

STAFF REPORT*CITY OF OCEANSIDE*

DATE: June 22, 2011

TO: Honorable Mayor and City Councilmembers

FROM: Neighborhood Services Department
Housing and Code Enforcement Division

SUBJECT: **AN ORDINANCE AMENDING SECTIONS OF CHAPTER 14C OF THE CITY CODE, INCLUDING A REVISION TO THE METHODOLOGY USED IN CALCULATING THE INCLUSIONARY HOUSING IN-LIEU FEE, AND A RESOLUTION ESTABLISHING THE IN-LIEU FEE**

SYNOPSIS

Based on the Council's direction staff is presenting an Ordinance amending Sections of Chapter 14C of the City Code, including a revision to the methodology used in calculating the Inclusionary Housing In-lieu fee, and a Resolution establishing the In-Lieu fee.

BACKGROUND

The City's Inclusionary Housing Ordinance (Chapter 14C) requires that residential projects of three or more units reserve at least ten (10) percent of the total units to low- and moderate-income households. As an alternative to reserving affordable units, Chapter 14C allows for the payment of an in-lieu fee according to a formula set forth in the Ordinance.

Proposals offered as potential alternatives to the City's Inclusionary Housing Ordinance were presented for the Council's consideration at its May 25, 2011 meeting. The Council has directed staff to amend the current fee using the following variables:

- The median sales price and average square footage for residential units sold in the preceding year.
- The current annual percentage rate of a conventional residential mortgage.
- A 33 percent threshold of household income to determine housing affordability.

ANALYSIS

The proposed modifications to the existing Ordinance would amend the methodology for calculating the in-lieu fee and would also exempt new residential rental development from the inclusionary housing requirements due to legal requirements.

PS
Using the 2010 median sales price of \$300,000 for residential units sold in Oceanside and the affordable sales price of \$282,215, the required inclusionary in-lieu fee per unit would be reduced from the current amount of \$10,275 to \$1,779. To calculate the in-lieu fee on a per square-foot basis, the required inclusionary fee per unit would be divided by the average square footage of homes sold in Oceanside during the preceding calendar year – i.e. \$1,779 divided by 1,550 square feet = \$1.15 per square foot. The total fee required for each unit would then be calculated based upon its square footage.

FISCAL IMPACT

The fee will be calculated using the amended methodology and adjusted annually on July 1 based on the affordable housing cost variables as identified in the attached In-lieu fee calculation report. The amended fee will not be a significant funding source for providing housing units, however, staff is evaluating additional programs to further the City's Affordable Housing goals that will include an expanded density bonus ordinance.

COMMISSION OR COMMITTEE REPORT

The Housing Commission had previously recommended that the Council amend the methodology for calculating the in-lieu fee based upon square footage. The amended methodology was also discussed by the affordable housing ad hoc committee.

CITY ATTORNEY'S ANALYSIS

The referenced documents have been reviewed by the City Attorney and approved as to form.

RECOMMENDATION

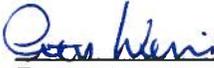
Based on the Council's direction staff is presenting an Ordinance amending Sections of Chapter 14C of the City Code, including a revision to the methodology used in calculating the Inclusionary Housing In-lieu fee, and a Resolution establishing the In-Lieu fee.

PREPARED BY:



David L. Manley
Neighborhood Services Division Manager

SUBMITTED BY:



Peter A. Weiss
City Manager

REVIEWED BY:

Michelle Skaggs Lawrence, Deputy City Manager
Margery M. Pierce, Neighborhood Services Director



Margery M. Pierce

Attachments: 1. In-lieu fee calculation report
2. Ordinance
3. Resolution

**CITY OF OCEANSIDE
IN-LIEU FEE CALCULATION
UPDATED JUNE 13, 2011**

Income Assumptions

Household Size	4
Household Income as % of Median	100%
Household Income	\$75,500
Income Allotted to Housing @ 33% of Income	\$24,915

Ongoing Expenses

Maintenance & Insurance	\$2,400
Private Mortgage Insurance @ 0.78% of Supportable Mortgage	\$2,096
Property Taxes @ 1.1% of Affordable Sales Price	<u>\$3,104</u>

Total Ongoing Expenses \$7,600

Income Available for Mortgage Debt Services \$17,315

Affordable Sales Price Calculation

Supportable Mortgage @ 5% interest	\$268,776
Home Buyer Down Payment @ 5%	<u>\$13,439</u>

Affordable Sales Price **\$282,215**

Affordability Gap Per Affordable Unit

Median Sales Price (Oceanside 2010)	\$300,000
Affordable Sales Price	<u>\$282,215</u>

Affordability Gap Per Affordable Unit \$17,785

Affordable Housing Requirement 10%

Fee Per Market Rate Unit \$1,779

Average Square Footage of Residential Units Sold (Oceanside 2010) 1,550

Fee Per Square Foot of Market Rate Units **\$1.15**

1 **Sec. 14C.6. In-lieu fee alternative.**

2 (a) As an alternative to reserving units as required in Section 14C.5, the developer may
3 pay a fee in-lieu of reservation in an amount according to the formula set forth in subsection
4 (b), below, sufficient to subsidize the price of a median sales price home in Oceanside to the
5 extent that it brings the sales price of such a home into the affordable range for a moderate
6 income household.

