the development shall be set at an amount consistent with the maximum rent levels for a housing development that receives an allocation of state or federal low-income housing tax credits from the California Tax Credit Allocation Committee.

Affordable sales price means the maximum purchase price that will be affordable to the specified household at the specified income level, calculated in accordance with California Health and Safety Code Section 50052.5 and implementing regulations. The affordable sales price shall include a reasonable down payment, and monthly housing payments (including interest, principal, mortgage insurance, property taxes, homeowner's insurance, homeowner's association dues, and a reasonable allowance for property maintenance, repairs, and utilities), all as determined by the city.

Area median income means the median household income of San Diego County or equivalent geographic area as annually estimated by HUD pursuant to Section 8 of the United States Housing Act of 1937. In the event such HUD determinations of area median income are discontinued, the area median income shall be that median household income as established and published by the State of California Department of Housing and Community Development pursuant to Health and Safety Code Section 50093.

Extremely low-income household means a person or persons living together as a household unit whose combined incomes do not exceed thirty (30) percent of the median income for San Diego County for an equivalent size household, as determined annually by the U. S. Department of Housing and Urban Development, and as defined in California Health and Safety Code Section 50106 and published annually pursuant to Title 25 of the California Code of Regulations, Section 6932 (or its successor provision) by the California Department of Housing and Community Development.

Financial assistance means assistance to include, but not be limited to, the subsidization of fees, infrastructure, land costs, or construction costs, the use of redevelopment set-aside funds, community development block grant (CDBG) funds, HOME funds, or the provision of other direct financial aid in the form of cash transfer payments or other monetary compensation, by the City of Oceanside.

Household means a person or persons living together in the same residence.

HUD means the United States Department of Housing and Urban Development.

Incentives or concessions shall have the same meaning as defined in Section 3032 of the Oceanside Zoning Ordinance.

Low-income household means a person or persons living together as a household unit whose combined incomes do not exceed eighty (80) percent of the median income for San Diego County for an equivalent size household, as determined annually by the U. S. Department of Housing and Urban Development, and as defined in California Health and Safety Code Section 50079. 5 and published annually pursuant to Title 25 of the California Code of Regulations, Section 6932 (or its successor provision) by the California Department of Housing and Community Development.

Lower-income household means low-income, very low-income, and extremely low-income households, inclusively.

Market-rate unit means a dwelling unit where the rental rate or sales price is not restricted either by this chapter or by requirements imposed through other local, state, or federal affordable housing programs.

Moderate-income household means a person or persons living together as a household unit whose combined income exceeds eighty (80) percent but does not exceed one hundred twenty (120) percent of the median income for San Diego County for an equivalent size household, as determined annually by the U. S. Department of Housing and Urban Development, and as defined in California Health and Safety Code Section 50093 (b) and published annually pursuant to Title 25 of the California Code of Regulations, Section 6932 (or its successor provision) by the California Department of Housing and Community Development.

Net building area means the aggregate gross floor area of all of the unrestricted dwelling units within a development excluding (i) areas outside the dwelling unit's habitable space such as garages, carports, parking areas, porches, patios, and open space, and (ii) common areas such as lobbies, common hallways, stairways, elevators, and equipment spaces.

Planning permit means any discretionary approval of a residential project, including, but not limited to, a general or specific plan adoption or amendment, rezoning, tentative map, parcel map, conditional use permit, variances, design review, or coastal development permit.

Rental unit means a residential unit with no condominium or other subdivision map allowing units to be sold individually.

Reserved unit means a residential dwelling unit deed restricted for occupancy by and affordable to a lower- or moderate-income household pursuant to the requirement of this chapter and collectively known as the "inclusionary housing requirement".

Residential project means any new construction of three (3) or more dwelling units or condominium conversion as referenced in this chapter 14C, for which a planning permit or building permit is required.

Very low-income household means a person or persons living together as a household unit whose combined incomes do not exceed fifty (50) percent of the median income for San Diego County for an equivalent size household, as determined annually by the U. S. Department of Housing and Urban Development, and as defined in California Health and Safety Code Section 50105 and published annually pursuant to Title 25 of the California Code of Regulations, Section 6932 (or its successor provision) by the California Department of Housing and Community Development.

(Ord. No. 22-OR0848-1 , § 1(Exh. A), 12-21-2022)

Sec. 14C.5. Reservation requirements for affordable housing.

(a) No development plan for a residential project of three (3) or more units subject to this chapter shall be approved in any area of the city unless at least ~~ten (10)~~fifteen percent (15%) of such housing units are reserved for sale to lower- and moderate-income households or reserved as rental units for low-income households, the inclusionary housing requirement, as follows, unless an alternative is approved as described in section 14C.8:

(1) *Reservation for ownership projects.* At least ~~ten (10)~~fifteen percent (15%) of such housing units are reserved for sale to lower- and moderate-income households or reserved as rental units for lower-income households, with the exception of those projects located within the Residential Estate (RE) and Residential Single Family (RS) districts for which ~~-~~at least ten percent (10%) of such housing units shall be reserved.

(2) *Reservation for rental residential projects.* At least ~~ten~~ fifteen (~~10~~15) percent of such housing units are reserved for lower-income households, with the exception of those projects located within the Residential Estate (RE) and Residential Single Family (RS) districts for which at least ten percent (10%) of such housing units shall be reserved.

(3) *Reservation of combined for-sale and rental units.* When a residential project includes both ownership and rental dwelling units, the provisions of this chapter that apply to the ownership residential project shall apply to that portion of the development that consists of ownership dwelling units, while the provisions of this chapter that apply to the rental residential project shall apply to that portion of the development that consists of rental dwelling units.

(b) *Calculation of reservation requirement.* The calculation of the number of housing units to be reserved by this section shall be made utilizing the total number of housing units in the residential project prior to including any increase in the allowable number of such housing units authorized by any density bonus granted pursuant to Government Code Section 65915 et seq., as codified in section 3032 of the Oceanside Zoning Ordinance.

If the calculation of the number of housing units to be reserved results in a fractional unit of one-half (½) or more, one (1) additional reserved unit shall be provided. When the calculation results in a fraction of less than one-half (½), the applicant may either reserve one (1) additional housing unit or pay a partial in-lieu fee equal to the remaining fraction according to section 14C.7.

(c) *Replacement housing.* If a residential project, subject to this chapter, is required to provide replacement housing pursuant to Government Code Sections 65915 or 65590, then the number of units required to be reserved for lower- or moderate-income households shall be the larger of the number of units required under Government Code Sections 65915, 65590 or this chapter. The requirements for reserved housing under this chapter shall not be additive to the requirements for replacement housing under Government Code Sections 65915 or 65590. ~~The provisions of this chapter shall not apply to units provided pursuant to section 3032 of the Oceanside Zoning Ordinance and Section 65915 of the Government Code.~~

(Ord. No. 22-OR0848-1 , § 1(Exh. A), 12-21-2022)

Sec. 14C.6. Affordable housing standards and incentives.

(a) *Affordable housing standards.* Reserved units must be constructed on the site of the residential project unless the city approves an alternative as provided under section 14C.8. Reserved units must conform to the standards of this section 14C.6, to be set forth in the affordable housing agreement and where applicable, subsequent deed restrictions or regulatory agreements.

(1) *Rental restrictions.* Reserved units shall remain restricted and affordable to the designated income group for fifty-five (55) years. In addition to the income of a designated group, limitations on assets may also be used as a factor in determining eligibility for rental or ownership units. Notwithstanding anything to the contrary in this chapter, no reserved unit shall be rented for an amount which exceeds ninety (90) percent of the actual rent charged for a comparable market unit in the same development, if any.

(2) *Sales restrictions.* After the initial sale of the reserved ownership units at a price affordable to the target income level group, reserved ownership units shall remain affordable to subsequent income eligible buyers pursuant to a resale restriction with a term of fifty-five (55) years or ownership units may be sold at a market price to other than targeted households provided that the sale shall result in the recapture by the city or its designee of a financial interest in the units equal to the amount of subsidy necessary to make the unit affordable to the designated income group and a proportionate share of any appreciation. Funds recaptured by the city shall be used in assisting other eligible households with home purchases at affordable prices. To the extent possible, projects using ownership units to satisfy inclusionary housing requirements shall be designed to be compatible with conventional mortgage financing programs including secondary market requirements.

(3) *Design and construction of reserved units.* The design and exterior appearance of the reserved units shall be reasonably consistent or compatible with the design of the total project development in terms of exterior appearance, materials, and finished quality. Interior finishes and amenities may differ from those provided in the non-reserved units within the development but neither the workmanship nor the products may be of substandard or inferior quality as determined by the city. The unit mix based on bedroom count provided for reserved units shall be a general mix in response to affordable housing demand priorities of the city and shall be set forth in the affordable housing agreement. When reserved units are provided on-site and interspersed with market-rate units in a multifamily residential development, reserved units shall be of a unit mix, based on bedroom count, proportional to the unit mix of market-rate units, dispersed throughout the residential project, and provided the same amenities as the market-rate units, including the same access to and enjoyment of common open space, parking, storage, and other facilities in the residential project.

(4) *For sale and rental developments.* When a residential project proposes both for sale and for rent units, the reserved units shall be dispersed proportionally between for sale and for rent units.

(5) *Timing for construction of reserved units.* The reserved units shall be constructed either prior to or simultaneously with the non-reserved units within the development or an alternative schedule for development as agreed upon. The timing and schedule for the provision of the reserved units, including any arrangements to meet the ~~reserved unit~~ inclusionary housing requirements through other alternatives as permitted by section 14C.8, shall be set forth in the affordable housing agreement.

(b) Accessory dwelling units (ADUs) may be constructed on-site to satisfy an inclusionary housing requirement for a single-family residential development. ADUs shall be rent restricted at affordable rental rates and renters shall be income-qualified in compliance with the requirements of this chapter, to be specified in the applicable affordable housing agreement. ADUs shall not be used as reserved credits available as an alternative to satisfy an inclusionary housing requirement of another applicant.

(c) *Affordable housing incentives or concessions.* The applicant of a residential project providing reserved units may, at the applicant's sole option and concurrently with the submittal of the planning permit, submit a written request for one (1) or more of the following affordable housing development incentives or concessions:

(1) Density bonus and other regulatory incentives pursuant to Government Code Section 65915 and the provisions of article 30 section 3032 of the Oceanside Zoning Ordinance, if the residential project

contains sufficient units to qualify for a density bonus. If the applicant requests a density bonus, the other incentives listed below in this subsection (b) may be provided only if each is individually requested as a regulatory incentive under section 3032 [of the Oceanside Zoning Ordinance]. Those affordable dwelling units that qualify as a residential project for a density bonus shall also be counted toward satisfying the ~~reserved~~ inclusionary housing requirements of this chapter.

(2) *Financial assistance*. The applicant may apply for financial assistance from city-administered funds for the difference in costs that results if the applicant provides more reserved units than are required by this chapter, or provides reserved units to households in income classifications that are lower than required. The city shall consider making financial assistance available to applicants when necessary to enable residential projects to provide a preferable product type or affordability in excess of the requirements of this chapter.

a. Evaluation of requests for financial assistance shall be based on the effectiveness of the assistance in achieving a preferable product type and/or affordability objectives as set forth within the city's housing element; the capability of the development team; the reasonableness of development costs and justification of subsidy needs; and the extent to which other resources are used to leverage the requested financial assistance and incentives.

(3) Incentives may be offered by the city to the extent that resources and programs for this purpose are available to the city and applicant for such use, and to the extent that the residential project, with the use of incentives, assists in achieving the city's housing goals. To the degree that the city makes available programs to provide incentives, applicants may apply for such programs.

(4) Nothing in this chapter establishes, directly or through implication, a right to receive any financial assistance or incentives from the city or any other party or agency to enable an applicant to meet the obligations established by this chapter.

(c) *Affordable housing plan*. Any assistance and/or incentives requested by the applicant and how the development will comply with the provisions of this chapter shall be included in the proposed affordable housing plan for the residential project submitted at the time of application for the first approval, consistent with section 14C.9 below.

(Ord. No. 22-OR0848-1 , § 1(Exh. A), 12-21-2022)

Sec. 14C.7. In-lieu fee alternative.

(a) As an alternative to reserving units as required in section 14C.5, residential projects may pay a fee in-lieu of reservation in accordance with the terms set forth below:

(1) The amount of the in-lieu fee for each required reserved unit shall be determined at the time of issuance of building permits for the first residential units in a development project subject to this chapter. The applicant may request a deferral of this fee prior to the issuance of a certificate of occupancy for the unit, in accordance with section 32B.7(e) of the City Code. Said fee shall be assessed against the market-rate lots/units of the residential project and will be charged per square foot of the net building area in the new residential development.

(2) The fee amount shall be established from time to time by resolution of the city council and will be administratively adjusted annually at such time all other applicable development impact fees are updated, typically July 1 of each year based on the Engineering News Record Construction Cost Index ("CCI") for the Los Angeles region, or similar construction industry index selected by the city manager if the CCI index is discontinued.

a. The fee will be based upon and not exceed the subsidy needed to make affordable to a lower- and moderate-income household a newly constructed, typical attached-housing unit with an assumed affordability tenure of at least fifty-five (55) years.

(3) No building permit shall be issued by the city for any market-rate unit in the residential project until in-lieu fees for the residential project have been paid to the city or such requirements of section 14C.5 are otherwise satisfied.

(4) All in-lieu fees shall be deposited in the affordable housing trust account described in subsection 14C.7(b) below.

(5) Projects requesting a density bonus, incentive or concession, waiver, or parking ratio under Government Code Section 65915 or section 3032 of the Oceanside Zoning Ordinance shall not be permitted to pay in-lieu fees as an alternative to satisfying the ~~affordable~~ inclusionary housing requirements of this chapter.

(b) All in-lieu fees collected hereunder shall be used by the city exclusively to provide housing opportunities for lower- or moderate-income households anywhere within the city. All in-lieu fees shall be held in a separate account with interest accruing to said affordable housing trust account. All funds in the account shall be spent in a manner as the city council deems appropriate, upon recommendation of the housing commission, solely to provide housing opportunities for lower- or moderate-income households and any special needs populations in the city, consistent with the goals and policies contained in the city's housing element, and for administration and compliance monitoring of the affordable housing program consistent with the purpose of the chapter. For the purposes of this subsection, the term "provide housing opportunities for lower- or moderate-income households" means any expenditure authorized by law which directly or indirectly makes housing units affordable to lower- or moderate-income households.

(Ord. No. 22-OR0848-1 , § 1(Exh. A), 12-21-2022)

Sec. 14C.8. Alternative options for providing reserved units.

(a) *Off-site provision of reserved units.* If an applicant can provide evidence to demonstrate that on-site provision of reserved units is not feasible, with such evidence being deemed reasonable, accurate, and sufficient at the discretion of the city manager, then the applicant may propose to construct the reserved units at another site within the city limits of Oceanside conforming with the requirements of section 14C.5., excluding low-income impacted census tracts (i.e., census tracts 181, 182 (excluding blockgroup 3), 184, 186.03) for reserved rental units. The city may approve the off-site construction if the proposal meets the following requirements:

(1) The developer has demonstrated that the goals of this chapter and the city's housing element would be better served by allowing some or all of the reserved units required by section 14C.5 to be produced and operated at an alternative site or sites.

(2) The off-site construction project represents a more effective and feasible means of implementing this chapter and the goals of the city's housing element. Factors to be weighed in this determination include: the feasibility of the on-site option considering project size, site constraints, competition from other projects, difficulty in integrating due to significant price and product type disparity, lack of capacity of the on-site developer to produce or operate affordable housing. Also to be considered are whether the off-site option offers greater feasibility and cost effectiveness, particularly regarding potential financial assistance or other public subsidy and any adopted affordable housing guidelines, location advantages such as proximity to jobs, schools, transportation, and services, diminished impact on other existing developments, capacity of the proposed affordable housing developer to deliver and

operate the project, and satisfaction of multiple developer obligations that would be difficult to satisfy on multiple projects.

(3) Financing or a viable financing plan, which may include public funding, shall be in place for the off-site reserved units.

(4) The off-site location is suitable for the proposed affordable housing, consistent with any adopted affordable housing guidelines and the city's housing element, will not tend to cause residential segregation, and is located with appropriate infrastructure and services. The off-site alternative complies with the applicable density, intensity and objective development standards that are permitted under the zone or general plan for the site.

(5) All agreements between parties regarding off-site construction of the reserved units will be made a part of the affordable housing agreement required for the site(s) and will be subject to review and approval by the city manager or designee.

(b) *Joint venture off-site provision of reserved units.* Provided all participating applicants meet the requirements of subsection (a) above, off-site projects may provide the reserved units for multiple applicants.

(c) *Reserved unit credits.* If an applicant provides newly constructed units to meet the requirements for provision of reserved units pursuant to this chapter, and such new units exceed the number of reserved units required by this chapter, then the "excess" units may be used to meet the ~~reserved unit~~inclusionary housing requirements for another applicant. Any sale of "reserved unit credits" shall be an entirely civil transition with no regulation by the city (i.e., reserved unit credits may be sold for "what the market will bear"). Applicants who propose to meet their ~~reserved unit~~inclusionary housing requirement by purchasing reserved unit credits in another project must meet the requirements for off-site provision of reserved units in subsection (a) above. All reserved unit credits must be deed restricted to comply with the requirements of section 14C.6.

(d) *Purchase, rehabilitation, and reservation of existing market rate units.* The applicant may propose to satisfy the requirements of section 14C.5, by the purchase, rehabilitation, and reservation of existing market rate units for the targeted income group, if the conversion of these units is consistent with Government Code Section 65583.1 and these units are compliant with building and safety standards prior to recordation of affordability covenants;

(e) *Preservation existing affordable units.* The applicant may propose to satisfy the requirements of section 14C.5, by the preservation of existing affordable units at risk of loss, if the preservation of these units is consistent with Government Code Section 65583.1 and allows the city to substitute the preservation of these units for the obligation to identify adequate sites.

(f) *In-lieu fees.* The requirements of section 14C.5 may be satisfied by the payment of a fee to the city in-lieu of constructing the reserved units within the residential project in accordance with section 14C.7.

(g) *Dedication of land.* The applicant may propose to satisfy the requirements of section 14C.5 by the donation of land of adequate size and appropriate to accommodate the required number of reserved units to the city or to an affordable housing developer who has secured financing to construct the reserved units, with the city maintaining sole discretion to approve such donation, pursuant to a legally binding agreement. In its consideration of appropriateness, the city shall consider if the location will not tend to cause residential segregation, has appropriate infrastructure and services, and the off-site project will comply with the applicable density, intensity and objective development standards that are permitted under the zone or general plan for the site. The property shall be dedicated prior to issuance of any building permit for the residential project.

(h) ~~Accessory dwelling units (ADUs) constructed to satisfy an inclusionary housing requirement shall be rent restricted to affordable rental rates and renters shall be income-qualified in compliance with the requirements of section 14C.5, to be specified in the applicable affordable housing agreement. ADUs shall~~

~~not be used as reserved credits available as an alternative to satisfy an inclusionary requirement of another applicant.~~

~~(i)~~ *Other alternative compliance methods.* An applicant may propose an alternative compliance method to provide reserved units through other means. The city may approve or conditionally approve such an alternative only if the city manager determines, based on substantial evidence, that such alternative compliance will provide as many or more reserved units at the same or lower-income levels, will not tend to cause residential segregation, and will otherwise provide greater public benefit than would provision of the reserved units on site.

(Ord. No. 22-OR0848-1 , § 1(Exh. A), 12-21-2022)

Sec. 14C.9. Application and review procedures.

(a) *Affordable housing plan.* An application for the first approval of a residential project shall include an affordable housing plan, which may be deemed consistent with the affordable housing plan and density bonus addendum required under section 3032 (H) and (I), Affordable Housing Density Bonus, of the Oceanside Zoning Ordinance, describing how the development will comply with the provisions of this chapter and subject to the following terms:

(1) The affordable housing plan shall be processed concurrently with all other permits required for the residential project. A condition shall be attached to the first approval of any residential project to require recordation of an affordable housing agreement setting forth the conditions and guidelines to be met in the implementation of this chapter prior to the approval of any final or parcel map or building permit for the residential project.

(2) An affordable housing plan shall include, but not be limited to, the following:

a. The number of reserved units proposed;

b. The unit square footage, and number of bedrooms for market rate and reserved units and tenure (ownership or rental);

c. The proposed location of the reserved units (on or off-site);

d. Level of affordability for inclusionary units (extremely low, very low, low, or moderate);

e. Schedule for production of dwelling units;

f. Incentives or concessions requested; and

g. Evidence to justify any requested alternative under section 14C.8.

(b) *Affordable housing agreement.* The applicant shall enter into an affordable housing agreement with the city, in a form approved by the city attorney, to be executed by the city manager, to ensure that all the requirements of this chapter are satisfied. The affordable housing agreement shall be recorded against the residential project prior to approval of any final or parcel map, or issuance of any building permit, whichever occurs ~~first~~first, and the relevant terms and conditions therefrom filed and subsequently recorded as a separate deed restriction or regulatory agreement on the affordable project individual lots or units of property which are designated for the location of reserved units. This agreement shall serve as the governing document demonstrating compliance of the residential project with this chapter.

(1) An affordable housing agreement, for which the ~~reserved unit~~inclusionary housing requirement will be satisfied through the new construction of units, either on-site or off-site, shall specify, but not be limited to, the number, type, location, size, and phasing of all reserved units, amenities and services provided, such as daycare, after school programs, transportation, job training/employment services and recreation, and where applicable, requirements for other documents to be approved by the city,

such as marketing, leasing and management plans, particularly related to the provisions for income certification and screening of potential purchasers or renters of units, resale control mechanisms, and monitoring and compliance plans, consistent with any adopted affordable housing guidelines, as determined by the city manager or designee.

