



DATE: November 28, 2017

CATEGORY: Unfinished Business

DEPT.: Community Department

TITLE: **Affordable Housing Study Session
Follow-Up and Modifications to the
BMR Program**

RECOMMENDATION

That the City Council:

1. Confirm that the summary of the September 12, 2017 affordable housing Study Session accurately captures Council input;
2. Identify any priority items as a result of the Study Session that should be added to the current work plan, and any items on the current work program that would need to be reprioritized in order to free up resources to work on newly identified priorities;
3. Provide direction on an immediate modification to the City's Below-Market-Rate (BMR) Affordable Housing Program by increasing the current 10 percent affordable housing requirement to 15 percent, by modifying the existing BMR rental in-lieu provision, and by including a flexible alternative mitigation provision; and
4. Provide direction on a longer-term process to modify the overall BMR Program, including, but not limited to, the items identified during the Study Session.

BACKGROUND

On September 12, 2017, the City Council held a Study Session to provide input on various policy issues related to affordable housing that the Council has deliberated upon for the past year and a half. The issues covered at the Study Session were wide ranging, including rental and for-sale housing policies and programs, how to facilitate housing for the "missing middle," how to achieve more development of affordable housing units instead of accepting payment of housing fees, developing permanent supportive housing/rapid rehousing, and the possibility of using the North Bayshore

Precise Plan (NBPP) affordable housing guidelines as a template for other Precise Plans or Citywide. After robust discussion, the City Council provided feedback in four areas: (1) staff's proposed investment strategy; (2) various strategies for affordable rental housing, including for the middle-income housing; (3) various strategies for homeownership; and (4) North Bayshore as a template for the City's affordable housing strategy.

At the conclusion of the September 12 Study Session, the City Council requested that staff return to a subsequent Council meeting to provide a summary of the Study Session discussion. Given the breadth of discussion on September 12, this follow-up meeting also provides an opportunity for the City Council to provide direction on the prioritization of work plan items. Note several of the items that the City Council provided input on are items already on the 2017-19 Council major goals work program or are an inherent part of staff's work. These items will be identified in the appropriate sections below.

Since the affordable housing Study Session, Governor Brown signed a legislative "housing package" containing 15 bills to help address the State's housing crisis. One of those bills is AB 1505, also known as the "Palmer Fix." The bill is a response to the *Palmer v. The City of Los Angeles* case that caused cities to suspend their rental inclusionary housing programs if they had one. AB 1505 restores the ability for cities to implement inclusionary housing for rentals. The law goes into effect January 1, 2018.

The City has had its BMR Affordable Housing Program since 1999. The program had covered both ownership and rental housing. Due to the Palmer case, the City paused the rental portion of the BMR Program in 2009, but continued to implement the ownership portion. In 2012, the City implemented the Rental Housing Impact Fee Program. The passage of AB 1505 allows the City to restore the BMR Rental Program. Additionally, during the affordable housing Study Session, the City Council supported increasing the percentage requirement for affordable housing as well as modifying other components of the BMR program.

ANALYSIS

Summary of the September 12, 2017 Affordable Housing Study Session and Confirmation of the Input Received from the City Council

This section of the Council report summarizes the input received for each of the six questions addressed at the study session and an opportunity for the City Council to confirm or to correct the summary.

The summaries of the questions are grouped into two buckets. The first group of questions (Questions 1, 3, 4, and 6) is where the Council generally reached majority consensus on key items. The items in the first grouping where the Council did not have majority consensus or on which staff seeks further clarification are shown in Table 1 below. The second group of questions (Questions 2 and 5) is where Council provided a broader range of input and where there was no clear consensus on the items. Staff seeks additional input from the City Council to clarify those items related to the second group of questions, which are shown in Tables 2 and 3 below.

Group 1 – Summary of Questions 1, 3, 4, and 6

Study Session Question 1: Does the City Council support the proposed investment plan for the projected funding for the four-year period from Fiscal Year 2017-18 to Fiscal Year 2021-22?

Staff Presentation: Staff estimated that the City's various housing fee programs would generate approximately \$78 million over the next four years, based on the current projects in the pipeline. Staff recommended approximately \$50 million be invested in general affordable housing developments at 60 percent AMI and below for 350 to 400 units, and up to \$28 million for permanent supportive housing/rapid rehousing for 200 to 250 units. Staff also recommended that affordable housing be considered a broader community and placemaking asset, and to explore opportunities to include amenities into affordable housing developments.