7 (b) The amount of the in-lieu fee for each required inclusionary unit shall be determined
8 by the Neighborhood Services Director at the time of issuance of building permits for the first
9 residential units in a development project subject to this chapter. The developer may request a
10 deferral of this fee prior to the issuance of a certificate of occupancy for the unit. The fee
11 amount will be adjusted annually on July 1st of each year based on the sales price data and the
12 affordable housing cost calculations per section 14.C.4 of this Chapter for the preceding
13 calendar year. The fee will be calculated based upon the following methodology:

- 14 1. The affordability gap per inclusionary unit is equal to the difference between the
15 median sales price and the affordable sales price.
- 16 2. To derive the affordable gap per market rate unit, the affordability gap per
17 inclusionary unit will be multiplied times the ten-percent inclusionary housing obligation.
- 18 3. The resulting affordability gap per market rate unit will be divided by the average
19 square footage of residential units sold during the preceding calendar year.
- 20 4. The result of the in-lieu fee calculation represents the fee that will be charged per
21 square foot of the building area in new residential development.

22 **SECTION 2. Severability.**

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

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

5 This ordinance shall take effect and be in force on the thirtieth (30th) day from and after
6 its final passage.

7 INTRODUCED at a regular meeting of the City Council of the City of Oceanside,
8 California, held on the ___ day of _____, 2011, and, thereafter,

9 PASSED AND ADOPTED at a regular meeting of the City Council of the City of
10 Oceanside, California, held on the ___ day of _____, 2011, by the following vote:

11 AYES:

12 NAYS:

13 ABSENT:

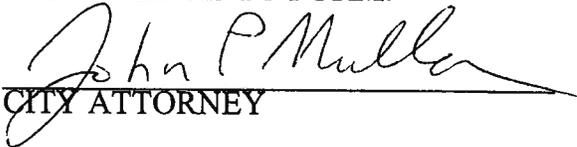
14 ABSTAIN:

15 _____
16 MAYOR, CITY OF OCEANSIDE

17 ATTEST:

APPROVED AS TO FORM:

18 _____
19 CITY CLERK


20 _____
21 CITY ATTORNEY

22 AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF OCEANSIDE AMENDING SECTIONS OF CHAPTER
23 14C OF THE CITY CODE, INCLUDING A REVISION TO THE METHODOLOGY USED IN CALCULATING THE
24 INCLUSIONARY HOUSING IN-LIEU FEE
25
26
27
28

1 RESOLUTION NO.

2 A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
3 OCEANSIDE ESTABLISHING THE AMOUNT OF THE
4 INCLUSIONARY IN-LIEU FEE

5 WHEREAS, the City Council has adopted Ordinance No. 91-49, which has been codified as
6 Chapter 14C of the City Code;

7 WHEREAS, said ordinance established an Inclusionary Housing Program;

8 WHEREAS, Section 14C.6 of Ordinance No. 91-49 provides an In-Lieu Fee Alternative to the
9 provision of housing units reserved for low and moderate-income households;

10 WHEREAS, said section indicates the formula for establishing the amount of the in-lieu fee;

11 WHEREAS, an amendment to Section 14.C.6 was introduced by the City Council on June 22,
12 2011 ("the Amended In Lieu Fee Ordinance");

13 WHEREAS, staff has calculated the amount of the new in-lieu fee established herein pursuant
14 to the Amended In Lieu Fee Ordinance; and

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

16 SECTION 1. The required Inclusionary Housing In-Lieu fee shall be established at \$1.15 per
17 square foot. All applicable administrative fees adopted by prior City Council resolutions shall continue
18 to apply.

19 SECTION 2. The fee shall be effective (30) thirty days from the adoption of the Amended In
20 Lieu Fee Ordinance.

21 PASSED AND ADOPTED at a regular meeting of the City Council of the City of Oceanside,
22 California, held on the ____ day of _____, 2011, by the following vote:

23 AYES:

24 NAYS:

25 ABSENT:

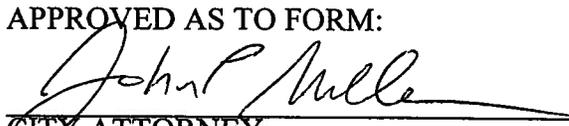
26 ABSTAIN:

27 _____
MAYOR, CITY OF OCEANSIDE

28 ATTEST:

APPROVED AS TO FORM:

CITY CLERK



CITY ATTORNEY