(2) An affordable housing agreement will not be required for projects which will be satisfying their inclusionary housing requirement through payment to the city of an in-lieu fee.

(Ord. No. 22-OR0848-1 , § 1(Exh. A), 12-21-2022)

Sec. 14C.10. Continued affordability.

(a) Any affordable housing agreement or adopted affordable housing guidelines may include standard documents for execution by the city manager, in a form approved by the city attorney, to ensure the continued affordability of the reserved units approved for each residential project and standards for determining household income, affordable housing cost, provisions for continued monitoring of tenant eligibility, and other eligibility criteria. The documents, when deemed necessary by the city to ensure occupancy and affordability by the targeted income group, shall be recorded against the residential project, all reserved units, and any site, subject to the provisions of this chapter.

(b) *Sales price/rental restriction.* The initial sales price or rent to be charged for a reserved housing unit shall be so limited as to be affordable within the definition of section 14C.4. A deed restriction, covenant, and/or other instrument enforceable by the city and approved by the city attorney and director of housing and neighborhood services, limiting the resale of such units shall be recorded against the title of the property within which the reserved units are located, or limiting the rental of the reserved units at affordable prices in accordance with the affordable housing standards as described in 14C.4(a)(1) and (2). The rent restriction shall be in effect for a minimum of fifty-five (55) years and shall apply to all successors in interest. Additionally, the property shall be so restricted as to prohibit the conversion of the restricted units for the term of the rent restriction to a condominium, stock cooperative, community apartment, or such other form of ownership which would eliminate the restricted units as rental units.

(c) Any eligible household that occupies a reserved unit must occupy that unit as its principal residence, unless otherwise approved in writing for rental to a third-party eligible household for a limited period of time due to household hardship, as may be specified in any adopted affordable housing guidelines or in the affordable housing agreement or other agreement.

(d) Officials, employees, or consultants of the city and members of city boards and commissions shall comply with all applicable laws, regulations, and policies relating to conflicts of interest as to their eligibility to develop, construct, sell, rent, lease, occupy, or purchase a reserved unit. Any adopted affordable housing guidelines shall include conflict of interest provisions relating to the administration of this chapter and the eligibility of persons to occupy affordable units.

(Ord. No. 22-OR0848-1 , § 1(Exh. A), 12-21-2022)

Sec. 14C.11. Periodic review.

Annually, the city council shall review the status of compliance with this chapter, and the degree to which reserved units provided and fees collected pursuant to this chapter are addressing the shortfall of affordable housing units. Not later than five (5) years after the effective date of this chapter, the city council shall consider a report by the city manager reviewing the reservation requirement and fee formula established to implement the provisions of this chapter to determine whether any adjustments in the reservation requirement or fee formula are warranted.

(Ord. No. 22-OR0848-1 , § 1(Exh. A), 12-21-2022)

Editor's note(s)—Ord. No. 22-OR0848-1 , § 1(Exh. A), adopted Dec. 21, 2022, set out provisions intended for use as § 14C.10. Inasmuch as there were already provisions so designated, said section has been codified herein as § 14C.11 at the discretion of the editor.

Sec. 14C.12. Administration.

(a) The provisions of this chapter shall be administered by the director of housing and neighborhood services of the City of Oceanside under the direction of the city manager.

(b) The city council may adopt by resolution rules and regulations, serving as affordable housing guidelines, for the implementation of this chapter.

(c) An applicant and/or subsequent purchaser of a reserved unit shall be required to pay such fee as may be established by resolution of the city council, which fees may be updated periodically, to recover the cost to the city of administration of the provisions of this chapter and monitoring of the reserved units.

(Ord. No. 22-OR0848-1 , § 1(Exh. A), 12-21-2022)

Editor's note(s)—Ord. No. 22-OR0848-1 , § 1(Exh. A), adopted Dec. 21, 2022, set out provisions intended for use as § 14C.11. Inasmuch as there were already provisions so designated, said section has been codified herein as § 14C.12 at the discretion of the editor.

Sec. 14C.13. Building permit.

No building permit shall be issued for any residential project subject to this chapter unless the housing and neighborhood services director has certified that the proposed development has complied with or is otherwise exempt from the provisions of this chapter.

(Ord. No. 22-OR0848-1 , § 1(Exh. A), 12-21-2022)

Editor's note(s)—Ord. No. 22-OR0848-1 , § 1(Exh. A), adopted Dec. 21, 2022, set out provisions intended for use as § 14C.12. Inasmuch as there were already provisions so designated, said section has been codified herein as § 14C.13 at the discretion of the editor.

Attachment 2

STAFF REPORT — CITY OF OCEANSIDE

DATE: August 30, 2023

TO: Honorable Mayor and City Councilmembers

FROM: Housing and Neighborhood Services Department

SUBJECT: **AFFORDABLE HOUSING PRODUCTION STRATEGIES**

SYNOPSIS

Staff recommends that the City Council receive a presentation of current and proposed affordable housing production policies and provide staff direction on the proposed recommendations.

RECOMMENDATIONS

Production Strategies	Recommendations
	City Code Regulations
Inclusionary Housing	1. Increase the inclusionary housing set-aside requirement from 10 percent to 15 percent. 2. Concurrently raise the minimum project threshold of applicability from three units to 10 units. Amendments to be pursued in conjunction with the preparation of an updated economic study to ensure that suggested amendments to the City's Inclusionary Housing ordinance do not unduly constrain the production of housing.
	Accelerating Production Timeframes
Development Review Process & Timing ***By-Right Approvals***	Permit by-right (without discretionary action and subject to ministerial review) housing developments consisting of at least 20 percent of the units reserved as affordable to lower income households. This provision would be expanded to properties beyond those identified in the Housing Element's housing sites inventory.
	Offset for Affordable Housing Development Costs
Density Bonus, Incentives & Waivers	Review City policies related to density bonuses and incentives to ensure consistency and compatibility with the layering of State Density Bonus Law.

Production Strategies	Recommendations
	Providing Financial Subsidies & Assistance
Land Availability	1. Update and promote the availability of an interactive, web-based map and data for Oceanside's housing sites inventory available on the City's Onward Oceanside website to help identify potential sites for new housing development. 2. Conduct an inventory of all City-owned land to include an analysis of its suitability for affordable housing development and provide a report to the City Council for potential future action. 3. Publish links on the City's website to the State's Public Lands Available for Affordable Housing Development website.
Gap Financing	Issue a Notice of Funding Availability (NOFA) of a minimum of $6 million from the City's available HOME-ARP, PLHA and Inclusionary Housing funds, and 80 Project Based Vouchers, with a maximum of 30 from the City's HUD-Veterans Affairs Supportive Housing (HUD-VASH) program, to address the rental housing needs of extremely low and very low-income households, specifically targeting homeless and at-risk of homelessness veterans and seniors. It is anticipated that the funding made available will be sufficient for one development opportunity. Opportunities to fund future projects could occur as funding dedicated to the production of affordable housing is replenished.

BACKGROUND

The City of Oceanside and the San Diego region are in need of additional housing at all income levels, particularly affordable housing for lower-income households. Throughout California, home building has not kept pace with population growth and demand at nearly all income levels, resulting in housing prices rising faster than incomes. This has created a particular financial strain on lower-income households, increasing competition for each home for sale or for rent, and creating longer waiting lists for subsidized housing programs, such as the Housing Choice Voucher program (formerly known as Section 8 Voucher program). Additionally, the high cost of housing contributes to homelessness and can perpetuate cycles of poverty. The lack of affordability in housing and the consequences for families and the economic growth for the region requires continued efforts by the City and its partners to address housing affordability.

The goal of this City Council workshop is to take a comprehensive look at the City's current affordable housing production policies, such as Inclusionary Housing, project streamlining, developer subsidies, and other available resources to address the housing needs of the community. While the City does not directly produce or control housing, the City's policies, development code, infrastructure investments, programs and available funding sources can influence the housing market. The intended outcome of this workshop is to receive City Council direction on how to best leverage these tools, in light of the City's limited funding and staffing resources, in the most effective way, consistent with the City's recently adopted 2021-2029 Housing Element of the General Plan. It's important to note that this workshop is focused on strategies to increase the <u>production</u> of new affordable housing units. The workshop material does not contain recommendations regarding the preservation of existing affordable units although such strategies may also be important to consider as the City continues to address the issue of affordable housing.

ANALYSIS

RHNA Progress

The Regional Housing Needs Allocation (RHNA) is a state mandated planning process undertaken prior to each Housing Element cycle that quantifies existing and future housing needs within a region and requires local governments to plan for enough new housing to meet its share of the region's need. The preparation of the RHNA Plan for the San Diego region is a responsibility assigned to SANDAG.

The San Diego region is currently in its sixth housing element cycle and through its RHNA, has projected that Oceanside will need to build 5,443 new housing units for the 2021-2029 planning cycle to keep up with projected population growth. These goals are divided by income category, with a goal for very low-income ("VLI"), low-income ("LI"), moderate-income, and market-rate homes. It is expected that 248 new income restricted homes would need to be constructed on an annual basis to meet the City's RHNA for lower-income households (i.e., VLI and LI), with a total of 1,986 housing units needed during the current RHNA eight-year planning cycle.

The year 2022 marked the second year of the current RHNA production period. Oceanside has been able to meet 25 percent of its total RHNA goal thus far, including 7 percent of its lower-income housing goals. For 2022, the City stated in its Housing Element Annual Performance Report that 626 housing units were permitted, with 26 units targeting VLI and LI households. As noted in the table below, permitting achievements by income category vary significantly.

2021-2029 Housing Element Annual Report Table B
RHNA Progress
Permitted Units Issued by Affordability

Income Level	RHNA Allocation	6/30/2020-4/29/21	2021	2022	2023	2024	2025	2026	Total Dwelling Units (Dus)	
Very Low	1,268		26	2					28	2%
Low	718	5	5	24					34	5%
Moderate	883	63	67	127					257	29%
Above Moderate	2,574	155	400	473					1,028	40%
TOTAL	5,443	223	498	626	0	0	0	0	1,347	25%

It is important to recognize that with the changes in State law that became effective January 1, 2020, the City has seen significant growth in the number of residential developments looking to provide affordable housing on-site within their development. There are currently 25 residential projects that include 412 LI units in various stages of the development review process. These projects are expected to be built over the next few years (see Attachment 1). Of these 412 units, 186 (45%) would be for VLI and 226 (55%) for LI households.

Loss of Affordable Housing

An additional challenge for the City relates to the number of existing deed restricted affordable units serving low- and moderate-income households that may be lost within the near future. Such deed restrictions typically have an expiration date when the rent is no longer restricted and therefore, the unit becomes vulnerable to market-rate rent increases. The typical requirement for affordability restrictions is 55 years. Affordable housing is considered "at-risk" when deed restrictions are set to expire in the next five years. As listed in Table 19 of the City's Housing Element, there are an estimated 258 at-risk affordable housing units due to expire by 2028.

State Preservation Notice Law requires owners of subsidized affordable housing with expiring affordability terms to provide specified notices to the State Department of Housing and Community Development (HCD), the local government agency, and existing and prospective tenants beginning one year prior to termination. Prior to or concurrent with the tenant notice, the owner also must provide notice to "qualified entities" of the opportunity to submit an offer to purchase the development. State HCD's website for Preserving Existing Affordable Housing provides details on the specific notices and requirements.

In anticipation of the expiration of affordability covenants, the City will explore direct negotiations with owners of at-risk affordable housing projects to extend the terms of the affordability restrictions, including sharing available financing programs or opportunities to partner with affordable housing developers. In considering the costs of replacing the 258 at-risk units, based on the City's most recent experience of development costs estimated at approximately $400,000 a unit, replacement costs are estimated at $103.2 million. In preserving the affordability of these units, based on an estimated affordability gap of $1,192 a month per unit for a low-income 2-bedroom unit with a market rate rent at $2,769[1], the cost of preserving the affordability is estimated at $319,456 per month for the total 258 at-risk units or $3.8 million each year. If restricting the units for 55 years, the total costs for preserving affordability would be $210.8 million. Therefore, staff would recommend that replacing the housing rather than preserving the affordability would be the most financially prudent action given the cost differential.

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[1] Southern California Rental Housing Association Spring 2023 Vacancy and Rental Rate Survey

Supply-Side (Producer) Approaches

Meeting the housing demand of 5,443 new homes in Oceanside between 2021 and 2029 will require the addition of approximately 680 new homes per year, of which 36 percent should be available to low- and very low-income households to reach the RHNA goals. This level of production would require effective coordination between the public and private sectors to find ways to expand the supply of affordable housing and understand the barriers to getting affordable housing projects approved and built.

As identified in SANDAG's Housing Acceleration Program Strategy, the most common barriers to housing production include:

1. Lack of vacant or developable land
2. Lack of city staff capacity to process new housing applications
3. High cost of infill development
4. Insufficient funding for affordable housing
5. Conflicts between coastal zone regulations and state mandated housing requirements
6. Complicated land development codes
7. Long permitting and approval processes

Production Strategies for Consideration

In recognition of the commonly acknowledged barriers identified above, staff has identified four focus areas for meeting current and future demand to address barriers and develop effective ways of supporting diverse housing production. These areas serve to increase the supply of housing and provide additional predictability and time savings that can facilitate housing production.

City Code Regulations	• Inclusionary housing requirements (Chapter 14C of the Oceanside City Code)
Accelerating Production Timeframes	• Development review process timing • By-right approval process for residential and mixed-use development
Offset for Affordable Housing Development Costs	• Density bonus, incentives and waivers
Providing Financial Subsidies & Assistance	• Land availability (see Housing Element Appendix B: Land Inventory) • Gap financing for affordable housing

Focus Area 1. City Code Regulations

Inclusionary Housing Requirements (Chapter 14C of the Oceanside City Code)

The City originally adopted its Inclusionary Housing Ordinance ("IHO") in 1983 to meet the housing needs of its lower- and moderate-income households. Chapter 14C – Inclusionary Housing of the Oceanside City Code establishes affordable housing obligations for residential projects containing three (3) or more units. The City's IHO requires developers to rent or sell 10 percent of housing units at restricted rents or prices that are affordable to specified income levels, pay an in-lieu fee, or provide another compliance option.

On December 7, 2022, the City Council adopted Ordinance No. 22-OR0848-1 as an update to Chapter 14C and approved various amendments to the City's Inclusionary Housing regulations, including increasing the in-lieu fee from $8.96 per square foot to $20 per square foot to be phased in over a two-year period. Based on the findings of an economic analysis completed by the City's consultant, David Paul Rosen & Associates (DRA) in February 2022, stakeholder input, and the direction provided by the City Council, the IHO policy updates to Chapter 14C focused on the ease of implementing and complying with Chapter 14C for both the City and developers, while being sensitive to current and future real estate market conditions.

As rents have increased and many continue to struggle with the affordability of housing, there are continued discussions related to increasing the required set-aside of the IHO beyond 10 percent for affordable housing. For example, as part of an effort to re-establish a density cap for the Downtown, staff is currently working on a proposed zone text amendment that seeks to incentivize on-site construction of more affordable units. Staff's recommendations are expected to be presented for City Council consideration this Fall.

In considering any amendments to Chapter 14C, the City would be subject to Assembly Bill (AB) 1505, which authorizes the State HCD to review any amendment or adoption of an IHO requiring more than 15 percent of rental housing for lower income households. The purpose of this State review is to ensure that any amendment or adoption of an inclusionary housing policy does not unduly constrain the production of housing given the local housing market, development costs and other policies that may impact project feasibility. An in-depth review of AB 1505, the 2022 DRA economic analysis, and an overview of key components of inclusionary housing is provided in Attachment 2.

RECOMMENDATION: Staff recommends increasing the inclusionary set-aside requirement for affordable housing from 10 percent to 15 percent consistent with other nearby North San Diego County jurisdictions (e.g., Carlsbad, Encinitas, and Solana Beach). Staff recommends concurrently raising the minimum project threshold from three units to 10 units; otherwise, the City runs the risk of placing an insurmountable financial burden on smaller residential developments. Based upon the 2022 DRA Study, an increase in the set aside requirement to 15 percent could render rental housing types with structured parking, and some rental housing with podium parking, economically infeasible. These projects, however, may be able to achieve feasibility *if they are able to take advantage of the regulatory relief offered through the State density bonus program or if the City provides direct economic assistance to close the financial feasibility gap. Given the changes in market conditions (e.g., higher interest rates and higher constructions costs) that have occurred since the 2022 DRA Study was prepared, staff also recommends that an updated economic study be completed to provide evidence that such amendments to the City's ordinance does not unduly constrain the production of housing. Such study could also serve to validate the 10-unit minimum project threshold currently recommended.*

Focus Area 2. Accelerating Production Timeframes

Development Review Process Timing and By-Right Ministerial Review

Lengthy approval processes extend development time, tying up developers' capital and resulting in increased costs for project-related soft costs, such as legal fees, escrow fees, insurance payments and property taxes incurred during the development period. The fees associated with obtaining development approvals and building permits further increase costs, driving up the price of the finished product and making affordable homes more difficult to deliver.

Processing times vary by permit type, the size and complexity of the project, and the number of actions or approvals needed to complete the process. Where multiple approvals are required, the City allows for concurrent processing, which generally limits the total processing time to that required by the most time intensive permit or approval.

Some cities use a strategy of expediting timeframes for the processing of projects, such as the City of San Diego's Affordable Housing In-fill Housing and Sustainable Buildings Expedite Program. This program relies heavily on training for completeness check and a mandatory initial review for discretionary projects before submittal and an application deemed complete; however, such expediting efforts can also take a significant amount of staff resources.

Oceanside's processing times for an administrative development plan (ADP) (8-12 weeks) and, where applicable, a conditional use permit (8-16 weeks) are considered reasonable in the industry and do not pose a significant constraint to housing development. Therefore, efforts to further streamline the City's discretionary review process may not prove very beneficial. However, as further discussed below, expanding the opportunity for ministerial (by-right) reviews could help incentivize housing production.

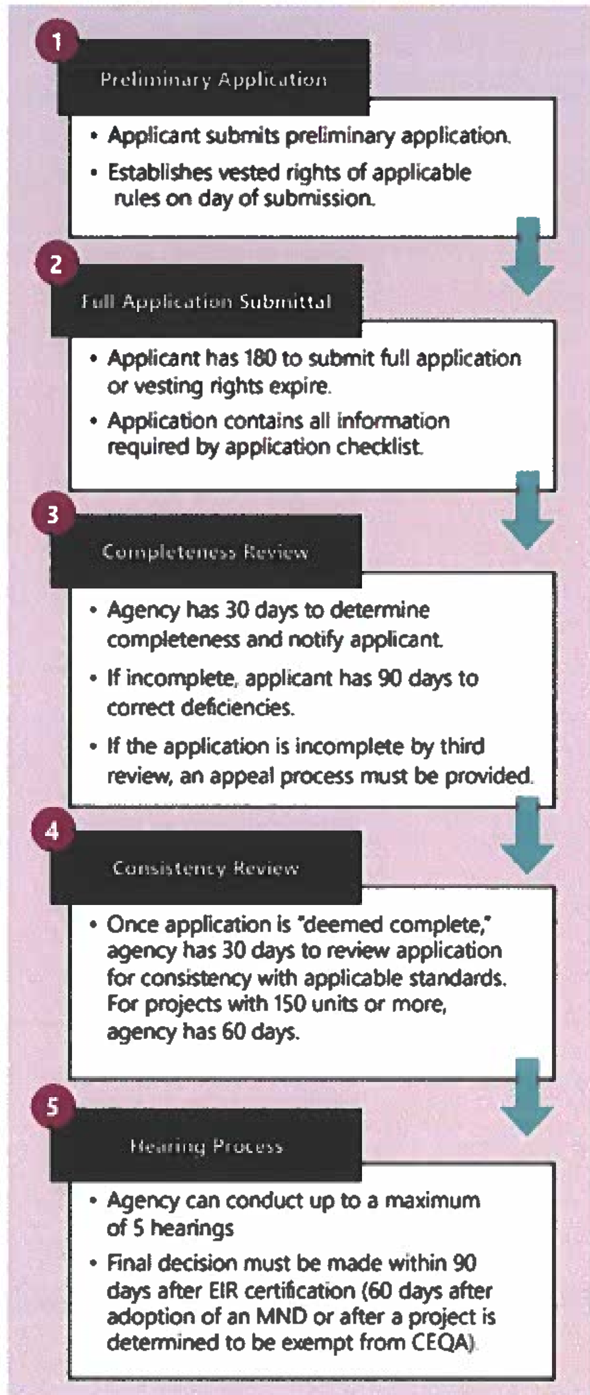
Two City-initiated efforts to streamline the housing approval process are currently underway. The Coast Highway Incentive District, currently under review by the California Coastal Commission, provides an optional zoning regime that streamlines the development review process. As proposed in the pending General Plan Update, the Smart and Sustainable Corridors Plan (SSCP) promotes development of residential units along three major Oceanside corridors through increased density allowance, streamlined entitlement review, and substantial California Environmental Quality Act (CEQA) clearance, which will allow for tiered CEQA review if needed.

Affordable housing projects to be financed with Low Income Housing Tax Credits (LIHTC) and/or Multifamily Housing Revenue Bonds (bonds) are typically provided, as a courtesy, expedited review. For example, an expedited, staff-level review process was recently utilized for Greenbrier Village, a 60-unit, 100 percent affordable development. To be competitive for financing, projects must be ready to proceed and construction on such projects must begin within 180 days of its LIHTC reservation or Bond award. Failure to meet deadlines results in a recission of the financing and negative points assigned to the developer for any future competitive funding for any project statewide.

