



STAFF REPORT TO THE CITY COUNCIL

DATE: Regular Meeting of July 10, 2018

TO: Members of the City Council

SUBMITTED BY: David Biggs, City Manager

SUBJECT: Workforce Housing Update

RECOMMENDATION: Receive Report, Discuss, and, Provide Direction, if any.

COMMISSION/SUBCOMMITTEE ACTION AND RECOMMENDATION: Not applicable

FISCAL IMPACT OF RECOMMENDATION: None as result of this item.

DISCUSSION: The City Council recently requested agendaing a discussion of affordable housing and workforce housing in particular. With the dissolution of Redevelopment Agencies in 2012, the City lost its main vehicle to address the creation of affordable housing. Prior to that time, under State law, there was a 15% affordable inclusionary housing requirement for housing developed in a redevelopment project area. Twenty (20) percent of redevelopment tax increment was also set aside for affordable housing development and administration. This revenue stream was also eliminated with the loss of redevelopment.

The City also had an inclusionary housing requirement in place for development outside of the redevelopment project which was enacted by ordinance. The City's inclusionary housing ordinance (attachment 1) required that 10% of housing units developed be affordable. The City's inclusionary housing ordinance was suspended in 2012 due to the loss of redevelopment and funding needed to administer and foster affordable units outside of redevelopment project areas.

Currently, there are two projects which have Development Agreements in place which require a level of affordable housing be developed as part of these developments. The first is the Bayfront project, which has a 5% inclusionary requirement. Given the base number of residential units to be developed of 1,396, the minimum number of affordable units will be 70 units. These units are required to be at one of two levels of affordability. The income limit is to be no more than 60% of Area Median Income which is low income by definition in Contra Costa County. If the developer documents that creating units at this level of affordability is financially infeasible and there is an insufficient supply

of units at the 80% of Area Median Income, then 25% of the units can be at the 80% level and 75% would be at the 60% level.

The second project which has an inclusionary requirement is the Hilltown project which will have up to 640 residential units. There is a 5% inclusionary requirement or 32 units at the moderate income level which is targeted to those earning 80 – 120% of Area Median Income. This income level is what is generally considered to be targeted as “Workforce Housing.”

One National Association of Realtors publication discusses Workforce Housing as follows:

What Is Workforce Housing?

Workforce housing is housing that is affordable to workers and close to their jobs. It is homeownership, as well as rental housing, that can be reasonably afforded by a moderate to middle income, critical workforce and located in acceptable proximity to workforce centers.

The most common definition of workforce housing comes from the Urban Land Institute, which defines workforce housing as: “housing that is affordable to households earning 60 to 120 percent of the area median income.” It has also been defined as affordable if the housing costs are no more than 30-40 percent of income. There are other variations of this definition.

Some communities use 80 percent of area median income as the lower threshold, and some communities, particularly higher cost places, use a higher percentage, such as 140 percent of area median income as the upper threshold.

Workforce housing was thought of as housing for public employees – teachers, police officers, firefighters, and others who are integral to a community, yet who often cannot afford to live in the communities they serve. However, workforce housing also includes housing for young professionals, workers in the construction trades, retail salespeople, office workers and service workers.

While slightly dated, a 2009 Urban Land Institute study of housing in the Bay Area called “Priced Out – Persistence of the Workforce Housing Gap in the San Francisco Bay Area” provides additional insights and a summary presentation of this analysis is attached (Attachment 2).

The two upcoming developments with inclusionary housing requirements represent an opportunity to meet the housing needs of the area workforce and the City will be working with the developers on identifying the needs of specific targeted segments of the community and on implementation of the inclusionary requirements set forth in their respective development agreements.

ATTACHMENTS:

1. City Suspended Inclusionary Housing Ordinance
2. ULI Priced Out