

COUNCIL POLICY STATEMENT

Policy No.	<u>68</u>
Date Issued	<u>10/19/04</u>
Effective Date	<u>10/19/04</u>
Cancellation Date	<u>N/A</u>
Supersedes No.	<u>N/A</u>

General Subject: Affordable Housing

Specific Subject: Inclusionary Housing Incentive Credit Schedule

Copies to: City Council, City Manager, City Attorney, Department Heads and Division Heads, Employee Bulletin Boards, Press, File

PURPOSE:

Pursuant to 21.85.060 of the Carlsbad Municipal Code, the City Council shall adopt a schedule of inclusionary housing incentive credit to specify developer eligibility for extra credit to reduce his/her total inclusionary housing requirement to less than 15% of all residential units approved. The noted schedule is set forth within this City Council Policy, and it may be amended from time to time to reflect any changes in the incentive credit(s) policy.

BACKGROUND:

When the Inclusionary Housing Ordinance (CMC 21.85) was adopted in 1993, and then amended in 2000, it was the City Council's expressed intent to allow housing developers to reduce their total inclusionary housing obligation to less than 15% if the developers provided a more desirable product or otherwise made a proposal which went above and beyond the intent of the Ordinance in terms of product type or affordability of those units. At the time of the Ordinance development, this policy on the schedule for incentive credits (giving more than one unit credit) was not adopted. The schedule is being adopted at this time to guide the City in its application of the requirements for affordable housing development.

POLICY:

The City Council will grant incentive credit based on the criteria and conditions set forth in the chart below. The project must meet all of the noted product criteria and development conditions to qualify for the incentive credit.

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Inclusionary Housing Incentive Credit Schedule

Desirable Product & Development Conditions	Incentive Credit	Minimum Inclusionary Housing Requirement
<p><u>Product:</u></p> <p>Newly Constructed For-Sale Town Home, Condominium, or Single Family Home</p> <p><u>Development Conditions:</u></p> <ol style="list-style-type: none"> 1. The unit must be affordable to very low (50% or below AMI) or extremely low income (30% or below AMI) households. 2. The unit is a for-sale product. 3. The unit must be located on the same site as the development that has the inclusionary requirement. 4. The developer must not be obtaining any financial assistance from the City. 	<p>1.2 per unit</p>	<p>12.5% (of total housing units)</p>

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To assist with application of the above noted incentive credit schedule, the following examples are provided for further explanation purposes.

Example 1 – Small to Medium Size Project:

Developer proposes to build a total of 78 for-sale town homes within a new development, which has an inclusionary housing requirement. Per current Inclusionary Housing requirements, the developer must provide 12 of those units (15%) as affordable to low income households (80% of the AMI or below). Under the above noted credit schedule, the developer could receive extra credit if 1) the affordable product within that development is also a for-sale town home, and 2) it will be affordable to very low or extremely low income households (50% of AMI or below), and 3) the developer obtains no financial assistance from the City. The credit would work as follows:

$$\begin{aligned}
 & 12 \text{ low income for-sale affordable units} \\
 & \quad \div 1.2 \text{ unit credit} \\
 & \quad = 10 \text{ very low income units} \\
 & \text{(Developer could provide 10 very low income units} \\
 & \quad \text{rather than 12 low income units)}
 \end{aligned}$$

$$\begin{aligned}
 & 10 \text{ units} \div 78 \text{ total housing units} = 12.8\% \text{ of the total units} \\
 & \quad 12.8\% \text{ exceeds the } 12.5\% \text{ minimum}
 \end{aligned}$$

Under this scenario, the developer meets all of the extra credit criteria and could be allowed to construct 10 units rather than 12 units (2 fewer units), and would satisfy the City's inclusionary housing requirements.

Example 2 – Large Size Project:

Developer proposes to build a total of 1078 for-sale town homes within a development. Per current Inclusionary Housing Ordinance requirements, the developer must provide 162 of those units (15%) as affordable to low income households (80% of the AMI or below). Under the noted credit policy above, the developer would receive extra credit if 1) the affordable product within that development is also a for-sale town home, and 2) it will be affordable to very low or extremely low income households (50% of AMI or below), and 3) the developer obtains no financial assistance from the City. The credit would work as follows:

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162 low income for-sale affordable units ÷ **1.2 unit credit** = 135 units
(Developer could provide 135 very low income units rather than 162 low income units)

135 ÷ 1078 total housing units = 12.5%
12.5% is the minimum inclusionary housing requirement permitted under this policy

Under this scenario, the developer meets all of the extra credit criteria and could be allowed to construct 135 units rather than 162 units (27 fewer units), and would satisfy the City's inclusionary housing requirements.

PROCEDURE:

The request for affordable housing incentive credit will be processed together with all other entitlements to allow for development of a housing project. As long as a project is consistent with this City Council policy, the incentive credit may be granted by either the Planning Commission, Design Review Board, Housing and Redevelopment Commission, and/or City Council.