To address review processes and timing, the State has passed and strengthened numerous laws limiting review and requiring mandatory timelines, that if not met, deems applications approved (SB 330 and SB 8).

By-right zoning and administrative/ ministerial review processes can help address the housing crisis by streamlining development process, creating greater certainty for housing developers, and reducing transaction costs. Various state laws provide for certain projects to receive ministerial review such as supportive housing, emergency shelters and low barrier navigation centers.

SB 330 Summary Timeline of Application Process

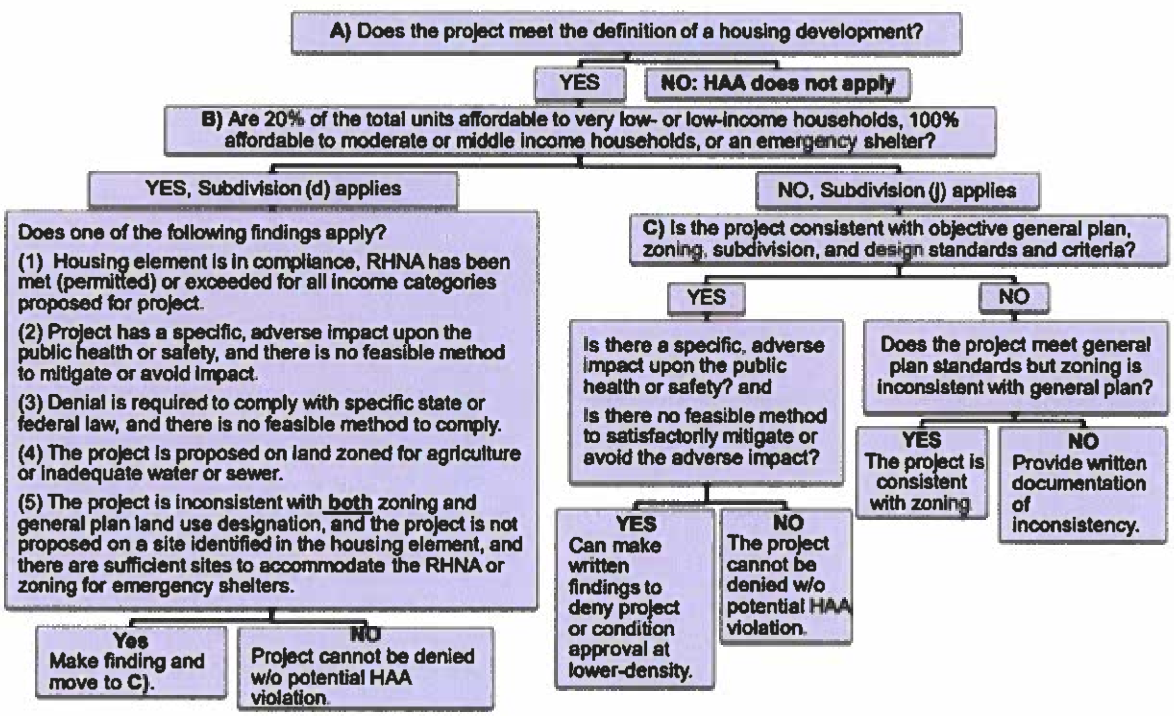


In addition to by-right zoning, the scope of review and decision making under the Housing Accountability Act (HAA), codified under Government Code Section 65589.5, provides a level of certainty for development. Originally enacted in 1982 to address local opposition to growth and change and further amended in in 2017, 2018, 2019 (SB 330-Housing Crisis Act or HCA), and more recently by SB 8 in 2022 to expand and strengthen its provisions. SB 8 extends many of the provisions under SB 330, originally intended to sunset in 2025, through 2034.

The HAA establishes the state's overarching policy that a local government may not deny, reduce the density of, or make infeasible housing development projects, emergency shelters, or farmworker housing that are consistent with objective local development standards. Before taking any of these actions, the City must make specified written findings based upon a preponderance of evidence that a specific, adverse health or safety impact exists (Government Code Section 65589.5 (d) and (j)). For affordable housing developments, such written findings are expanded.

Housing Accountability Act Decision Matrix

This decision tree generally describes the components of the HAA. Both affordable and market-rate developments are protected by components of the HAA. The statute contains detailed requirements that affect the applicability of the HAA to a specific housing project based on its characteristics.



As part of the City's efforts to gain certification of the 6th Cycle Housing Element, the City Council adopted Ordinance No. 23-OR0174-1 in March of this year. The intent of the adopted ordinance was to implement Program 7 of the adopted Housing Element. Program 7 is intended to ensure the City has adequate capacity to accommodate projected growth and the ability to meet the City's allocation of the Regional Housing Needs Assessment. The adopted ordinance essentially "up-zoned" the parcels identified in the Housing Element's sites inventory designated for Low and Very Low-Income categories. As part of the adopted ordinance, provisions were made to allow by-right ministerial review of projects that include at least 20 percent of the units as affordable to lower income households. These same provisions could be extended to other sites not included in the Housing Element sites inventory as a means to incentivize development of affordable housing units.

RECOMMENDATION: Explore the possibility of expanding by-right affordable housing provisions to sites beyond those sites identified in the Housing Element. As part of this evaluation, it's further recommended that staff evaluate whether to limit the number of requested waivers or overall project size in order to ensure such by-right projects are compatible with the surrounding community. As currently envisioned, in order to qualify for by-right status, at least 20 percent of the units of such projects would need to be reserved as affordable to lower income households.

Focus Area 3. Offsets for Affordable Housing Development Costs

Density Bonus, Incentives and Waivers

California's Density Bonus Law (DBL) allows housing developers to obtain more favorable local development requirements in exchange for offering to build or donate land for affordable or senior units. By providing density, incentives and waivers, the costs of building affordable housing, with its limited revenue due to the restricted rents/prices, are offset by the costs savings from waivers and incentives and revenue generated by the additional units allowed through the density bonus. State Density Bonus Law can be found in California Government Code (GC) Sections 65915 – 65918 and provides up to a 50% increase in project densities for most projects, depending on the amount of affordable housing provided, and an 80% increase in density for projects which are completely affordable.

Advantages go beyond the density bonus itself and the law provides a package of unlimited waivers to development standards that would physically preclude a project at the density proposed and a limited number of incentives and/or concessions based on the percentage and income category of units set aside as affordable and are intended to result in identifiable cost reductions to provide for affordable housing costs. A 2022 appellate court ruling, Banker's Hill 150 v. City of San Diego, 74 Cal. App. 5th 755 (2022), upheld the right of density bonus developers to obtain waivers and modifications of local development standards, even when the project could be redesigned to comply with those standards.

The California Legislature has continued to refine DBL, with new legislation taking effect on January 1 of this year that provides additional flexibility to developers meeting the requirements for a density bonus. There is also additional legislation proposed this year. A discussion of State legislation is provided in Attachment 3.
City Planning Policy Efforts:

As previously mentioned, the City's existing and pending strategic planning policies, inclusive of the General Plan Update's Efficient and Compatible Land Use Element

(ECLU), Coast Highway Incentive District, and SSCP, provide for flexibility and density increases.

The ECLU, an update of the City's current Land Use Element, will include goals and policies that promote infill and redevelopment within the City's already-urbanized areas, including midrise mixed-use development that creates synergies between residential and non-residential uses and promotes walkability and transit use. The ECLU emphasizes the integration of different land uses that work well together (including housing and neighborhood-serving commercial uses). This shift in land use policy is intended to encourage more housing development in the City's commercial areas.

The SSCP will help to implement the goals and policies of the ECLU by establishing new zoning standards for non-residential properties within inland segments of Mission Avenue, Oceanside Boulevard, and Vista Way. These new zoning standards will streamline the development review process and increase density allowances for housing in future mixed-use projects. Under the SSCP, base density allowances will range from 50 to 70 dus per acre, with a maximum density of 90 dus per acre in nodal areas (e.g., gateways into the City and major intersections). To achieve densities above the base allowance, projects will need to provide public benefits, which could include active transportation improvements, semi-public plazas and courtyards, and enhanced landscaping. At this time, there is no plan to increase the affordable housing requirement of projects proposed within the SSCP beyond that ultimately required in the balance of the City.

The Coast Highway Incentive District (previously approved by the City Council and still pending Coastal Commission certification) will provide an optional zoning regime that streamlines the development review process, and, in exchange for specified public benefits, allows for densities up to 63 dus per acre in nodal areas within the Coast Highway corridor. The Incentive District will also provide for standalone residential projects in some segments of the corridor, at densities up to 43 dus per acre. Similar to the SSCP, at this time there is no plan to increase the affordable housing requirement of projects proposed within the Incentive District beyond that ultimately required in the balance of the City.

RECOMMENDATION: No changes at this time. As State DBL continues to change and the challenges to provide consistency and compliance with the law, City policies related to density bonuses and incentives should be reviewed in light of the layering of State DBL with such local policies/programs, such as those currently being considered in the Downtown zoning district.

FOCUS AREA 4. Providing Financial Subsidies & Assistance

***Land Availability** (see Housing Element Appendix B: Land Inventory)*

Government Code Section 65583.2l requires that local jurisdictions determine their realistic capacity for new housing growth by means of a parcel-level analysis of land resources with the potential to accommodate residential uses. The analysis of potential to accommodate new housing growth considered physical and regulatory constraints, including: lot area and configuration, environmental factors (e.g., slope, sensitive habitat, flood risk), allowable density, and other development standards such as parking requirements and building height limits.

The City has little vacant land remaining to accommodate new housing growth. Most of its approximately 43 square miles are either developed or precluded from development due to sensitive habitat, steep slopes, and/or significant flood risk. The City expects to augment its housing stock primarily through infill and redevelopment both within and adjacent to the commercial corridors of the Downtown, Coast Highway, Mission Avenue, Oceanside Boulevard, and Vista Way, where zoning allows for higher-density housing in conjunction with mixed-use development.

The housing sites inventory provided as Appendix B of the City's Housing Element includes both vacant and nonvacant (underutilized) land that has the potential to accommodate additional housing during the current Housing Element cycle. Once the City's Housing Element has been certified, it's recommended that the City take measures to update and proactively publicize the housing opportunity sites that have been identified in the Housing Element in order to ensure that the development community is made aware of the specific parcels identified as future opportunity sites. Drawing attention to these identified priority sites could also serve to discourage developers from proposing projects at locations that the City does not envision for future higher density growth.

> *RECOMMENDATION: Update and promote the availability of an interactive, web-based map and data for Oceanside's housing sites inventory that is currently available on the City's Onward Oceanside website to help publicize potential sites for new housing development.*

Collaboration to Promote Affordable Housing Development

Surplus Lands

Amended by such bills as AB 1486, the Surplus Land Act (SLA) is a statute that local agencies (cities, counties, special districts, and certain other entities) must follow when disposing of surplus land. Local agencies are required to submit notices of availability of surplus land to State HCD for listing on the HCD website, and to notify interested developers and any local public entity in the jurisdiction where the land is located. The SLA requires that the surplus land remain available for 60 days after the Notice of Availability (NOA) is sent to allow for affordable housing developers and local public entities to express interest before the land is made available to the broader public and non-affordable housing developers.

All cities and counties are required to inventory and report surplus and excess local public lands to include in a statewide inventory (AB 1255). This is reported as part of the Housing Element Annual Report (Table G) presented to the City Council and submitted to State HCD by April 1 of each year. Currently, there are no reported surplus public lands within Oceanside.

Affordability covenants are required on all surplus lands when an NOA is issued, as follows:

- At least 25% of the total units developed to be affordable to lower income households when responding to a NOA (Gov. Code, § 54222.5); or
- A 15% affordability covenant when land is sold or leased after no entity responds to the NOA or after price or terms cannot be reached during the 90-day good faith negotiation period. (Gov. Code, § 54233, 54233.5)

Developers interested in purchasing or leasing surplus local land for affordable housing development may notify State HCD of their interest in receiving notices about surplus local public land by completing HCD's Developer Interest - Local Agency Surplus Land survey.

The following are made available on State HCD's website for Public Lands Available for Affordable Housing Development.

- List of developers (XLS) that have notified HCD of their interest in surplus local public lands (Updated: 08/02/2023)
- List of notices received (updated weekly)
- Map of available locally owned surplus lands
- Guide to Exemptions from the Standard Surplus Land Act Process (PDF)

RECOMMENDATION: Conduct an inventory of all City-owned land to determine whether any City-owned sites may be suitable for affordable housing development. This information would be shared with the City Council for discussion and concurrence before any action to declare the land "surplus" is taken. Publish on the City's website with links to the State's Public Lands Available for Affordable Housing Development.

Co-locating Affordable Housing

Combining housing with other public services like libraries, senior services, churches, and transit centers, ideally complementary ones that benefit both residents and the surrounding community, is called "co-location." It is a civic-minded form of mixed-use development that allows a mix of public, private, and nonprofit partners, which can be more complex to plan but may create efficiencies in development costs and provide social, economic, and environmental benefits.

Faith Based Collaborations

Faith congregations are responding to the State's housing crisis by sharing their parking lots with people living in their cars, providing mobile showers for the homeless, and looking to build affordable housing. Several churches are exploring ways to build affordable housing on their own land, referred to as YIGBY, or "Yes in God's Backyard." According to UC Berkeley's Terner Center for Housing Innovation there is approximately 4,600 acres of land owned by places of worship in San Diego County with development opportunities.

Examples of faith-based collaborations in the County include:

- Bethel AME Church and YIGBY, are tackling the affordable housing crisis in San Diego County. The collective is collaborating on a 26-unit development, with 16 units for veterans and nine units for seniors, known as the "Bethel One" project, and another development in Logan Heights.
- Clairemont Lutheran Church is looking to rebuild its Fellowship Center and as part of its second phase, build affordable housing in its parking area.
- Meridian Baptist Church in El Cajon and Amikas partnered to provide six "tiny homes" on vacant church property for homeless women and children.
- Father Joe's Villages' Turning the Key initiative has a goal of creating 2,000 affordable housing units. So far, it has created 83 units in South Bay's Benson Place, 42 units at the Bishop Maher Center, and in 2022 completed the construction of Saint Teresa of Calcutta Villa, a 407-unit affordable housing community in downtown San Diego.

Proposed 2023 State Legislation

Government Code Section 65913.6 allows for a religious institution to eliminate or reduce its religious use parking space by no more than 50 percent for a religious institution affiliated housing development. Senate Bill 4 aims to make it easier for nonprofit colleges and faith organizations to build affordable housing by allowing this housing on land owned by an independent institution of higher education or religious institution to be considered a use by right.

> *RECOMMENDATION: Outreach to Oceanside's faith-based community and share on opportunities to partner with the affordable housing community for the use and development of their property to provide housing opportunities. Staff's efforts would be focused on those religious sites that could be developed without negatively impacting the neighborhood fabric.*

Transit Oriented Development

Redevelopment of park and ride locations at transit stations into transit-oriented housing developments provide opportunities to address the housing shortage and meet climate action goals.

With more than 57 acres of developable land, Metropolitan Transit System (MTS) which serves the greater San Diego area, adopted a real estate policy for the development of more housing near bus and trolley stops and setting a goal that 20 percent of homes built on MTS-owned land be affordable to low-income households. MTS has seen success with their policy with nearly 2,000 housing units under construction or in the planning stage.

North County Transit District (NCTD) entered into an agreement with Toll Brothers for the redevelopment of the Oceanside Transit Center. This project is currently in the planning stage and is proposed to provide 15 percent of the housing for low- and moderate-income households, which is above the City's current 10 percent affordable housing requirement. In January 2023, NCTD approved a recommendation to enter into an Exclusive Negotiation Agreement (ENA) with developers to redevelop the Carlsbad Village Transit Station and the Carlsbad Poinsettia Transit Station. City staff has, and will continue to be, engaged in following NCTD's efforts to redevelop its properties along the Sprinter line in Oceanside.

> *RECOMMENDATION: Direct staff to work with NCTD to explore the feasibility of maximizing the affordability standard applicable to any planned Transit Oriented Development sites in Oceanside.*

Affordable Housing and Other Public Uses

Pairing affordable housing with public facilities such as libraries or senior services, has been a newer initiative that provides multiple benefits. Following models already established in New York City, Washington, DC and Chicago, the City of Boston will look to include affordable housing in three of its library branches. Childcare and early learning facilities and schools, outside of university student housing, have increasingly looked at co-locating housing on site.

Locally, in National City, a senior nutrition center is co-located with the recently renovated Kimball and Morgan Towers senior housing development. The development of Oceanside's Navigation Center site is an example of co-locating housing for the unsheltered with other civic uses, as Code Enforcement and OPD staff facilities share the property with the San Diego Rescue Mission.

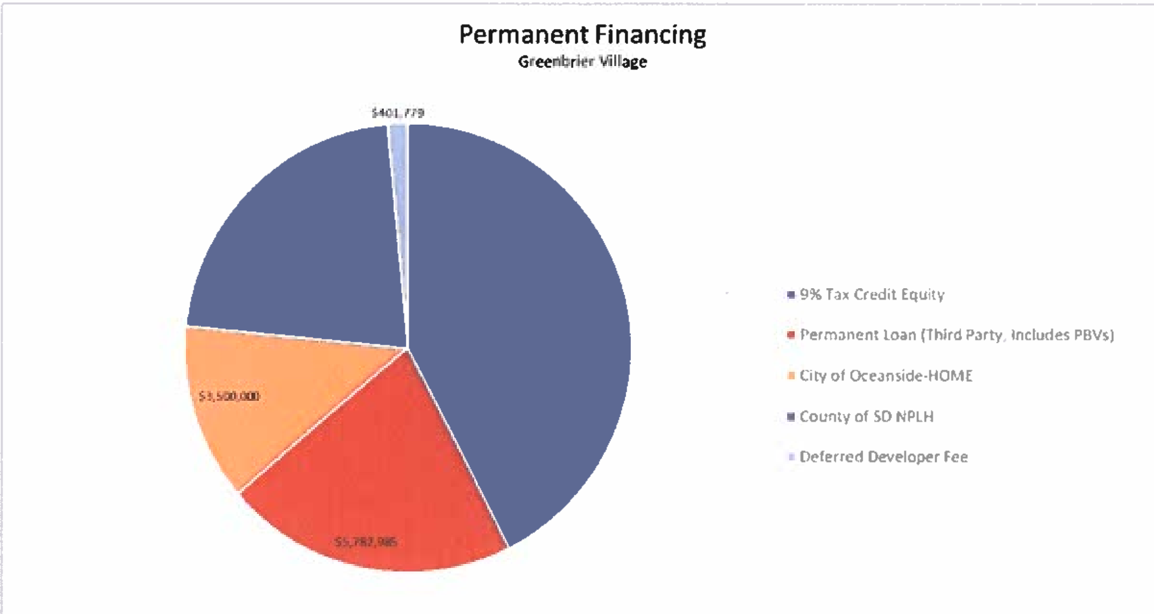
> *RECOMMENDATION: As opportunities arise for the new construction and renovation of civic assets, the City should evaluate the potential for co-locating housing with such civic uses.*

Gap Financing for Affordable Housing

Development of 100 percent affordable housing projects is a private-public partnership in which affordable housing developers will proactively seek out opportunities to partner with market rate developers, private investors, and public funders. A variety of funding sources are "stacked" and layered together to make affordable housing developments financially feasible. The City typically awards funds as soft financing in the form of low, simple interest rate loans that are repaid over time, depending on the cash flow available from the property's revenue, known as "residual receipts" loans. The City's loans fill the gap that remains after an affordable housing developer is able to secure the majority of its financing, typically tax credits, bonds, and other State or County funding.

Local financial subsidies help qualified builders apply for direct grant funding, low-interest loans, or tax credits. Leveraging of public funds is necessary to be competitive in the highly competitive LIHTC and Multifamily Revenue Bond Revenue (tax-exempt bonds) financing programs.

The following chart depicts typical financing of permanent supportive housing for extremely low- and very low-income households. The example used in this scenario is for Greenbrier Village currently under construction, with a lease expected in late 2024. LIHTC comprise about 42% of the financing, with public gap financing comprising 38% of the total permanent financing.



Multiple factors and variables influence the cost of developing multifamily affordable housing, including but not limited to project location, site conditions, environmental factors, land use approval process, community involvement, construction type, design requirements/constraints, economies of scale, City fees, developer experience and capacity, and the mission and goals of the organization developing the project. Similar construction-type developments are listed below for comparison purposes.

Financial Performance Indicators	Greenbrier Village Oceanside 2022	Hacienda San Diego 2023	Villa Serena San Marcos 2023	West Oaks Carlsbad 2021
Number of Units	60	52	63	42
Development Cost	$ 27,105,392	$23,735,118	$50,042,736	$ 18,538,265
Development Cost per Unit	$ 451,757	$456,445	$794,329.14	$ 441,387
Acquisition Cost per Unit	$ 22,863	$33,070	$56,258.08	$ 40,000
Building Square Foot Hard Cost	$ 666.44	$159	$513	
Public Subsidy per Unit	$ 157,878	$99,269	$167,423.13	$ 35,714
Master Developer Subsidy per Unit				$ 79,396
Subsidy (Public & Developer) per Unit				*$ 115,110*

As discussed below, the City has limited funding available to solely support the financing of affordable housing developments. Development of 100 percent affordable housing developments financed through LIHTC and/or bond financing provides the City with the greatest leveraging of its limited financial resources. The following table illustrates the cost of subsidizing rents when affordability restrictions are expiring or when assisting a property owner to make a unit affordable and buying down the rents, in comparison to the development of a 100 percent affordable rental project. For the Greenbrier Village development, the City was able to maximize its investment and leverage $8 in private investment and other subsidies to every $1 in City assistance. As a result, the City's share of subsidy totals only $58,333 per unit.

Description	Rent Subsidy @Low Income	Rent Subsidy @ Very Low-Income	Greenbrier Village @ Very Low-Income
Number of Units	60	60	60
Market Rent (2 bdrm)[2]	$ 2,769	$ 2,769	
Affordable Rent (State HCD)	$ 1,577	$ 1,314	
Affordability Gap per month	$ 1,192	$ 1,455	
Development Cost per unit			$ 451,756
TOTAL Development Cost			$ 27,105,392
Oceanside Subsidy per Unit for 55 yrs	$ 786,720	$ 960,300	$ 58,333
TOTAL Subsidy	$ 47,203,200	$ 57,618,000	$ 3,500,000

Leveraging (LIHTC/Bonds/Other Subsidies to City Subsidy) = $ 8 to $1

State Resources

The State's four key housing agencies, the California Tax Credit Allocation Committee (CTAC), the California Debt Limit Allocation Committee (CDLAC), HCD, and CalHFA, provide financing to developers and other housing organizations, for the construction of affordable housing through LIHTCs, tax-exempt bonds, and loans. CTAC and CDLAC provide the majority of state financial resources for affordable multifamily housing projects by awarding tax credits (9% or 4% with bonds) and tax-exempt bond allocations through

[2] Southern California Rental Housing Association Spring 2023 Vacancy and Rental Rate Survey

a competitive application process twice a year. As in previous years, the 9% LIHTCs remained competitive and oversubscribed with 182 applications received in 2021 and 106 proposed projects awarded $191.4 million in nine percent (9%) annual federal LIHTCs. With the competitiveness of both programs, projects are developed keeping in mind the scoring criteria and priorities of both CTAC and CDLAC. Local resources are utilized to fill the financing gap.

Local Resources

The funds available from the City to provide gap financing for affordable housing consists of federal, state, and local dollars with corresponding requirements and regulations that govern their use. The following provides a summary of available sources of funding. A more detailed description of these resources is provided in Attachment 4.

Funding Program	Activities	Target Population	Annual $	Available Balance $
		Federal		
HOME	Construction, acquisition and rehabilitation of rental and for-sale housing Homebuyer Tenant Based Rental Assistance	Lower-Income	$640,000	N/A
HOME-ARP	Reduce homelessness and increase housing stability for at-risk of homeless	Homeless and at-risk of homelessness (Extremely low-income)	One-Time	$2.25 million
Housing Choice Voucher	Tenant based rental assistance 20% for project-based assistance	Very low-income	$23 million	N/A
		State		
Redev Low/Mod Housing	Preserve, improve, and expand housing supply	Low and moderate income 30% for extremely low-income No more than 20% for low-income No more than 50% for seniors	N/A	$2.5 million

Funding Program	Activities	Target Population	Annual $	Available Balance $
Permanent Local Housing Allocation (PHLA) Program	Services and housing to assist persons who are experiencing or at risk of homelessness (PLHA Plan)	Households at or below 60% of area median income	$1,000,000	$2.1 million
		Local		
Inclusionary Housing In-lieu Fees	New construction (Priority) Provide housing opportunities	Lower-Income		$10.7 million

RECOMMENDATION: Based upon the number of extremely low- and very low-income renters, with the majority paying more than 50% of their income towards housing costs, the growing number of extremely low seniors failing into homelessness, and other available resources available to leverage for homeless veterans, staff recommends prioritizing new construction rental housing for at-risk and homeless seniors and veterans to provide greater affordability to these economically vulnerable population groups. Staff recommends issuing a Notice of Funding Availability for a minimum of $6 million from the City's available HOME-ARP, PLHA and Inclusionary Housing funds, and 80 Project Based Vouchers, with a maximum of 30 from the City's HUD-Veterans Affairs Supportive Housing (HUD-VASH) program, to address the rental housing needs of these priority households. It is anticipated that the funding made available will be sufficient for one sizeable development opportunity.

FISCAL IMPACT

For discussion purposes only. An analysis of fiscal impact will be provided as individual recommendations are brought forward for consideration.

COMMISSION OR COMMITTEE REPORT

Not Applicable

RECOMMENDATION

Staff recommends that the City Council receive a presentation of current and proposed affordable housing production policies and provide staff direction on the proposed recommendations.

PREPARED BY:

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SUBMITTED BY:

Jonathan Borrego
City Manager

REVIEWED BY:

Jill Moya, Financial Services Director JM

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ATTACHMENTS:

1. Development Project Pipeline, May 2023
2. Inclusionary Housing
3. State Density Bonus Law
4. Oceanside Housing Resources
5. Oceanside Housing Needs
6. Maximum Income Limits and Affordable Housing Costs

Providing housing options for all
Building strong families
Strengthening the social and physical fabric of the community

Development Project Pipeline

Attachment 1

HOUSING NEIGHBORHOOD SERVICES
Housing options for all
Building strong families
Strengthening the social and physical fabric of the community

Affordable Housing Developments - PIPELINE

Project Number	Application Date	Project Title	Project Status	Project Type	Project Description	Address	Approval Date	Unit Category (SFA,SFD,2 to 4,5+,ADU,MH)	Tenure R=Renter O=Owner	Total Number of Units	Number of Lower Income Restricted Units	Very Low (<50% AMI)		Low (51-80% AMI)	
TOTAL										3137	412	186	45%	226	55%
DB21-00007	11/8/2021	GREENBRIER VILLAGE	UNDER REVIEW	DENSITY BONUS	60 UNIT PERMANENT SUPPORTIVE HOUSING	803 GREENBRIER DR		5+	R	60	59	60	98%		0%
D18-00014 T18-00007 GPA18-00001 ZA18-00009	6/26/2018	RIO ROCKWELL	APPROVED	SURPLUS LANDS	RIO ROCKWELL /104 UNIT RESIDENTIAL PROJECT (SURPLUS LANDS ACT)	MISSION AVE	11/10/2020	SFD	O	104	11		0%	11	11%
DB21-00002	04/07/2021	SEAGAZE; MIXED USE DEVELOPMENT OF GROUND LEVEL COMMERCIAL	APPROVED	DENSITY BONUS	GROUND LEVEL COMMERCIAL & 170 STUDIO APARTMENTS	712 SEAGAZE DR	01/20/2022	5+	R	116	12		0%	12	10%
DB20-00001	12/16/2020	54 ATTACHED CONDOMINIUMS	APPROVED	DENSITY BONUS	54 ATTACHED CONDOMINIUMS	1903 S COAST HWY	12/15/2021	SFA	O	54	5	5	9%		0%
DB17-00001	03/15/2017	GRANDVIEW POINTE	APPROVED	DENSITY BONUS	28 UNIT SINGLE FAMILY	1002 GRANDVIEW ST	10/02/2018	SFD	O	28	2	2	7%		0%
DB21-00001 D21-00001 T21-00001	01/20/2021	CYPRUS POINT	APPROVED	DENSITY BONUS	54 SINGLE FAMILY HOMES	ASPEN ST	08/23/2022	SFD	O	54	8		0%	8	15%
DB21-00004	05/26/2021	WHALEY STREET HOMES	APPROVED	DENSITY BONUS	WHALEY STREET HOMES	1720 WHALEY ST	08/23/2022	SFD	O	8	1	1	13%		0%
DB21-00005	08/13/2021	MODERA MELROSE	APPROVED	DENSITY BONUS	MIXED-USE DENSITY BONUS TO PROVIDE 324 APTS RANGING FROM 1-3	OCEANSIDE BLVD	04/10/2023	5+	R	323	33	33	10%		0%
RC21-00006, DB21-00008, [illegible]	08/10/2021	THE FLATS, MERCANTILE LOFT	APPROVED	DENSITY BONUS	MIXED USE WITH 80% DENSITY BONUS, 18 RES UNITS 2 VERY LOW IN	1831 S COAST HWY	04/25/2022	5+	R	18	2	2	11%		0%
DB22-00001	01/05/2022	24 UNIT MIXED USE PROJECT	UNDER REVIEW	DENSITY BONUS	24 UNIT MIXED USE PROJECT	713 N FREEMAN ST		5+	R	24	2		0%	2	8%
[illegible]	03/16/2022	LOMA ALTA TERRACES, 13 LOT SUBDIVISION	UNDER REVIEW	DENSITY BONUS	13 LOT SUBDIVISION WITH DENSITY BONUS	LOMA ALTA DR		5+	R	13	1	1	8%		0%
DB22-00004	06/01/2022	OCEAN CREEK MIXED USE	UNDER REVIEW	DENSITY BONUS	MIXED USE	CROUCH ST		5+	R	300	30		0%	30	10%
[illegible]	[illegible]	94 LOT SINGLE-FAMILY RESIDENTIAL SUBDIVISION	UNDER REVIEW	DENSITY BONUS	94 LOT SINGLE-FAMILY RESIDENTIAL SUBDIVISION	GUAJOME LAKE RD		5+	R	84	4	4	0%		0%
RC22-00006, DB22-00008, D22-00019	08/29/2022	THE TREMONT, 3 STORY 17 UNIT RES. APTS	UNDER REVIEW	DENSITY BONUS	3 STORY 17 UNIT RES. APTS	1933 S TREMONT ST		2 to 4	R	17	1	1	6%		0%
RP22-00001, [illegible], RCUP22-00001, DB22-00007	08/01/2022	MIXED USE PROJECT: 64 UNITS AND 2,80	UNDER REVIEW	DENSITY BONUS	MIXED USE PROJECT: 64 UNITS AND 2,800 SF COMMERCIAL SPACE	801 PIER VIEW WAY		5+	R	64	7		0%	7	11%

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Attachment 1

HOUSING NEIGHBORHOOD SERVICES

Housing options for all
Building strong families
Strengthening the social and physical fabric of the community

Project Number	Application Date	Project Title	Project Status	Project Type	Project Description	Address	Approval Date	Unit Category (SFA,SFD,2-4, 5+,ADU,MH)	Tenure R=Renter O=Owner	Total Number of Units	Number of Lower Income Restricted Units	Very Low (<50% AMI)		Low (51-80% AMI)	
TOTAL										3137	412	186	45%	226	55%
ADM22-00061	08/15/2022	PRELIMINARY APP FOR MIXED USE RES & HOTEL	UNDER REVIEW		MIXED USE RES & HOTEL	901 MISSION AVE		5+	R	288	33	33	11%		0%
[illegible]	08/24/2022	SB330 NEW 7 STORY 321K SQF MIXED-USE 206 MF UNITS + PARKING	UNDER REVIEW	DENSITY BONUS	SB330 NEW 7 STORY 321K SQF MIXED-USE 306 MF UNITS + PARKING	810 MISSION AVE		5+	R	306	31		0%	31	10%
ADM22-00064 DB23-00002	08/31/2022	SOUTH RIVER VILLAGE	UNDER REVIEW		VANDERGRIFT PERM SUPP HOUSING 43 APTS. SB 2162			5+	R	43	42	11		31	72%
[illegible]	10/05/2022	OCEANSIDE TRANSIT CENTER	UNDER REVIEW			TREMONT ST		5+	R	547	55		0%	55	10%
T22-00017 DB22-00009 [illegible]	10/31/2022	SB330 1448 AVOCADO RD-19 RES. LOTS 3.43 ACRES	UNDER REVIEW	DENSITY BONUS	SB330 1448 AVOCADO RD-19 RES. LOTS 3.43 ACRES	1448 AVOCADO RD		5+	R	19	1	1	5%		0%
[illegible]	12/08/2022	BREEZE APTS	UNDER REVIEW	DENSITY BONUS	144-UNIT APARTMENT COMPLEX	NEVADA ST	12/07/2022	5+	R	148	15	15	10%		0%
RMP22-00004 RD22-00005, RCUP22-00003, DB22-00010	12/13/2022	MODERA NEPTUNE	UNDER REVIEW	DENSITY BONUS	MIXED USE DB DOWNTOWN W/ 62 HOTEL & 380 APTS	815 N COAST HWY		5+	R	380	38		0%	38	10%
[illegible]	12/14/2022	MIXED USE DB DOWNTOWN W/ 180 APTS & 8K SF COMMERCIAL	UNDER REVIEW	DENSITY BONUS	MIXED USE DB DOWNTOWN W/ 180 APTS & 8K SF COMMERCIAL	HORNE ST		5+	R	180	18	18	10%		0%
D23-00005 DB23-00003	04/14/2023	SEAFARER HOMES	UNDER REVIEW	DENSITY BONUS	NEW SF HOME DEV USING DB -7 HOMES EA. 4 BR & 2 CAR GARAGES	1728 CALIFORNIA ST		SFD	O		6	6		6	
[illegible]	05/24/2023	VISTA BELLA	UNDER REVIEW	DENSITY BONUS	[illegible]	805 VISTA BELLA		5+	R	77	13			13	17%

TOTAL Projects	25
SFD	5
SFA	1
2 - 4	1
5+	18
Rental	19
Owner	6

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Attachment 2

Providing housing options for all
Building strong families
Strengthening the social and physical fabric of the community

Inclusionary Housing Requirements (Chapter 14C of the Oceanside City Code)

The City of Oceanside originally adopted its Inclusionary Housing Ordinance ("IHO") in 1983 in an effort to meet the housing needs of its lower and moderate-income households. Chapter 14C-Inclusionary Housing of the Oceanside City Code establishes affordable housing obligations for residential projects of three (3) or more units. The City's IHO requires developers to rent or sell 10 percent of housing units at restricted rents or prices that are affordable to specified income levels, pay an in-lieu fee, or provide another compliance option.

In 2020, the City Council provided staff direction to complete a review and analysis of Chapter 14C-Inclusionary Housing to facilitate and encourage more developers to construct on or off-site reserved units, rather than simply defaulting to payment of the affordable housing in-lieu fee. On December 7, 2022, the City Council adopted Ordinance. No. 22-OR0848-1 as an update to Chapter 14C and approved various amendments to the City's Inclusionary Housing regulations, including increasing the in-lieu fee from $8.96 per square foot to $20 per square foot to be phased in over a two-year period. Based on the findings of an economic analysis completed by the City's consultant, David Paul Rosen & Associates (DRA) in February 2022, stakeholder input, and the direction provided by the City Council, the IHO policy updates to Chapter 14C focused on the ease of implementing and complying with Chapter 14C for both the City and developers, while being sensitive to current and future real estate market conditions.

AB 1505, codified as Government Code § 65850 and 65850.01 effective January 2018, reaffirmed the authority of local governments to include rental projects subject to inclusionary housing requirements. The legislation required that such inclusionary housing ordinances should not unduly constrain the production of housing and provide for alternative means of compliance that may include in-lieu fees, land dedication, off-site construction, or acquisition and rehabilitation of existing units. By offering a variety of alternative methods of compliance and allowing greater flexibility in standards as set forth in the 2022 amendments to the IHO, Oceanside has addressed the State's concern that inclusionary housing policies not serve as a form of governmental constraint to the production of housing.

Under certain scenarios, the state considers IHOs a potential barrier to the production of housing. AB 1505, authorizes the State Housing and Community Development Department (HCD) to review any amendment or adoption of an IHO requiring more than 15 percent of rental housing for lower income households and meeting certain conditions. Based on the provisions of AB 1505, State HCD would have the authority to review any amendment to Oceanside's IHO. Per the terms of AB 1505 HCD may request, and "the county or city shall provide, evidence that the ordinance does not unduly constrain the production of housing by submitting an economic feasibility study."

Attachment 2

The economic analysis prepared in February 2022 by DRA compared the financial performance of seven various prototypes utilizing the current 10 percent requirement and alternatively a 15 percent requirement for both rentals and ownership. A residual land value analysis (RLV) was prepared for seven prototypes. This analysis provides the technical means for assessing project development economics and exploring how different assumptions and input factors influence development feasibility. The RLV methodology calculates the value of a development based on its income potential and subtracts the costs of development (excluding land but including an assumed return to the developer/investors), to yield the underlying value of the land.

If the RLV is negative, that indicates that capitalized values are not sufficient to cover the other development costs besides land, and new development will be halted until market conditions change. If the estimated RLV is consistent with the market value of the land, the project is feasible. Additionally, when looking at alternative scenarios that yield a RLV loss that is less than the 30 percent reduction in RLV feasibility standard, such scenarios are potentially feasible. Therefore, very low, negative, or significantly reduced RLVs suggest that development of certain project types would not occur under current conditions without development incentives, such as density bonuses and parking reductions.

In DRA's 2022 analysis of an alternative 15 percent inclusionary housing requirement, rental apartments with structured parking are at a negative RLV, with the RLV decreasing significantly for apartments with podium parking and then surface parking, a 37 to 26 percent reduction, respectively. Therefore, for these product types, an increase in the set-aside requirement could impact financial feasibility, unless additional incentives or cost offsets are made available. The "for-sale" prototypes generate land values that are within the estimated/anticipated range of market land prices and concluded that increasing the percentage of affordable units to 15 percent results in a decrease in residual land value by approximately 12 to 24 percent, within the -30 percent feasibility standard. Therefore, under certain circumstances, increasing the City's inclusionary housing requirement from 10% to 15% could render some projects economically infeasible.

It should be noted that DRA's 2022 analysis utilized market conditions present in 2021, Since such time, such factors have changed and may have an impact on project feasibility. Like many industries, construction is affected by inflation, supply chain issues, labor shortages, rising interest rates and therefore, elevated construction costs. Consequently, these same factors have caused rises in property, worker's compensation, and liability insurance, as evidenced by the withdrawal of Allstate and State Farm from the California business and personal property and casualty insurance market.

Impact fees are assessed to new construction projects to assist in the construction of new schools and parks, and to help fund infrastructure improvements and are based on the actual cost of providing these essential services. In Oceanside, impact fees are assessed for parkland dedication, drainage, public facilities (various), traffic signals, thoroughfares, water systems, and wastewater systems. Fees to other agencies include school facilities mitigation fees, San Diego County Water Authority (SDCWA) capacity fees and water treatment capacity charges. Fees for single-family home development in Oceanside are generally at the high end in San Diego County, due to locational (Coastal) and topological constraints. Impact fees in 2020 were over $68,000 for a single-family home and ranging from $17,200 to $25,200 for multi-family development. Increases to the parkland dedication fee and water capacity fees are to be considered within the year.

Based upon the DRA analysis and increasing costs for the construction industry, increasing the set-aside requirement for affordable housing beyond 10 percent could prove to impact project feasibility, particularly for those development types noted in the DRA analysis (e.g., rental apartments with structured or podium parking).

Should the City consider increasing the set-aside requirement above 10 percent, it should be anticipated that additional incentives and cost offsets would need to be made available such as those offered through State Density Bonus law or providing even greater incentives. Given the typical construction type seen in the downtown area (e.g., rental apartments with structured parking, which generates a negative RLV), project feasibility may be of concern if the required set-aside is increased above 10 percent. Additionally, smaller developments, do not have the economies of scale to absorb increased costs. Therefore, should the City increase the set-aside requirement, staff would recommend raising the threshold requirement for applicability from 3 dus to 10 dus.

Inclusionary Housing within San Diego County

Currently, 11 of the 18 jurisdictions within the region have mandatory inclusionary housing programs in place. Seven of the nine North County jurisdictions have adopted Inclusionary Housing policies, exceptions are Vista and Escondido. The City of Encinitas updated its ordinance in 2021, with the cities of Carlsbad and San Marcos updating in 2022. Currently, the County of San Diego and City of Vista are in the process of developing such policies. Based on best practices research, factors typically associated with successful inclusionary housing programs include a strong housing market, flexible alternative compliance options, incentives to facilitate project feasibility, and clear guidelines.

Minimum threshold for ordinance applicability:

The minimum threshold for inclusionary housing program applicability is an important consideration. Oceanside's minimum threshold is set at three units. Most inclusionary housing programs provide an exemption for projects below a specified unit threshold. Minimum thresholds range between one and 50 units, with 10 units being the most common project size at which a mandatory inclusionary program applies. Some programs set the threshold as low as one or two units, for which compliance is enabled through an in-lieu fee. Should the City Council elect to increase the set-aside requirement from 10% to 15% staff would recommend concurrently raising the minimum project threshold from three units to 10 units, otherwise, the City runs the risk of placing an insurmountable financial burden on smaller residential developments.

Minimum set-aside requirement:
The minimum set-aside requirement establishes the amount of affordable housing to be provided, affordability level (e.g., lower-income, moderate-income), and the period of affordability. Programs typically set different set-aside schedules for rental and for-sale projects. Rental project set-aside requirements may be more concentrated in lower-income tiers than for-sale project requirements. The best practice research found that most jurisdictions require an inclusionary set-aside of affordable units that ranges from 10 to 20 percent of the total number of units. In addition, depending on the relative strength of their various housing markets, jurisdictions also have different set-asides and targeted AMI levels for for-sale and for-rent housing to minimize the costs of their program and incentivize the development of both affordable and market-rate units. Multiple jurisdictions target moderate-income households (120% of the AMI) with for-sale development. Oceanside requires 10 percent for both for-sale and rental housing developments, with rental developments required to provide 10 percent required for lower-income households and for sale developments providing units for lower and moderate-income households. Staff is currently working on a proposed zone text amendment that seeks to incentivize on-site construction of more affordable units as part of our efforts to re-establish a density cap in the Downtown district for mixed-use developments. Staff's recommendations are expected to be presented for City Council consideration this Fall.

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Alternative Compliance:
State law requires that inclusionary housing programs include alternative compliance options for projects that cannot include the affordable housing units on site. Regarding alternative compliance options, most jurisdictions allow for in-lieu fees, off-site development, or land dedication. Payment of an in-lieu fee is the most common form of alternative compliance allowed by jurisdictions, but some jurisdictions limit its applicability only to small projects (e.g., less than 10 units). Alternative compliance options are typically provided by jurisdictions as tool to provide flexibility for ordinance compliance. However, some jurisdictions require, as a condition to use alternative compliance options, that the applicant demonstrate that providing the affordable units on site would render the development infeasible.

Oceanside allows as alternative methods of compliance several options inclusive of in-lieu fees, ADUs, and off-site alternatives in various housing product types for flexibility. However, the development project must demonstrate that the on-site method of compliance would render the development infeasible and does not allow for off-site compliance to be within areas of low-income concentration.

Incentives:
Jurisdictions may also provide incentives and concessions to compensate for the costs of developing affordable units under a local inclusionary housing program. Most jurisdictions provide the incentives available through the State Density Bonus program and do not go beyond such incentives. Certain jurisdictions, including the City of San Diego, provide expedited review for projects that provide 100% of its units as affordable housing, or waiver or reduction of the development impact fees that would apply to the affordable housing units. Oceanside's recent revisions to its IHO provided for consistency with State Density Bonus program and provides for financial assistance where appropriate and for development projects providing more than the requirements and addressing the housing goals of the City.

At the Council's direction, City staff could explore the possibility of allowing non-discretionary (staff level) review of affordable housing projects that meet certain thresholds (i.e., 100% affordability or density bonus projects that include no development standard waivers beyond those automatically afforded by state law (e.g., reduced parking and increased density). However, staff does not recommend waiving development impact fees as any such waiver would need to be supplemented by General Fund revenue in order to ensure that a project's impacts on facilities such as parks or roadways are adequately mitigated.

Inclusionary housing can be a valuable policy tool to partner with the development community in providing affordable housing without local financial subsidies. In designing and amending that successfully creates such housing, the City must consider its local housing market, development costs and other policies that may impact project feasibility. Grounded Solutions Network, through its technical assistance to the Association of Bay Area Governments (ABAG), has created a toolkit and an online inclusionary housing calculator that can assist in modeling the impacts of inclusionary housing policies.

Attachment 2

Housing Neighborhood Services

OCEANSIDE

SUMMARY OF INCLUSIONARY HOUSING ORDINANCES/POLICIES

North San Diego County

		Oceanside [illegible]	Carlsbad [illegible]	Encinitas [illegible]	Solana Beach [illegible]	Del Mar [illegible]	San Marcos [illegible]	[illegible]	Vista	Escondido
Threshold Project Size		5 DUs or more Condo Conversions	1 DU or more 6 DUs or less - in-lieu Fee Condo Conversions	1 DU or more 6 DUs or less - ADU or in-lieu Fee Condo Conversions	5 Dus or more Condo Conversions	Parcel Maps & Subdivision Maps for residential lots (SF) 2 DUs or more (Condos, Coops, Apartments) Condo Conversions	1 Du or more Condo Conversions	1 DU or more	As of 4/2022 working towards Inclusionary Housing for projects 20 dus or more	
Affordability Requirement For-Sale	Extremely Low-Income					1-2 Dus (Projects of 20 dus+)	Payment of an in-lieu fee			
	Very Low-Income			15% very low or 20% low	15% very low or low	1-2 Dus (Projects of 20 dus+)				
	Low-Income	10% low or Moderate	15%			20% (Projects 20 Dus or more)		15% low or 20% moderate		
	Moderate-Income									
Affordability Requirement Rental	Extremely Low-Income					1-2 Dus (Projects of 20 dus+)	15% (Projects 6 Dus or more Target based on [illegible])			
	Very Low-Income			15% very low or 20% low	15% very low or low	1-2 Dus (Projects of 20 dus+)		15%		
	Low-Income	10%	15%			20% (Projects 20 Dus or more)				
	Moderate-Income									
Length of Affordability	For Sale	30 years Resale	30 years Resale or Recapture	In perpetuity	30 years	Not defined	55 years Recapture (Condo Conversions)	45 years		
	Rental	55 years No conversions to condos or other forms of ownership	55 years	In perpetuity	30 years	55 years	55 years No conversion to condos or other forms of ownership	55 years		
Affordable Housing Costs	For Sale	Sales Prices calculated in accordance with California Health and Safety Code Section 50052.5	Sales Prices calculated consistent with California Health and Safety Code Section 50052.5	Sales Prices calculated in accordance with California Health and Safety Code Section 50052.5	Sales Prices calculated in accordance with California Health and Safety Code Section 50052.5	Sales Prices calculated in accordance with California Health and Safety Code Section 50052.5	Sales Prices calculated in accordance with California Health and Safety Code Section 50052.5	Sales Prices calculated in accordance with California Health and Safety Code Section 50052.5		
	Rental	Rent defined consistent w/California Health and Safety Code Section 50053, and, No more than 80% of market rent	Rent defined consistent w/California Health and Safety Code Section 50053, and, no more than 80% of market rent	Rent defined in accordance w/California Health and Safety Code Section 50053	Rent defined in accordance w/California Health and Safety Code Section 50053	Rent defined in accordance w/California Health and Safety Code Section 50053	Rent defined in accordance w/California Health and Safety Code Section 50053.	Rent defined in accordance w/California Health and Safety Code Section 50053		
Design Standards	Exterior	Design and exterior appearance consistent and compatible with as market rate (appearance, materials, quality)	Design and exterior appearance consistent and compatible with as market rate (appearance, materials, quality)	Comparable in exterior appearance and overall quality of construction to market-rate units	Design integrated into the residential style	Integrated design, compatible with the market-rate units of the development. Not distinguished by design, construction, or materials.	Compatible and substantially the same in design and exterior appearance of the market-rate units	Compatible and substantially the same in appearance, materials and quality of the market-rate units		
	Interior	Interior finishes and amenities may differ, but workmanship and products may not be substandard or inferior quality		Interior finishes and amenities may differ, but workmanship and products may not be substandard or inferior quality	Interior finishes and features may differ, but finishes and features are durable, of good quality and consistent with contemporary standards			Reduction in interior amenity levels and square footage		
	Bedroom Sizes	Proportionate mix or in response to demand	Proportionate mix or in response to demand 10% as 3 bedroom Dus for projects of 10 du or more	Proportional mix of units by bedroom as market rate	Proportional mix of units by bedroom as market rate	Proportional mix of units by bedroom as market rate	Proportionate mix of bedrooms or a larger number of bedrooms and square footage as market rate	On average proportional mix of units by bedroom as market rate		
	Unit Distribution	Subject to fair housing laws		All units dispersed throughout development, by floor, section, elevation		All units dispersed throughout development		All units dispersed throughout development		
	Other			Access and enjoyment of same amenities						

OCEANSIDE

SUMMARY OF INCLUSIONARY HOUSING ORDINANCES/POLICIES

North San Diego County

Attachment 2

Housing Neighborhood Services

		Oceanside OMC Article 14C Inclusionary Housing	Carlsbad CMC Chapter 21.85 Inclusionary Housing	Encinitas EMC 30.41 Affordable Housing	Solana Beach SBMC Chapter 17.70	Del Mar DMMC Chapter 28.71 Affordable Housing Mitigation	San Marcos SMMC Chapter 20.310 Inclusionary Housing	Poway Chapter 12.[illegible]	Vista	Escondido
In Lieu Fee	Date Last Updated	Dec 2022	Mar-22				Update Pending 2022	Resolution P-10-08 May 14, 2010		
	Goals	Affordability gap of for market price and all pricing	15% of subsidy required to make 2 bedroom and 3 bedroom rental and for-sale units affordable for 55 years	Affordability gap of for market price and all pricing						
	Applicability	Optional for all projects w/findings Fractional units	Projects less than 7 Dus	Projects less than 6 Dus Additions of 500 sq ft or more Reconstruction and replacement of housing more than 500 sq ft Fee provided to another entitled project providing more affordable units	Optional for all projects w/findings Fractional units less than 1/2	Projects of 2 to 5 dus Fractional units less than 1/2	Single Family Rental Projects of 4 or more dus Fractional units	All projects Fractional units		
	Amount	$15 per SF (2023) $20 per SF (2024)	Single-family residence = $8,515 Two to six units = $15 per square foot $2,925 per unit (off housing impact fee)	$20 per SF $20 per SF (residential care facilities)	$25.28 per SF	Subdivisions: $25,007.12 per lot created New Condominium Construction or Conversions: $23.91 per SF of habitable area	Study at $80,000 per market rate unit Implementation at $4,500 per market rate unit	$500 per market rate unit		

Attachment 2

LATE DISTRIBUTION OF MATERIALS

DATE: August 25, 2023

TO: Honorable Mayor and Councilmembers

FROM: Maddison Zafra, City Manager's Office

SUBJECT: **AFFORDABLE HOUSING PRODUCTION STRATEGIES**

Item #1 – Attachment 2 has been edited to include a link to the DRA Inclusionary Housing Study, dated February 8, 2022.

Due to its size, the second part of attachment 2 has not been included in the packet.

To view the document electronically, please go to:

https://www.ci.oceanside.ca.us/home/showpublisheddocument/13061/638279620785030000

Providing housing options for all
Building strong families
Strengthening the social and physical fabric of the community

Density Bonus Law (effective 2023)

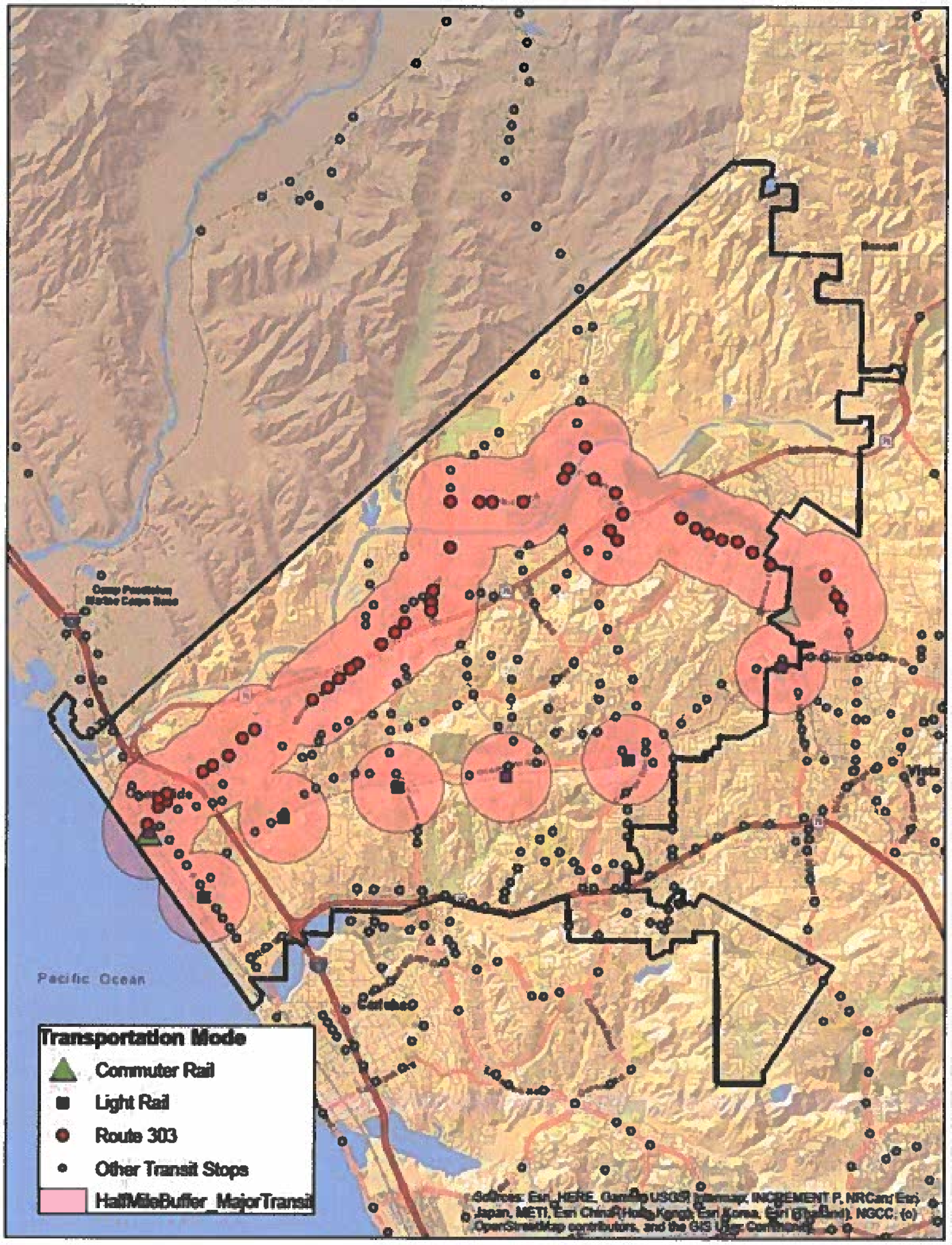
In 2022, Assembly Bills (AB) 682, 2334, and 1551 were signed into law, effective January 1, 2023, making various amendments and clarifications to State Density Bonus Law, GC Section 65915.

AB 682 establishes "shared housing" as a new category of housing eligible for a density bonus and the other benefits of the Density Bonus Law. "Shared housing" is defined in the legislation as a residential or mixed-use structure containing five or more private units which share common areas such as a kitchen or dining area. The separate units within the shared housing development are treated the same as traditional self-contained housing units for purposes of the density bonus law. The new legislation opens the density bonus law to support a wider range of housing options such as group homes. AB 682 also establishes a method for determining the base density in communities where there are not adopted standards for the maximum number of units per acre.

AB 2334 expands the ministerial development bonuses created by AB 1763 (2019) for 100% affordable housing developments, as defined in § 65915(b)(1)(G). The area where these incentives can be utilized has been significantly expanded from areas within a half-mile of a major transit stop to now also include developments within a "very low vehicle travel area". A "very low vehicle travel area" is defined as an "urbanized area" located within one of the designated counties with per capita vehicle miles travelled per capita at 85% or less of the per capita vehicle miles travelled per capita for the region or city as a whole. Eligible housing development projects located in these areas are permitted unlimited density and are granted an additional three stories, or 33 feet in height, as well as four incentives/concessions. Figure 1 below depicts a ½ mile radius from a major transit stop and a very low VMT areas.

Attachment 3

Figure 1: ½ mile radius from a major transit stop and a very low VMT areas



AB 1551 readopts legislation that sunsetted at the end of 2021 requiring that cities and counties provide a "development bonus" to commercial developers who partner with affordable housing developers for the construction of affordable housing on the commercial project site, or offsite within the jurisdiction located near schools, employment, and a major transit stop. Under this law, if a local government agrees, a non-residential development may obtain additional non-residential floor area or other development incentives. The required affordability can be satisfied through an agreement for partnered housing with an affordable housing developer pursuant to the requirements of pursuant to § 65915.7 of the Government Code. To be eligible for the development bonus, at least 30% of the housing units must be restricted to lower income residents or 15% of the housing units must be restricted to very low-income residents. The development bonus can be any mutually agreeable incentive, including up to a 20% increase in development intensity, floor area ratio, or height limits, up to a 20% reduction in parking requirements, use of a limited use elevator, or an exception to a zoning ordinance or land use requirement. Local governments must agree to the terms of the affordability agreement to approve a commercial bonus. AB 1551 extended the provisions of AB 1934 until January 1, 2028, without making any changes.

Proposed 2023 State Legislation

AB 1287 would expand density bonus law to grant an additional density bonus for those development projects that provide additional units for very low or moderate-income beyond the required set aside, so long as the total very low-, low- and moderate-income units does not exceed 50% of the development. For example, a density bonus of up to 88.75% would be available for a project that includes 25% very low-income units (50% density bonus for providing 15% very low-income and an additional 38.75% density for providing 10% more very low-income). A project providing 10% of the units for low-income and 5% for moderate-income could receive a total density bonus of 40% (20% for the low-income units and 20% for the additional moderate-income).

Additional % Restricted as Affordable Very Low- or Moderate-Income	Stacked Density Bonus % Increase	
	Very Low-Income	Moderate-Income
5	20	20
6	23.75	22.5
7	27.5	25
8	31.25	27.5
9	35	30
10	38.75	32.5
11		35
12		38.75
13		42.5

Attachment 3

Additional % Restricted as Affordable Very Low- or Moderate-Income	Stacked Density Bonus % Increase	
	Very Low-Income	Moderate-Income
14		46.25
15		50

The bill would require a city, county, or city and county to grant four incentives or concessions for a project that includes at least 16% of the units for very low-income households or at least 45% for moderate-income in a development in which the units are for sale. The bill would also increase the incentives or concessions for a project in which 100% of all units are for lower income households from 4 to 5.

Providing housing options for all
Building strong families
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Housing Financial Resources

There are a variety of state and local resources that have been used for housing development and rehabilitation for homeowners and renters. With the dissolution of redevelopment in February 2012 and shrinking of governmental funds, fewer resources will be available in the future to accomplish the Housing goals, policies and programs set forth in this Housing Element.

- Federal HOME Funds

  The HOME Investment Partnerships Act (HOME) program is a flexible grant program, which is awarded to the City on a formula basis from the U.S. Department of Housing and Urban Development (HUD) for housing activities and considers local market conditions, inadequate housing, poverty, and housing production costs. Its purpose is to expand the supply of decent, safe, sanitary, and affordable housing for very low and low-income families. Eligible activities include acquisition, construction, reconstruction and/or rehabilitation of affordable rental or for-sale housing and tenant based rental assistance. The City's annual HOME entitlement is approximately $640,000. However, these funds alone are inadequate to provide the "gap financing" required to subsidize an affordable housing project. HOME regulations have specific requirements for the commitment and expenditure of funds that requires shovel ready projects and programs ready for immediate implementation.

  As part of the American Rescue Plan (ARP) Act of 2021, HUD awarded Oceanside $2,248,491 in HOME ARP funding. The objective of the HOME-ARP Program is to reduce homelessness and increase housing stability for qualifying populations and low-income households (those at or below 80% area median income). As approved by the City Council on April 20, 2022, and by HUD in the City's HOME-ARP Allocation Plan, HOME-ARP funds will be used for the development of permanent supportive housing for the unsheltered.

- Federal Section 8 Housing Choice Voucher

  The Section 8 Housing Choice Voucher (HCV) program is a Federal government program to assist very low-income families, the elderly, and the disabled with rent subsidy payments in privately owned rental housing units. Section 8 participants are able to choose any housing that meets the requirements of the program and are not limited to units located within subsidized housing projects. They typically pay 30 to 40 percent of their income for rent and utilities. There are currently 1,463 households assisted with HCVs by the Oceanside Housing Authority (OHA) and 4,786 households on the OHA HCV waiting list. The OHA is currently working with resident households who applied in 2016.

The OHA can utilize up to 20 percent of its allocated HCVs as Project Based Vouchers (PBVs) or approximately 280 PBVs. The OHA is under contract for 110 project-based vouchers for Old Grove Apartments, Marisol, North Coast Terrace, and Greenbrier Village. Project based vouchers (PBVs) are an essential source of revenue in the funding stack of permanent supportive housing for those extremely low-income households. PBVs may only be awarded through a Notice of Funding Availability process and must be approved by HUD.

- State of California Redevelopment Low and Moderate-Income Housing Set-Aside Funds

In accordance with AB X1 26, as of February 1, 2012, redevelopments agencies in California were dissolved and revenues were returned to the State of California through successor agencies. Funds are used exclusively for the preservation, improvement, and expansion of the low- and moderate-income housing supply within the community. Statutory obligations require that over each five-year compliance period, at least 30 percent of such development expenditures must assist extremely low-income households (30% of AMI), while no more than 20 percent may assist low-income households (between 60% to 80% of AMI). Under HSC Section 34176 (b), a maximum of 50 percent of deed-restricted rental housing units assisted by the former Agency, Housing Authority, or City in the previous 10 years may be restricted to seniors.

The current fund balance of the Low and Moderate-Income Housing fund is approximately $2.5 million. The Community Development Commission, as a successor housing agency, receives repayment on outstanding loans provided as gap financing for the development of affordable housing from Low and Moderate-Income Housing funds. Loan repayments will be used by the CDC to enforce and monitor existing terms and conditions associated with the loan and to create new housing opportunities as funds allow.

- State of California Permanent Local Housing Allocation (PHLA) Program

In September 2017, the California Legislature approved Senate Bill 2 (SB 2), known as the Building Homes and Jobs Act (Act), which established a $75 recording fee on real estate documents to increase the supply of affordable housing, with priority for those households at or below 60 percent of the AMI. The Act establishes the Permanent Local Housing Allocation (PLHA) program administered by the California Department of Housing and Community Development (HCD).

On June 17, 2020, the City Council adopted a five-year plan, as required by the State, for an estimated total of $3,984,906. As specified in its PLHA five-year plan, funds are allocated to the development and operation of the Oceanside Navigation Center. To date, the City has received its first year of funding in the amount of

$649,151. Due to the statutory requirements of the PLHA program, the City was unable to make application for its Year 2 ($1,008,982) and 3 ($1,110,353) funding totaling $2,119,335 as the City did not have a State certified Housing Element at such time. It is anticipated with a compliant Housing Element, the City will be able to make application for its available Years 2, 3 and 4 PLHA funding anticipated in October 2023.

- Local Inclusionary Housing In-lieu Fund

  Chapter 14C-Inclusionary Housing of the Oceanside City Code provides the opportunity to a residential developer to pay a fee in lieu of providing affordable units on site, as last resort option when units cannot be newly constructed and/or acquired. The per-square-foot in-lieu fee is calculated on a case-by-case basis. The funds collected from the Inclusionary Housing In-lieu fees are then applied and/or leveraged with additional funding sources to create affordable housing in other locations. The current Inclusionary Housing In-lieu Restricted Fund balance is approximately $10.7 million.

Attachment 5

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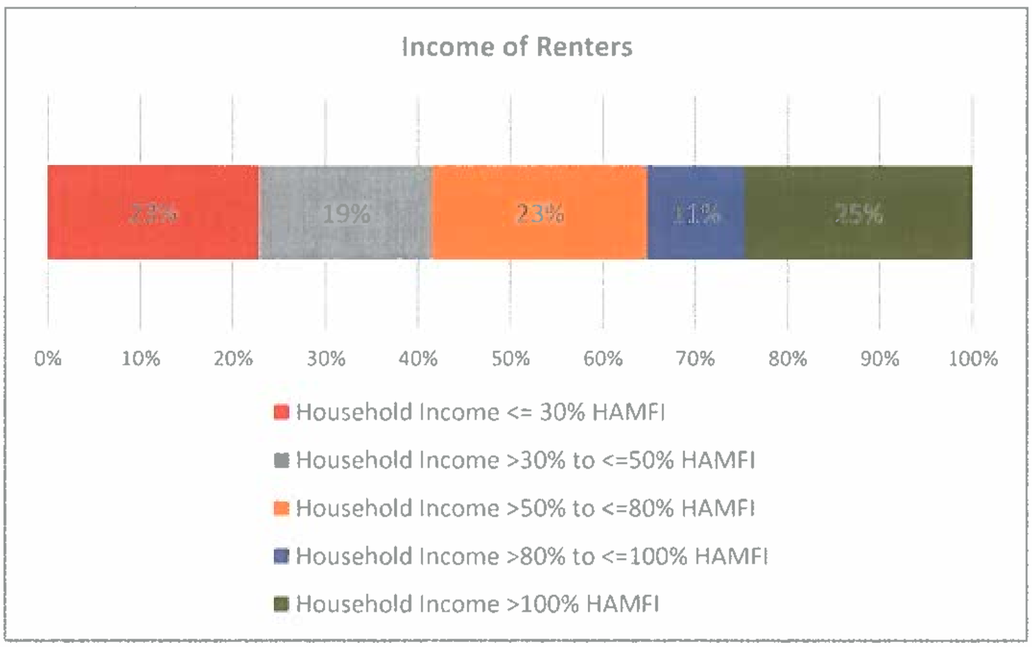
Strengthening the social and physical fabric of the community

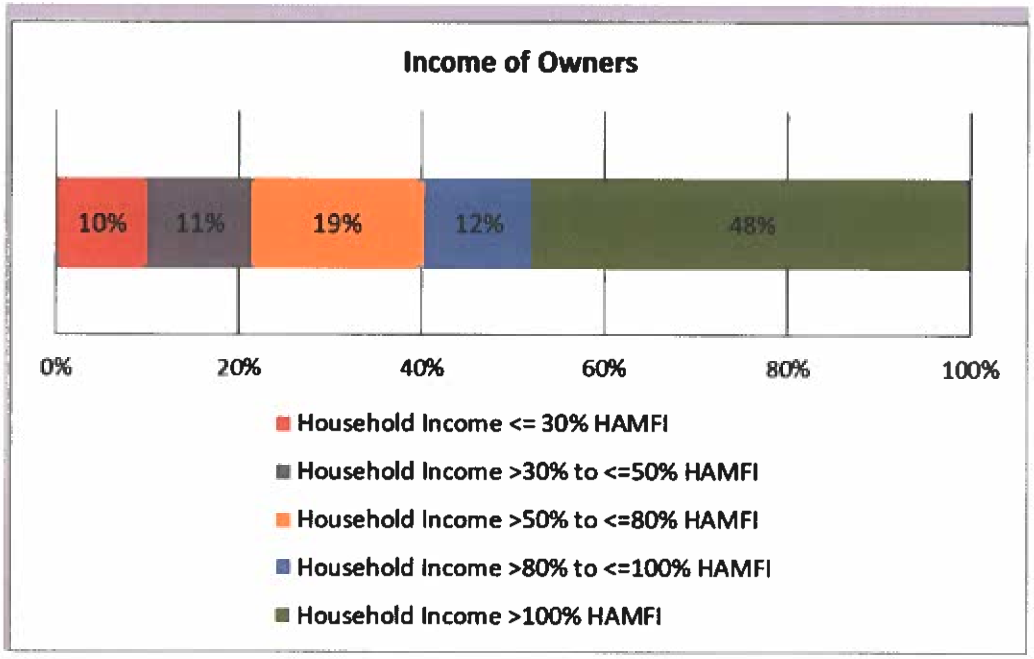
Need for Affordable Housing

In Oceanside,65% of renter households are considered to be lower-income earning less than 80% of the Area Median Income (AMI) or $110,250/year for a family of four, 23% are low income and 42% are considered very low-income or $68,900 or less a year for a family of four. For homeowners, 40% are lower-income, with 19% low-income and 21% considered very low-income.

The average annual household income of the City's current 1,460 Housing Choice Voucher (HCV)program (aka Section 8 Rental Assistance) participants is $23,404 or $1,950 a month.

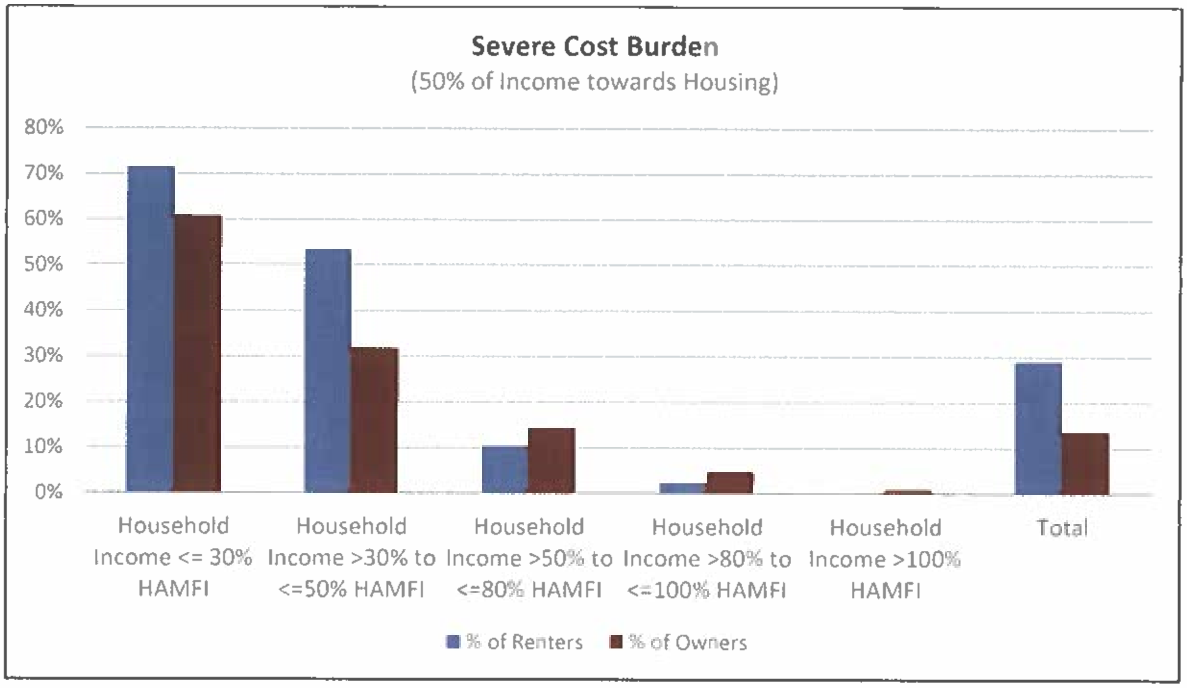


Source: HUD CHAS, 2015-2019 ACS



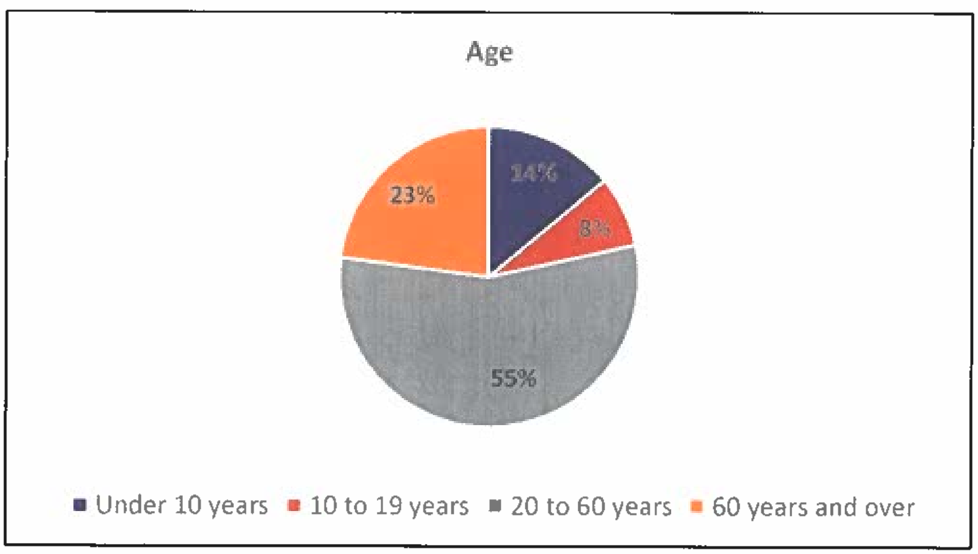
Source: HUD CHAS, 2015-2019 ACS

In Oceanside, 42% of households are "severely cost burdened.", of which 29% are renters and 13% are homeowners This means that residents pay more than 50% of their gross income on housing, leaving insufficient income to pay for their other needs such as food, clothing, medical care, and transportation. For lower income renter households, the housing cost burden is greater, with 63% of lower-income renters paying more than 50% of their income for housing. The majority of an extremely low- and very low-income renter's income goes towards housing costs, with 71% of extremely low-income renters and 53% of all very low-income renters severely cost burdened.



Source: HUD CHAS, 2015-2019 ACS

Housing needs are influenced by the age characteristics of the population. Different age groups require different accommodations based on lifestyle, family type, income level, and housing preference. Twenty-three percent (23%) of the City's population is aged 60 years or older. Approximately 43% of the City's HCV program participants are aged 62 years and over. As the "Baby Boom" generation enters the retirement years, the needs for senior housing are expected to increase significantly.



Source: American Community Survey 5-year Estimates

Housing Affordability

For a three-bedroom housing unit in Oceanside, with an average rental cost of $3,129, very low-, low-, even median income households could not afford a rental unit without becoming cost burdened and spending more than 30% of their monthly income on rent, not including utilities. The cost differential for affordable housing costs for homeownership is far greater, with the median sales price at $790,200 and an estimated monthly mortgage at $4,641.

Family of 4	Area Median Income	Low Income 80% of AMI	Very Low Income 50% AMI
Annual Income[3]	$116,800	$110,250	$68,900
Monthly Income	$9,733	$9,188	$5,742
Maximum Monthly Housing Cost Considered Affordable (State HCD)	$2,920	$1,752 $2,044	$1,460
Affordability of Rent	+$299	+$1,467	+$1,759
Affordability of Mortgage Payment	+$1,721	+$2,597	+$3,181

Oceanside Average Rent 3 Bedroom[4] = $3,219
Oceanside Median Home Price 3 Bedroom = $790,200[5]; $4,641 monthly mortgage[6]

Based upon a general rule of thumb of earning three times the rent, a household would need to earn approximately $9,600 a month or $55/hour at 40 hours a week to afford the average 3-bedroom unit in Oceanside.

These high rents place tremendous pressure on individuals and families. Often forcing families to crowd into smaller apartments, to endure longer commutes to less expensive housing markets, and to accept substandard housing.

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[3] San Diego-Carlsbad, CA MSA, U.S. Department of Housing and Urban Development (HUD), Effective Date: May 15, 2023

[4] May 2023, Apartments For Rent in Oceanside CA - 823 Rentals | Apartments.com

[5] April 2023, Oceanside, California Housing Market Report April 2023 - RocketHomes

[6] May 2023, 10% down and 6.125% interest, Get Customized Loan Quotes From Zillow

Attachment 6

Providing housing options for all
Building strong families
Strengthening the social and physical fabric of the community

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San Diego-Carlsbad, CA MSA **2023**

Household Income Limits

HUD Method

Note: The following household income limits are adjusted for a high cost area as per the Federal Housing Act of 1937 and calculated using HCD methodology to comply with Health and Safety Code Sections 50052.5 and 50093.

San Diego-Carlsbad, CA MSA $ 116,800
U.S. Department of Housing and Urban Development
May 15, 2023 Effective Date

Hshold Size	Extremely Low Income 30%			35%			40%			45%		
	Annual Income	Monthly Income	30.00% Monthly	Annual Income	Monthly Income	30.00% Monthly	Annual Income	Monthly Income	30.00% Monthly	Annual Income	Monthly Income	30.00% Monthly
ONE	$28,950	$2,413	$723	$33,800	$2,817	$845	$38,600	$3,217	$965	$43,400	$3,617	$1,085
TWO	$33,100	$2,758	$827	$38,600	$3,217	$965	$44,100	$3,675	$1,103	$49,600	$4,133	$1,240
THREE	$37,250	$3,104	$931	$43,450	$3,621	$1,086	$49,600	$4,133	$1,240	$55,800	$4,650	$1,395
FOUR	$41,350	$3,446	$1,033	$48,250	$4,021	$1,206	$55,100	$4,592	$1,378	$62,000	$5,167	$1,550
FIVE	$44,700	$3,725	$1,117	$52,150	$4,346	$1,303	$59,550	$4,963	$1,489	$67,000	$5,583	$1,675
SIX	$48,000	$4,000	$1,200	$56,000	$4,667	$1,400	$63,950	$5,329	$1,599	$71,950	$5,996	$1,799
SEVEN	$51,300	$4,275	$1,282	$59,850	$4,988	$1,496	$68,350	$5,696	$1,709	$76,900	$6,408	$1,923
EIGHT	$54,600	$4,550	$1,365	$63,700	$5,308	$1,592	$72,750	$6,063	$1,819	$81,850	$6,821	$2,046

Hshold Size	Very Low Income 50%			60%			70%			Low Income 80%		
	Annual Income	Monthly Income	30.00% Monthly	Annual Income	Monthly Income	30.00% Monthly	Annual Income	Monthly Income	30.00% Monthly	Annual Income	Monthly Income	30.00% Monthly
ONE	$48,250	$4,021	$1,206	$57,900	$4,825	$1,447	$67,550	$5,629	$1,688	$77,200	$6,433	$1,930
TWO	$55,150	$4,596	$1,378	$66,200	$5,517	$1,655	$77,200	$6,433	$1,930	$88,200	$7,350	$2,205
THREE	$62,050	$5,171	$1,551	$74,450	$6,204	$1,861	$86,850	$7,238	$2,171	$99,250	$8,271	$2,481
FOUR	$68,900	$5,742	$1,722	$82,700	$6,892	$2,067	$96,450	$8,038	$2,411	$110,250	$9,188	$2,756
FIVE	$74,450	$6,204	$1,861	$89,350	$7,446	$2,233	$104,200	$8,683	$2,605	$119,100	$9,925	$2,977
SIX	$79,950	$6,663	$1,998	$95,950	$7,996	$2,398	$111,900	$9,325	$2,797	$127,900	$10,658	$3,197
SEVEN	$85,450	$7,121	$2,136	$102,550	$8,546	$2,563	$119,600	$9,967	$2,990	$136,750	$11,396	$3,418
EIGHT	$90,950	$7,579	$2,273	$109,200	$9,100	$2,730	$127,350	$10,613	$3,183	$145,550	$12,129	$3,638

Hshold Size	100%			110%			Moderate Income 120%			140%		
	Annual Income	Monthly Income	30.00% Monthly	Annual Income	Monthly Income	30.00% Monthly	Annual Income	Monthly Income	30.00% Monthly	Annual Income	Monthly Income	30.00% Monthly
ONE	$81,750	$6,813	$2,043	$89,950	$7,496	$2,248	$98,100	$8,175	$2,452	$114,450	$9,538	$2,861
TWO	$93,450	$7,788	$2,336	$102,800	$8,567	$2,570	$112,100	$9,342	$2,802	$130,800	$10,900	$3,270
THREE	$105,100	$8,758	$2,627	$115,650	$9,638	$2,891	$126,150	$10,513	$3,153	$147,150	$12,263	$3,678
FOUR	$116,800	$9,733	$2,920	$128,500	$10,708	$3,212	$140,150	$11,679	$3,503	$163,500	$13,625	$4,087
FIVE	$126,150	$10,513	$3,153	$138,800	$11,567	$3,470	$151,350	$12,613	$3,783	$176,600	$14,717	$4,415
SIX	$135,500	$11,292	$3,387	$149,050	$12,421	$3,726	$162,550	$13,546	$4,063	$189,650	$15,804	$4,741
SEVEN	$144,850	$12,071	$3,621	$159,350	$13,279	$3,983	$173,800	$14,483	$4,345	$202,750	$16,896	$5,068
EIGHT	$154,200	$12,850	$3,855	$169,600	$14,133	$4,240	$185,000	$15,417	$4,625	$215,800	$17,983	$5,395

Note: Income levels 80% and below are adjusted by a HUD high cost area allowance.

This general income information is calculated from the U.S. Department of Housing and Urban Development (HUD) income figures. Specific program requirements may vary.

Attachment 6

COUNTY (fill-in):	San Diego		2023	(fill-in: Cal Yr)
Affordable Housing Cost:	AREA MEDIAN INCOME (AMI):		$116,800	(fill in: median income, 4-person)

To find COUNTY & INCOME to "fill-in":
for AMI, use "Official State Income Limits" at below link
https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/income-limits-2023.pdf

	RENTER	OWNER
Health & Safety Code (H&SC):	§ 50053	§ 50052.5
Extremely Low	30%	30%
Very Low	50%	50%
Low	60%	70%
Moderate	110%	110%

[Formula]
(These columns show how the maximum monthly rent and maximum housing cost were calculated.)

Note: Cost does not reflect deduction of allowances (e.g. utilities)

Income Group	H&SC 50052.5(h) Unit Size Bedrooms	HH Size Persons	Maximum Monthly Rent Cost (Renters)	Maximum Month House Cost (Owners)	[(Max Cost %	x	Median % Upper Limit	x	Above County's Area Median Income	x	* Family Size Adj.	) /	Months]
Extremely Low Income HH	0 (Studio)	1	$613	same	[(30%	x	30%	x	$116,800	x	0.7	) /	12]
	1 bedroom	2	$701	same	[(30%	x	30%	x	$116,800	x	0.8	) /	12]
	2 bedrooms	3	$788	same	[(30%	x	30%	x	$116,800	x	0.9	) /	12]
	3 bedrooms	4	$876	same	[(30%	x	30%	x	$116,800	x	1.0	) /	12]
	4 bedrooms	5	$946	same	[(30%	x	30%	x	$116,800	x	1.08	) /	12]
	5 bedrooms	6	$1,016	same	[(30%	x	30%	x	$116,800	x	1.16	) /	12]
Very Low Income HH	0 (Studio)	1	$1,022	same	[(30%	x	50%	x	$116,800	x	0.7	) /	12]
	1 bedroom	2	$1,168	same	[(30%	x	50%	x	$116,800	x	0.8	) /	12]
	2 bedrooms	3	$1,314	same	[(30%	x	50%	x	$116,800	x	0.9	) /	12]
	3 bedrooms	4	$1,460	same	[(30%	x	50%	x	$116,800	x	1.0	) /	12]
	4 bedrooms	5	$1,577	same	[(30%	x	50%	x	$116,800	x	1.08	) /	12]
	5 bedrooms	6	$1,694	same	[(30%	x	50%	x	$116,800	x	1.16	) /	12]
Low Income HH	0 (Studio)	1	$1,226	60% applies to renters	[(30%	x	60%	x	$116,800	x	0.7	) /	12]
	1 bedroom	2	$1,402		[(30%	x	60%	x	$116,800	x	0.8	) /	12]
	2 bedrooms	3	$1,577		[(30%	x	60%	x	$116,800	x	0.9	) /	12]
	3 bedrooms	4	$1,752		[(30%	x	60%	x	$116,800	x	1.0	) /	12]
	4 bedrooms	5	$1,892		[(30%	x	60%	x	$116,800	x	1.08	) /	12]
	5 bedrooms	6	$2,032		[(30%	x	60%	x	$116,800	x	1.16	) /	12]
	0 (Studio)	1	70% applies to owners	$1,431	[(30%	x	70%	x	$116,800	x	0.7	) /	12]
	1 bedroom	2		$1,635	[(30%	x	70%	x	$116,800	x	0.8	) /	12]
	2 bedrooms	3		$1,840	[(30%	x	70%	x	$116,800	x	0.9	) /	12]
	3 bedrooms	4		$2,044	[(30%	x	70%	x	$116,800	x	1.0	) /	12]
	4 bedrooms	5		$2,208	[(30%	x	70%	x	$116,800	x	1.08	) /	12]
	5 bedrooms	6		$2,371	[(30%	x	70%	x	$116,800	x	1.16	) /	12]
Moderate Income HH	0 (Studio)	1	$2,248	30% applies to renters	[(30%	x	110%	x	$116,800	x	0.7	) /	12]
	1 bedroom	2	$2,570		[(30%	x	110%	x	$116,800	x	0.8	) /	12]
	2 bedrooms	3	$2,891		[(30%	x	110%	x	$116,800	x	0.9	) /	12]
	3 bedrooms	4	$3,212		[(30%	x	110%	x	$116,800	x	1.0	) /	12]
	4 bedrooms	5	$3,469		[(30%	x	110%	x	$116,800	x	1.08	) /	12]
	5 bedrooms	6	$3,726		[(30%	x	110%	x	$116,800	x	1.16	) /	12]
	0 (Studio)	1	35% applies to owners	$2,623	[(35%	x	110%	x	$116,800	x	0.7	) /	12]
	1 bedroom	2		$2,998	[(35%	x	110%	x	$116,800	x	0.8	) /	12]
	2 bedrooms	3		$3,373	[(35%	x	110%	x	$116,800	x	0.9	) /	12]
	3 bedrooms	4		$3,747	[(35%	x	110%	x	$116,800	x	1.0	) /	12]
	4 bedrooms	5		$4,047	[(35%	x	110%	x	$116,800	x	1.08	) /	12]
	5 bedrooms	6		$4,347	[(35%	x	110%	x	$116,800	x	1.16	) /	12]

** Family Size (1-8) Adjustment: Adjustments are made so larger families have higher income limits.*
The 4-person income limit serves as the base in calculating income limits for household sizes other than 4 persons.
For family sizes ranging from 1 to 8 persons, the multipliers are as follows:

Number of Persons (below):

1	2	3	4	5	6	7	8
0.7	0.8	0.9	1.0 (base)	1.08	1.16	1.24	1.32

Decimal Multipliers (above):

For households larger than eight persons (all income categories), determine income limit as follows:

Per person (PP) adjustment above 8: (1) multiply the four-person income limit by eight percent (8%), (2) multiply result by number of persons in excess of eight, (3) add the amount to the income limit for eight persons, and (4) round the result to the nearest $100.

For projects with no federal assistance, household size is set at number of bedrooms in unit plus one (H&SC 50052.5(h))

Median Income is held harmless from 2012 at $75,900.

EXAMPLE	4 persons	x 8% PP Adj	added to 8 persons	= 9 persons	8 persons+8%PPAdj(x2)		= 10 persons
Extremely Low	41,350	3,308	54,582	57,890	25,750	6616	61,238
Very Low Income	68,900	5,512	90,990	96,550	47,100	11024	102,010
Lower Income	110,250	8,820	145,540	154,400	73,600	17640	163,160
Moderate Income	140,150	11,212	184,998	196,210	106,250	22424	207,382

Effective: June 6, 2023

PLANNING COMMISSION — STAFF REPORT

DATE: November 6, 2023

TO: Chairperson and Members of the Planning Commission

FROM: Housing and Neighborhood Services Department

SUBJECT: **REVISIONS TO THE INCLUSIONARY HOUSING ORDINANCE (CHAPTER 14C OF THE CITY CODE)**

RECOMMENDATION

Staff recommends that the Planning Commission recommend the City Council introduce an ordinance to amend Chapter 14C of the Oceanside City Code and adopt a resolution establishing the amended text as part of the Local Coastal Program (LCPA23-00002) to incorporate revisions to the Inclusionary Housing Ordinance to:

1) Increase the requirement to reserve housing for low and/or moderate-income households from 10 percent to 15 percent, with the exception of new residential projects developed within the Residential Single Family (RS) or Residential Estate (RE) districts; and,
2) Require that reserved units within a residential project with market rate units provide for a proportionate unit mix, based on bedroom count, as market rate units, be dispersed throughout the residential project, and have access to the same amenities as market units.
3) Clarify the use of Accessory Dwelling Units as an alternative housing type that may be incorporated into a residential project in satisfaction of the inclusionary housing requirement.

BACKGROUND

The City's Inclusionary Housing Ordinance (Chapter 14C of the City Code) requires that residential projects of three or more units reserve 10 percent of the units for occupancy by and at affordable housing costs to low or moderate-income households. A low-income household is defined as a household unit whose combined income does not exceed 80 percent of the area median income (AMI) for San Diego County for an equivalent size household, currently $110,250 a year for a family of four. A moderate-income household is defined as a household unit whose combined income exceeds 80 percent but does not exceed 120 percent of the AMI for San Diego County for an equivalent size household, currently $140,150, a year for a family of four.

On August 30, 2023, City Council directed staff to prepare amendments to Chapter 14C to facilitate and encourage the construction of more reserved units to address the need for affordable housing opportunities of low- and moderate-income households in Oceanside.

ANALYSIS

As directed by City Council on August 30th, staff reviewed Chapter 14C and has prepared text amendments addressing the following items:

1. Sec. 14C.5. Reservation requirements for affordable housing.
   Currently, residential projects of three (3) or more units in any area of the City must provide for at least ten percent (10%) of such housing units to be reserved for sale to lower- and moderate-income households or reserved as rental units for low-income households, known as the inclusionary housing requirement.

   The City's Regional Housing Needs Allocation (RHNA) sets a goal for the construction of 5,443 new housing units for the 2021-2029 planning cycle to keep up with projected population growth. Of this, a total of 1,986 housing units is needed during the current RHNA eight-year planning cycle for lower-income households (i.e., Very Low-Income, and Low-Income). The year 2022 marked the second year of the current RHNA production period. Oceanside has been able to meet 25 percent of its total RHNA goal thus far, including 7 percent of its lower-income housing goals.

   In Oceanside, 65 percent of renter households are considered to be lower-income, with 23 percent low income and 42 percent considered very low-income or $68,900 or less a year for a family of four. Sixty-three percent of lower-income renters pay more than 50 percent of their income for housing. For homeowners, 40 percent are lower-income, with 19 percent low-income and 21 percent considered very low-income.

   To address the need for housing affordable to the City's lower income households, Council directed staff to prepare an amendment to Chapter 14C to increase the inclusionary housing requirement from 10 percent to 15 percent, with the exception of those residential projects developed within single family residential districts (i.e., Residential Single Family and Residential Estate). To date, many residential projects have leveraged State Density Bonus Law to satisfy the inclusionary housing requirement. Therefore, it is recommended to exclude single family districts from the increase in the inclusionary housing requirement to lessen the impact of increased densities in these areas of the city.

2. Sec. 14C.6. Affordable housing standards and incentives.
   To "affirmatively further fair housing" and take meaningful actions to overcome patterns of segregation and foster inclusive communities free from barriers that restrict access to opportunity" for persons of color, persons with disabilities, and

other protected classes in compliance with Assembly Bill 686. Staff is recommending an amendment to Section 14C.6. (a)(3) for the design and construction of the reserved units provided on-site with market rate units to be in proportionate mix, based on bedroom size, with market rate units, dispersed throughout the residential project, and with access to the same amenities as market rate units.

The existing ordinance currently allows for the provision of Accessory Dwelling Units (ADUs) as an alternative compliance method to satisfy the inclusionary housing requirement (reference Section 14C.8(h)). However, to provide clarity that the provision of ADUs is considered to be an alternative housing type to satisfy the inclusionary housing requirement within the residential development or on-site, this provision is being moved to Section 14C.6.

A copy of the draft text amendments is provided as Attachment 2. Modifications to Chapter 14C are indicated by underlined/strikeout text.

Following City Council adoption of the text amendments and Local Coastal Program Amendment (LCPA23-00002), staff will forward the revised Chapter 14C text to the California Coastal Commission (CCC) for certification in order to become effective in the coastal zone.

FISCAL IMPACT

Amending the City Code to increase the City's inclusionary housing requirements in multifamily residential district may result in the collection of additional in-lieu fees if the developers of such projects elect to pay the fee, rather than build reserved units.

ENVIRONMENTAL DETERMINATION

Planning Division staff finds that the proposed project involves regulatory changes and would not, in and of itself, involve land development or any other material change to the environment. Therefore, in accordance with the provisions of the CEQA Guidelines Section 15061(b)(3), the common sense exemption, the proposed text amendment does not have the potential for causing a significant effect on the environment and is therefore exempt from CEQA.

RECOMMENDATION

Staff recommends that the Planning Commission recommend the City Council introduce an ordinance to amend Chapter 14C of the Oceanside City Code and adopt a resolution establishing the amended text as part of the Local Coastal Program (LCPA23-0000x) to incorporate revisions to the Inclusionary Housing Ordinance to:

1) Increase the requirement to reserve housing for low and/or moderate-income households from 10 percent to 15 percent, with the exception of new residential projects developed within the Residential Single Family (RS) or Residential Estate (RE) districts; and,
2) Require that reserved units within a residential project with market rate units provide for a proportionate unit mix, based on bedroom count, as market rate units, be dispersed throughout the residential project, and have access to the same amenities as market units.
3) Clarify the use of Accessory Dwelling Units as an alternative housing type that may be incorporated into a residential project in satisfaction of the inclusionary housing requirement.

PREPARED BY:

Leilani Hines
Housing and Neighborhood
Services Director

SUBMITTED BY:

Sergio Madera
City Planner

ATTACHMENTS:

1. Planning Commission Resolution No. 2023-P28
2. Proposed Inclusionary Housing Ordinance Text Amendments

5.01 ATTACHMENT 1

PLANNING COMMISSION
RESOLUTION NO. 2023-P28

A RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF OCEANSIDE RECOMMENDING AMENDMENT OF THE IMPLEMENTING DOCUMENT OF THE LOCAL COASTAL PROGRAM TO INCORPORATE REVISIONS TO THE INCLUSIONARY HOUSING ORDINANCE (CHAPTER 14C OF THE OCEANSIDE CITY CODE) AND REQUESTING CALIFORNIA COASTAL COMMISSION CERTIFICATION OF SAID AMENDMENT

APPLICATION NO:	LCPA 23-00002
APPLICANT:	City of Oceanside
LOCATION:	Citywide

THE PLANNING COMMISSION OF THE CITY OF OCEANSIDE, CALIFORNIA DOES RESOLVE AS FOLLOWS:

WHEREAS, there was filed with this Commission a verified petition on the forms prescribed by the Commission requesting a Local Coastal Program Amendment under the provision of Article 45 of the Zoning Ordinance of the City of Oceanside for the following:

Amendments to the City of Oceanside's (City) Inclusionary Housing Ordinance (City Code Chapter 14C) to: 1) Increase the requirement to reserve housing for low and/or moderate-income households from 10 percent to 15 percent, with the exception of new residential projects developed within the Residential Single Family (RS) or Residential Estate (RE) districts; 2) Require that reserved units within a residential project with market rate units provide for a proportionate unit mix, based on bedroom count, as to the market rate units, be dispersed throughout the residential project, and have access to the same amenities as market units; and, 3) Clarify the use of Accessory Dwelling Units (ADUs) as an alternative housing type that may be incorporated into a residential project to satisfy such inclusionary housing requirement.

WHEREAS, such amendments are consistent with City Council direction provided at its meeting on August 30, 2023, to: 1) Increase the production of housing for lower-income households towards the City's Regional Housing Needs Allocation goals; 2) Affirmatively further fair housing, and 3) Facilitate the use of Accessory Dwelling Units as an alternative housing type;

WHEREAS, the City seeks to establish the amended text of Chapter 14C of the Oceanside City Code as part of the implementing documents of the Local Coastal Program;

WHEREAS, the Planning Commission, after giving the required notice, did on the 6th day of November 2023 conduct a duly advertised public hearing as prescribed by law to consider said application;

WHEREAS, a Notice of Exemption was prepared by the City of Oceanside for this project pursuant to the California Environmental Quality Act of the 1970 and State Guidelines and the State Guidelines thereto amended to date;

WHEREAS, the documents or other material which constitute the record of proceedings upon which the decision is based will be maintained by the City of Oceanside Planning Division, 300 North Coast Highway, Oceanside, California 92054; and,

WHEREAS, based upon such evidence of studies and investigations and testimony made by and provided to this Commission and on its behalf reveal the following facts:

FINDINGS:

For the Local Coastal Plan Amendment

1. Pursuant to Public Resources Code §P30510(a), the Planning Commission hereby certifies that the Local Coastal Program Amendment (LCPA 23-00002) conforms with and is adequate to carry out the land use plan of the Local Coastal Program and in a manner fully in conformance with the Coastal Act of 1976.
2. Pursuant to Coastal Commission Local Program Regulations §13551(b), this amendment shall take effect upon Coastal Commission approval.

NOW THEREFORE, the Planning Commission of the City of Oceanside does hereby recommend approval to the City Council of Local Coastal Plan Amendment (LCPA 23-00002).

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PASSED AND ADOPTED Resolution No. 2023-P28 on November 6th, 2023, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAIN:

____
Tom Rosales, Chairperson

ATTEST:

____
Sergio Madera, Secretary

Dated: ______November 6, 2023

I, SERGIO MADERA, Secretary of the Oceanside Planning Commission, hereby certify that this is a true and correct copy of Resolution No. 2023-P28.

Chapter 14C
INCLUSIONARY HOUSING[1]

Sec. 14C.1. Intent.

Housing requirements for lower and moderate-income households in residential projects. It is the intent of this chapter to establish requirements for the provision of housing opportunities for lower- and moderate-income households, in residential projects requiring development plans. Such opportunities provide a public benefit of making housing available to all economic segments of the population that may not otherwise be accessible in the market. It is further the intent of this chapter to define a variety of ways that the requirement for inclusionary housing may be satisfied, inclusive of on- or off-site alternatives, housing for sale or for rent, or a payment of an in-lieu fee so as not to unduly burden the production of housing.

(Ord. No. 22-OR0848-1 , § 1(Exh. A), 12-21-2022)

Sec. 14C.2. Applicability.

(a) The provisions of this chapter shall apply to all residential projects of three (3) or more units including, without limitation, mixed-use developments with residential units, condominium conversions and time extensions of development plan approval for previously approved residential projects.

(b) This chapter shall not apply to the following:

(1) The construction of a new residential structure of three (3) or more units which replaces a residential structure that was destroyed or demolished within two (2) years prior to the application for a building permit for the new residential structure, provided that the number of residential units is not increased from the number of residential units of the previously destroyed or demolished residential structure or expanded or enlarged by five hundred (500) square feet or more of habitable space;

(2) Residential projects for which an application for a planning permit has been deemed complete no later than the effective date of this chapter, provided that such residential projects shall comply with any predecessor ordinance, resolution, or policy in effect on the date the application for the development was deemed complete.

(Ord. No. 22-OR0848-1 , § 1(Exh. A), 12-21-2022)

Sec. 14C.3. Reserved.

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[1]Editor's note(s)—Ord. No. 22-OR0848-1 , § 1(Exh. A), adopted Dec. 21, 2022, repealed the former Ch. 14C, §§ 14C-1—14C-10, and enacted a new Ch. 14C as set out herein. The former Ch. 14C pertained to similar subject matter and derived from Ord. No. 91-49, § 2, adopted Oct. 23, 1991; Ord. No. 92-05, §§ 1, 2, adopted Jan. 29, 1992; Ord. No. 00-241-1, § 1, adopted April 12, 2000; Ord. No. 00-278-1, adopted May 10, 2000; Ord. No. 11-OR0543-1, § 1, adopted July 5, 2011; Ord. No. 13-OR0083-1, § 1(Exh. A), adopted Jan. 30, 2013; and Ord. No. 20-OR0563-1 , §§ 1—4, adopted Sept. 9, 2020.

Sec. 14C.4. Definitions.

Affordable. For the purposes of this chapter, the term "affordable" shall refer to the affordable sales price or rent defined herein.

Affordable housing means dwelling units required by this chapter to be reserved as affordable to and occupied by lower- or moderate-income households.

Affordable housing agreement means a legally binding agreement between an applicant and the city to ensure that the inclusionary housing requirements of this chapter are satisfied. The agreement establishes, among other things, the number of required reserved units, the unit sizes, location, affordability tenure, terms and conditions of affordability and unit production schedule.

Affordable housing guidelines means any requirements for implementation and administration of this chapter adopted by the city council in accordance with section 14C.9 of this chapter.

Affordable housing trust account means a fund or account designated by the city to maintain and account for all monies received pursuant to this chapter.

Affordable rent means the maximum monthly rent, including an allowance for tenant paid utilities (HUD Allowances for Tenant-Furnished Utilities for the Housing Choice Voucher program) calculated at the specified income level in accordance with California Health and Safety Code Section 50053 and implementing regulations. Consistent with California Government Code Section 65915 (c)(1)(B), for housing developments with one hundred (100) percent of all units in the development, including total units and density bonus units, but exclusive of a manager's unit or units, for lower income households, the rent shall be as follows:

(1) The rent for at least twenty (20) percent of the units in the development shall be set at an affordable rent, as defined in Section 50053 of the Health and Safety Code.

(2) The rent for the remaining reserved units in the development shall be set at an amount consistent with the maximum rent levels for a housing development that receives an allocation of state or federal low-income housing tax credits from the California Tax Credit Allocation Committee.

Affordable sales price means the maximum purchase price that will be affordable to the specified household at the specified income level, calculated in accordance with California Health and Safety Code Section 50052.5 and implementing regulations. The affordable sales price shall include a reasonable down payment, and monthly housing payments (including interest, principal, mortgage insurance, property taxes, homeowner's insurance, homeowner's association dues, and a reasonable allowance for property maintenance, repairs, and utilities), all as determined by the city.

Area median income means the median household income of San Diego County or equivalent geographic area as annually estimated by HUD pursuant to Section 8 of the United States Housing Act of 1937. In the event such HUD determinations of area median income are discontinued, the area median income shall be that median household income as established and published by the State of California Department of Housing and Community Development pursuant to Health and Safety Code Section 50093.

Extremely low-income household means a person or persons living together as a household unit whose combined incomes do not exceed thirty (30) percent of the median income for San Diego County for an equivalent size household, as determined annually by the U. S. Department of Housing and Urban Development, and as defined in California Health and Safety Code Section 50106 and published annually pursuant to Title 25 of the California Code of Regulations, Section 6932 (or its successor provision) by the California Department of Housing and Community Development.

Financial assistance means assistance to include, but not be limited to, the subsidization of fees, infrastructure, land costs, or construction costs, the use of redevelopment set-aside funds, community development block grant (CDBG) funds, HOME funds, or the provision of other direct financial aid in the form of cash transfer payments or other monetary compensation, by the City of Oceanside.

Household means a person or persons living together in the same residence.

HUD means the United States Department of Housing and Urban Development.

Incentives or concessions shall have the same meaning as defined in Section 3032 of the Oceanside Zoning Ordinance.

Low-income household means a person or persons living together as a household unit whose combined incomes do not exceed eighty (80) percent of the median income for San Diego County for an equivalent size household, as determined annually by the U. S. Department of Housing and Urban Development, and as defined in California Health and Safety Code Section 50079. 5 and published annually pursuant to Title 25 of the California Code of Regulations, Section 6932 (or its successor provision) by the California Department of Housing and Community Development.

Lower-income household means low-income, very low-income, and extremely low-income households, inclusively.

Market-rate unit means a dwelling unit where the rental rate or sales price is not restricted either by this chapter or by requirements imposed through other local, state, or federal affordable housing programs.

Moderate-income household means a person or persons living together as a household unit whose combined income exceeds eighty (80) percent but does not exceed one hundred twenty (120) percent of the median income for San Diego County for an equivalent size household, as determined annually by the U. S. Department of Housing and Urban Development, and as defined in California Health and Safety Code Section 50093 (b) and published annually pursuant to Title 25 of the California Code of Regulations, Section 6932 (or its successor provision) by the California Department of Housing and Community Development.

Net building area means the aggregate gross floor area of all of the unrestricted dwelling units within a development excluding (i) areas outside the dwelling unit's habitable space such as garages, carports, parking areas, porches, patios, and open space, and (ii) common areas such as lobbies, common hallways, stairways, elevators, and equipment spaces.

Planning permit means any discretionary approval of a residential project, including, but not limited to, a general or specific plan adoption or amendment, rezoning, tentative map, parcel map, conditional use permit, variances, design review, or coastal development permit.

Rental unit means a residential unit with no condominium or other subdivision map allowing units to be sold individually.

Reserved unit means a residential dwelling unit deed restricted for occupancy by and affordable to a lower- or moderate-income household pursuant to the requirement of this chapter and collectively known as the "inclusionary housing requirement".

Residential project means any new construction of three (3) or more dwelling units or condominium conversion as referenced in this chapter 14C, for which a planning permit or building permit is required.

Very low-income household means a person or persons living together as a household unit whose combined incomes do not exceed fifty (50) percent of the median income for San Diego County for an equivalent size household, as determined annually by the U. S. Department of Housing and Urban Development, and as defined in California Health and Safety Code Section 50105 and published annually pursuant to Title 25 of the California Code of Regulations, Section 6932 (or its successor provision) by the California Department of Housing and Community Development.

(Ord. No. 22-OR0848-1 , § 1(Exh. A), 12-21-2022)

Sec. 14C.5. Reservation requirements for affordable housing.

(a) No development plan for a residential project of three (3) or more units subject to this chapter shall be approved in any area of the city unless at least ~~ten (10)~~fifteen percent (15%) of such housing units are reserved for sale to lower- and moderate-income households or reserved as rental units for low-income households, the inclusionary housing requirement, as follows, unless an alternative is approved as described in section 14C.8:

(1) *Reservation for ownership projects.* At least ~~ten (10)~~fifteen percent (15%) of such housing units are reserved for sale to lower- and moderate-income households or reserved as rental units for lower-income households, with the exception of those projects located within the Residential Estate (RE) and Residential Single Family (RS) districts for which at least ten percent (10%) of such housing units shall be reserved.

(2) *Reservation for rental residential projects.* At least ~~ten~~ fifteen (~~10~~15) percent of such housing units are reserved for lower-income households, with the exception of those projects located within the Residential Estate (RE) and Residential Single Family (RS) districts for which at least ten percent (10%) of such housing units shall be reserved.

(3) *Reservation of combined for-sale and rental units.* When a residential project includes both ownership and rental dwelling units, the provisions of this chapter that apply to the ownership residential project shall apply to that portion of the development that consists of ownership dwelling units, while the provisions of this chapter that apply to the rental residential project shall apply to that portion of the development that consists of rental dwelling units.

(b) *Calculation of reservation requirement.* The calculation of the number of housing units to be reserved by this section shall be made utilizing the total number of housing units in the residential project prior to including any increase in the allowable number of such housing units authorized by any density bonus granted pursuant to Government Code Section 65915 et seq., as codified in section 3032 of the Oceanside Zoning Ordinance.

If the calculation of the number of housing units to be reserved results in a fractional unit of one-half (½) or more, one (1) additional reserved unit shall be provided. When the calculation results in a fraction of less than one-half (½), the applicant may either reserve one (1) additional housing unit or pay a partial in-lieu fee equal to the remaining fraction according to section 14C.7.

(c) *Replacement housing.* If a residential project, subject to this chapter, is required to provide replacement housing pursuant to Government Code Sections 65915 or 65590, then the number of units required to be reserved for lower- or moderate-income households shall be the larger of the number of units required under Government Code Sections 65915, 65590 or this chapter. The requirements for reserved housing under this chapter shall not be additive to the requirements for replacement housing under Government Code Sections 65915 or 65590. ~~The provisions of this chapter shall not apply to units provided pursuant to section 3032 of the Oceanside Zoning Ordinance and Section 65915 of the Government Code.~~

(Ord. No. 22-OR0848-1 , § 1(Exh. A), 12-21-2022)

Sec. 14C.6. Affordable housing standards and incentives.

(a) *Affordable housing standards.* Reserved units must be constructed on the site of the residential project unless the city approves an alternative as provided under section 14C.8. Reserved units must conform to the standards of this section 14C.6, to be set forth in the affordable housing agreement and where applicable, subsequent deed restrictions or regulatory agreements.

(1) *Rental restrictions.* Reserved units shall remain restricted and affordable to the designated income group for fifty-five (55) years. In addition to the income of a designated group, limitations on assets may also be used as a factor in determining eligibility for rental or ownership units. Notwithstanding anything to the contrary in this chapter, no reserved unit shall be rented for an amount which exceeds ninety (90) percent of the actual rent charged for a comparable market unit in the same development, if any.

(2) *Sales restrictions.* After the initial sale of the reserved ownership units at a price affordable to the target income level group, reserved ownership units shall remain affordable to subsequent income eligible buyers pursuant to a resale restriction with a term of fifty-five (55) years or ownership units may be sold at a market price to other than targeted households provided that the sale shall result in the recapture by the city or its designee of a financial interest in the units equal to the amount of subsidy necessary to make the unit affordable to the designated income group and a proportionate share of any appreciation. Funds recaptured by the city shall be used in assisting other eligible households with home purchases at affordable prices. To the extent possible, projects using ownership units to satisfy inclusionary housing requirements shall be designed to be compatible with conventional mortgage financing programs including secondary market requirements.

(3) *Design and construction of reserved units.* The design and exterior appearance of the reserved units shall be reasonably consistent or compatible with the design of the total project development in terms of exterior appearance, materials, and finished quality. Interior finishes and amenities may differ from those provided in the non-reserved units within the development but neither the workmanship nor the products may be of substandard or inferior quality as determined by the city. The unit mix based on bedroom count provided for reserved units shall be a general mix in response to affordable housing demand priorities of the city and shall be set forth in the affordable housing agreement. When reserved units are provided on-site and interspersed with market-rate units, reserved units shall be of a unit mix, based on bedroom count, proportional to the unit mix of market-rate units, dispersed throughout the residential project, and provided the same amenities as the market-rate units, including the same access to and enjoyment of common open space, parking, storage, and other facilities in the residential project.

(4) *For sale and rental developments.* When a residential project proposes both for sale and for rent units, the reserved units shall be dispersed proportionally between for sale and for rent units.

(5) *Timing for construction of reserved units.* The reserved units shall be constructed either prior to or simultaneously with the non-reserved units within the development or an alternative schedule for development as agreed upon. The timing and schedule for the provision of the reserved units, including any arrangements to meet the ~~reserved unit~~ inclusionary housing requirements through other alternatives as permitted by section 14C.8, shall be set forth in the affordable housing agreement.

(b) Accessory dwelling units (ADUs) may be constructed on-site to satisfy an inclusionary housing requirement. ADUs shall be rent restricted at affordable rental rates and renters shall be income-qualified in compliance with the requirements of this chapter, to be specified in the applicable affordable housing agreement. ADUs shall not be used as reserved credits available as an alternative to satisfy an inclusionary housing requirement of another applicant.

(c) *Affordable housing incentives or concessions.* The applicant of a residential project providing reserved units may, at the applicant's sole option and concurrently with the submittal of the planning permit, submit a written request for one (1) or more of the following affordable housing development incentives or concessions:

(1) Density bonus and other regulatory incentives pursuant to Government Code Section 65915 and the provisions of article 30 section 3032 of the Oceanside Zoning Ordinance, if the residential project

contains sufficient units to qualify for a density bonus. If the applicant requests a density bonus, the other incentives listed below in this subsection (b) may be provided only if each is individually requested as a regulatory incentive under section 3032 [of the Oceanside Zoning Ordinance]. Those affordable dwelling units that qualify as a residential project for a density bonus shall also be counted toward satisfying the ~~reserved~~ inclusionary housing requirements of this chapter.

(2) *Financial assistance.* The applicant may apply for financial assistance from city-administered funds for the difference in costs that results if the applicant provides more reserved units than are required by this chapter, or provides reserved units to households in income classifications that are lower than required. The city shall consider making financial assistance available to applicants when necessary to enable residential projects to provide a preferable product type or affordability in excess of the requirements of this chapter.

a. Evaluation of requests for financial assistance shall be based on the effectiveness of the assistance in achieving a preferable product type and/or affordability objectives as set forth within the city's housing element; the capability of the development team; the reasonableness of development costs and justification of subsidy needs; and the extent to which other resources are used to leverage the requested financial assistance and incentives.

(3) Incentives may be offered by the city to the extent that resources and programs for this purpose are available to the city and applicant for such use, and to the extent that the residential project, with the use of incentives, assists in achieving the city's housing goals. To the degree that the city makes available programs to provide incentives, applicants may apply for such programs.

(4) Nothing in this chapter establishes, directly or through implication, a right to receive any financial assistance or incentives from the city or any other party or agency to enable an applicant to meet the obligations established by this chapter.

(c) *Affordable housing plan.* Any assistance and/or incentives requested by the applicant and how the development will comply with the provisions of this chapter shall be included in the proposed affordable housing plan for the residential project submitted at the time of application for the first approval, consistent with section 14C.9 below.

(Ord. No. 22-OR0848-1 , § 1(Exh. A), 12-21-2022)

Sec. 14C.7. In-lieu fee alternative.

(a) As an alternative to reserving units as required in section 14C.5, residential projects may pay a fee in-lieu of reservation in accordance with the terms set forth below:

(1) The amount of the in-lieu fee for each required reserved unit shall be determined at the time of issuance of building permits for the first residential units in a development project subject to this chapter. The applicant may request a deferral of this fee prior to the issuance of a certificate of occupancy for the unit, in accordance with section 32B.7(e) of the City Code. Said fee shall be assessed against the market-rate lots/units of the residential project and will be charged per square foot of the net building area in the new residential development.

(2) The fee amount shall be established from time to time by resolution of the city council and will be administratively adjusted annually at such time all other applicable development impact fees are updated, typically July 1 of each year based on the Engineering News Record Construction Cost Index ("CCI") for the Los Angeles region, or similar construction industry index selected by the city manager if the CCI index is discontinued.

a. The fee will be based upon and not exceed the subsidy needed to make affordable to a lower- and moderate-income household a newly constructed, typical attached-housing unit with an assumed affordability tenure of at least fifty-five (55) years.

(3) No building permit shall be issued by the city for any market-rate unit in the residential project until in-lieu fees for the residential project have been paid to the city or such requirements of section 14C.5 are otherwise satisfied.

(4) All in-lieu fees shall be deposited in the affordable housing trust account described in subsection 14C.7(b) below.

(5) Projects requesting a density bonus, incentive or concession, waiver, or parking ratio under Government Code Section 65915 or section 3032 of the Oceanside Zoning Ordinance shall not be permitted to pay in-lieu fees as an alternative to satisfying the ~~affordable~~ inclusionary housing requirements of this chapter.

(b) All in-lieu fees collected hereunder shall be used by the city exclusively to provide housing opportunities for lower- or moderate-income households anywhere within the city. All in-lieu fees shall be held in a separate account with interest accruing to said affordable housing trust account. All funds in the account shall be spent in a manner as the city council deems appropriate, upon recommendation of the housing commission, solely to provide housing opportunities for lower- or moderate-income households and any special needs populations in the city, consistent with the goals and policies contained in the city's housing element, and for administration and compliance monitoring of the affordable housing program consistent with the purpose of the chapter. For the purposes of this subsection, the term "provide housing opportunities for lower- or moderate-income households" means any expenditure authorized by law which directly or indirectly makes housing units affordable to lower- or moderate-income households.

(Ord. No. 22-OR0848-1 , § 1(Exh. A), 12-21-2022)

Sec. 14C.8. Alternative options for providing reserved units.

(a) *Off-site provision of reserved units.* If an applicant can provide evidence to demonstrate that on-site provision of reserved units is not feasible, with such evidence being deemed reasonable, accurate, and sufficient at the discretion of the city manager, then the applicant may propose to construct the reserved units at another site within the city limits of Oceanside conforming with the requirements of section 14C.5., excluding low-income impacted census tracts (i.e., census tracts 181, 182 (excluding blockgroup 3), 184, 186.03) for reserved rental units. The city may approve the off-site construction if the proposal meets the following requirements:

(1) The developer has demonstrated that the goals of this chapter and the city's housing element would be better served by allowing some or all of the reserved units required by section 14C.5 to be produced and operated at an alternative site or sites.

(2) The off-site construction project represents a more effective and feasible means of implementing this chapter and the goals of the city's housing element. Factors to be weighed in this determination include: the feasibility of the on-site option considering project size, site constraints, competition from other projects, difficulty in integrating due to significant price and product type disparity, lack of capacity of the on-site developer to produce or operate affordable housing. Also to be considered are whether the off-site option offers greater feasibility and cost effectiveness, particularly regarding potential financial assistance or other public subsidy and any adopted affordable housing guidelines, location advantages such as proximity to jobs, schools, transportation, and services, diminished impact on other existing developments, capacity of the proposed affordable housing developer to deliver and

operate the project, and satisfaction of multiple developer obligations that would be difficult to satisfy on multiple projects.

(3) Financing or a viable financing plan, which may include public funding, shall be in place for the off-site reserved units.

(4) The off-site location is suitable for the proposed affordable housing, consistent with any adopted affordable housing guidelines and the city's housing element, will not tend to cause residential segregation, and is located with appropriate infrastructure and services. The off-site alternative complies with the applicable density, intensity and objective development standards that are permitted under the zone or general plan for the site.

(5) All agreements between parties regarding off-site construction of the reserved units will be made a part of the affordable housing agreement required for the site(s) and will be subject to review and approval by the city manager or designee.

(b) *Joint venture off-site provision of reserved units.* Provided all participating applicants meet the requirements of subsection (a) above, off-site projects may provide the reserved units for multiple applicants.

(c) *Reserved unit credits.* If an applicant provides newly constructed units to meet the requirements for provision of reserved units pursuant to this chapter, and such new units exceed the number of reserved units required by this chapter, then the "excess" units may be used to meet the ~~reserved unit~~inclusionary housing requirements for another applicant. Any sale of "reserved unit credits" shall be an entirely civil transition with no regulation by the city (i.e., reserved unit credits may be sold for "what the market will bear"). Applicants who propose to meet their ~~reserved unit~~inclusionary housing requirement by purchasing reserved unit credits in another project must meet the requirements for off-site provision of reserved units in subsection (a) above. All reserved unit credits must be deed restricted to comply with the requirements of section 14C.6.

(d) *Purchase, rehabilitation, and reservation of existing market rate units.* The applicant may propose to satisfy the requirements of section 14C.5, by the purchase, rehabilitation, and reservation of existing market rate units for the targeted income group, if the conversion of these units is consistent with Government Code Section 65583.1 and these units are compliant with building and safety standards prior to recordation of affordability covenants;

(e) *Preservation existing affordable units.* The applicant may propose to satisfy the requirements of section 14C.5, by the preservation of existing affordable units at risk of loss, if the preservation of these units is consistent with Government Code Section 65583.1 and allows the city to substitute the preservation of these units for the obligation to identify adequate sites.

(f) *In-lieu fees.* The requirements of section 14C.5 may be satisfied by the payment of a fee to the city in-lieu of constructing the reserved units within the residential project in accordance with section 14C.7.

(g) *Dedication of land.* The applicant may propose to satisfy the requirements of section 14C.5 by the donation of land of adequate size and appropriate to accommodate the required number of reserved units to the city or to an affordable housing developer who has secured financing to construct the reserved units, with the city maintaining sole discretion to approve such donation, pursuant to a legally binding agreement. In its consideration of appropriateness, the city shall consider if the location will not tend to cause residential segregation, has appropriate infrastructure and services, and the off-site project will comply with the applicable density, intensity and objective development standards that are permitted under the zone or general plan for the site. The property shall be dedicated prior to issuance of any building permit for the residential project.

(h) ~~Accessory dwelling units (ADUs) constructed to satisfy an inclusionary housing requirement shall be rent restricted to affordable rental rates and renters shall be income-qualified in compliance with the requirements of section 14C.5, to be specified in the applicable affordable housing agreement. ADUs shall~~

~~not be used as reserved credits available as an alternative to satisfy an inclusionary requirement of another applicant.~~

~~(i)~~ *Other alternative compliance methods.* An applicant may propose an alternative compliance method to provide reserved units through other means. The city may approve or conditionally approve such an alternative only if the city manager determines, based on substantial evidence, that such alternative compliance will provide as many or more reserved units at the same or lower-income levels, will not tend to cause residential segregation, and will otherwise provide greater public benefit than would provision of the reserved units on site.

(Ord. No. 22-OR0848-1 , § 1(Exh. A), 12-21-2022)

Sec. 14C.9. Application and review procedures.

(a) *Affordable housing plan.* An application for the first approval of a residential project shall include an affordable housing plan, which may be deemed consistent with the affordable housing plan and density bonus addendum required under section 3032 (H) and (I), Affordable Housing Density Bonus, of the Oceanside Zoning Ordinance, describing how the development will comply with the provisions of this chapter and subject to the following terms:

  (1) The affordable housing plan shall be processed concurrently with all other permits required for the residential project. A condition shall be attached to the first approval of any residential project to require recordation of an affordable housing agreement setting forth the conditions and guidelines to be met in the implementation of this chapter prior to the approval of any final or parcel map or building permit for the residential project.

  (2) An affordable housing plan shall include, but not be limited to, the following:

    a. The number of reserved units proposed;

    b. The unit square footage, and number of bedrooms for market rate and reserved units and tenure (ownership or rental);

    c. The proposed location of the reserved units (on or off-site);

    d. Level of affordability for inclusionary units (extremely low, very low, low, or moderate);

    e. Schedule for production of dwelling units;

    f. Incentives or concessions requested; and

    g. Evidence to justify any requested alternative under section 14C.8.

(b) *Affordable housing agreement.* The applicant shall enter into an affordable housing agreement with the city, in a form approved by the city attorney, to be executed by the city manager, to ensure that all the requirements of this chapter are satisfied. The affordable housing agreement shall be recorded against the residential project prior to approval of any final or parcel map, or issuance of any building permit, whichever occurs ~~first~~first, and the relevant terms and conditions therefrom filed and subsequently recorded as a separate deed restriction or regulatory agreement on the affordable project individual lots or units of property which are designated for the location of reserved units. This agreement shall serve as the governing document demonstrating compliance of the residential project with this chapter.

  (1) An affordable housing agreement, for which the ~~reserved unit~~inclusionary housing requirement will be satisfied through the new construction of units, either on-site or off-site, shall specify, but not be limited to, the number, type, location, size, and phasing of all reserved units, amenities and services provided, such as daycare, after school programs, transportation, job training/employment services and recreation, and where applicable, requirements for other documents to be approved by the city,

such as marketing, leasing and management plans, particularly related to the provisions for income certification and screening of potential purchasers or renters of units, resale control mechanisms, and monitoring and compliance plans, consistent with any adopted affordable housing guidelines, as determined by the city manager or designee.

(2) An affordable housing agreement will not be required for projects which will be satisfying their inclusionary housing requirement through payment to the city of an in-lieu fee.

(Ord. No. 22-OR0848-1 , § 1(Exh. A), 12-21-2022)

Sec. 14C.10. Continued affordability.

(a) Any affordable housing agreement or adopted affordable housing guidelines may include standard documents for execution by the city manager, in a form approved by the city attorney, to ensure the continued affordability of the reserved units approved for each residential project and standards for determining household income, affordable housing cost, provisions for continued monitoring of tenant eligibility, and other eligibility criteria. The documents, when deemed necessary by the city to ensure occupancy and affordability by the targeted income group, shall be recorded against the residential project, all reserved units, and any site, subject to the provisions of this chapter.

(b) *Sales price/rental restriction.* The initial sales price or rent to be charged for a reserved housing unit shall be so limited as to be affordable within the definition of section 14C.4. A deed restriction, covenant, and/or other instrument enforceable by the city and approved by the city attorney and director of housing and neighborhood services, limiting the resale of such units shall be recorded against the title of the property within which the reserved units are located, or limiting the rental of the reserved units at affordable prices in accordance with the affordable housing standards as described in 14C.4(a)(1) and (2). The rent restriction shall be in effect for a minimum of fifty-five (55) years and shall apply to all successors in interest. Additionally, the property shall be so restricted as to prohibit the conversion of the restricted units for the term of the rent restriction to a condominium, stock cooperative, community apartment, or such other form of ownership which would eliminate the restricted units as rental units.

(c) Any eligible household that occupies a reserved unit must occupy that unit as its principal residence, unless otherwise approved in writing for rental to a third-party eligible household for a limited period of time due to household hardship, as may be specified in any adopted affordable housing guidelines or in the affordable housing agreement or other agreement.

(d) Officials, employees, or consultants of the city and members of city boards and commissions shall comply with all applicable laws, regulations, and policies relating to conflicts of interest as to their eligibility to develop, construct, sell, rent, lease, occupy, or purchase a reserved unit. Any adopted affordable housing guidelines shall include conflict of interest provisions relating to the administration of this chapter and the eligibility of persons to occupy affordable units.

(Ord. No. 22-OR0848-1 , § 1(Exh. A), 12-21-2022)

Sec. 14C.11. Periodic review.

Annually, the city council shall review the status of compliance with this chapter, and the degree to which reserved units provided and fees collected pursuant to this chapter are addressing the shortfall of affordable housing units. Not later than five (5) years after the effective date of this chapter, the city council shall consider a report by the city manager reviewing the reservation requirement and fee formula established to implement the provisions of this chapter to determine whether any adjustments in the reservation requirement or fee formula are warranted.

(Ord. No. 22-OR0848-1 , § 1(Exh. A), 12-21-2022)

Editor's note(s)—Ord. No. 22-OR0848-1 , § 1(Exh. A), adopted Dec. 21, 2022, set out provisions intended for use as § 14C.10. Inasmuch as there were already provisions so designated, said section has been codified herein as § 14C.11 at the discretion of the editor.

Sec. 14C.12. Administration.

(a) The provisions of this chapter shall be administered by the director of housing and neighborhood services of the City of Oceanside under the direction of the city manager.

(b) The city council may adopt by resolution rules and regulations, serving as affordable housing guidelines, for the implementation of this chapter.

(c) An applicant and/or subsequent purchaser of a reserved unit shall be required to pay such fee as may be established by resolution of the city council, which fees may be updated periodically, to recover the cost to the city of administration of the provisions of this chapter and monitoring of the reserved units.

(Ord. No. 22-OR0848-1 , § 1(Exh. A), 12-21-2022)

Editor's note(s)—Ord. No. 22-OR0848-1 , § 1(Exh. A), adopted Dec. 21, 2022, set out provisions intended for use as § 14C.11. Inasmuch as there were already provisions so designated, said section has been codified herein as § 14C.12 at the discretion of the editor.

Sec. 14C.13. Building permit.

No building permit shall be issued for any residential project subject to this chapter unless the housing and neighborhood services director has certified that the proposed development has complied with or is otherwise exempt from the provisions of this chapter.

(Ord. No. 22-OR0848-1 , § 1(Exh. A), 12-21-2022)

Editor's note(s)—Ord. No. 22-OR0848-1 , § 1(Exh. A), adopted Dec. 21, 2022, set out provisions intended for use as § 14C.12. Inasmuch as there were already provisions so designated, said section has been codified herein as § 14C.13 at the discretion of the editor.