Council Input: The City Council supported staff's recommended investment strategy.

Study Session Question 3: In order to facilitate middle-income rental housing, does the City Council support the addition of the Moderate-Income category when units are built on-site in market-rate developments in-lieu of paying the Rental Housing Impact Fee? If so, does the Council support Strategy No. 3a (establishing a range of income levels) or No. 3b (equivalency methodology)?

Staff Presentation: Staff presented multiple strategies to facilitate the development of affordable rental housing, including for Moderate-Income households (i.e., households between 80 percent and 120 percent AMI). Currently, market-rate developers who opt to build units on-site instead of paying the Rental Housing Impact Fee set the affordable rate for those onsite rental units as affordable to Low-Income households. Although the Low-Income category covers households between 50 percent and 80 percent AMI, in practice developers have set those on-site units at 65 percent AMI instead of providing a range. Staff also asked if the City Council wished to include Moderate-Income units when they are built on-site. If so, staff also asked if the City Council wished to see a range of income levels within both the Low- and Moderate-Income categories, or if it

preferred a potentially simpler but narrower equivalency between the two income categories (for example, at 65 percent for the Low-Income category and 120 percent AMI for the Moderate-Income category).

Council Input: The City Council supported the addition of the Moderate-Income category for on-site affordable rental units. The City Council also directed staff to explore both strategies – establishing a range of income levels and a narrower equivalency methodology – but expressed a preference for a range of income levels.

Study Session Question 4: Does the Council support the other strategies identified in the table to enhance the City's affordable rental housing program? Are there other tools or mechanisms that the Council recommends that staff explore?

Staff Presentation: Staff presented multiple strategies to support the City's affordable housing rental program. These recommendations are shown in Table 9 in Attachment 1.

Council Input: The City Council supported staff's multiple recommendations to facilitate affordable rental housing. In particular, the City Council unanimously supported increasing the BMR program's percentage requirement from the current 10 percent, as well as increasing the Rental Housing Impact Fee amount. A majority of the Council also supported modifying the R3 Zone in order to facilitate the development of more naturally affordable housing.

Study Session Question 6: Does the Council wish to consider using the NBPP as a template for Precise Plans that will be developed (such as East Whisman and Shenandoah), for existing Precise Plans (such as El Camino Real and San Antonio), or both future and existing Precise Plans, taking into consideration the uniqueness of each Precise Plan and the appropriateness of the various NBPP elements?

Staff Presentation: The NBPP includes an affordable housing strategy that includes a goal that a minimum of 20 percent of the housing built in the Precise Plan be affordable at certain specified income levels and categories. The NBPP includes multiple components, including a set of Affordable Housing Administrative Guidelines, to implement the strategy. The NBPP has been discussed as a potential template for existing and future Precise Plans regarding affordable housing strategies.

Council Input: A majority of the City Council supported using the NBPP as a template for other Precise Plans regarding affordable housing, with the qualification that, because each Precise Plan is unique, it is important to consider the context of each Precise Plan and to find the appropriate elements that could be transferred from NBPP.

The City Council also emphasized the desire to achieve homeownership opportunities in North Bayshore.

Question 1: Do the summaries for Questions 1, 3, 4, and 6 from the affordable housing Study Session accurately reflect City Council's input?

While the City Council had majority consensus regarding Questions 1, 3, 4, and 6, a handful of comments provided during deliberations regarding Questions 1 and 6 did not yield a consensus. Table 1 below summarizes Council comments from Questions 1 and 6 and provides staff input or requests further input from Council.

Table 1 – Summary of Council Input for Questions 1 and 6 & Staff Comments

Council Input		Staff Comments	
Council Input on Question 1			
<ul style="list-style-type: none">Acquisition and rehabilitation of existing residential buildings and turning them into affordable housing.		<ul style="list-style-type: none">Staff seeks additional direction from the City Council. City’s housing fee programs can fund acquisition and rehabilitation. It is up to developers to bring a project to the City for consideration. Currently, developers are seeking to build new affordable housing instead of acquiring and rehabilitating older, existing buildings and placing deed-restrictions on the units. If a developer brought forward an acquisition/rehabilitation project, staff would review and assess the project and determine whether it is a project that meets the City’s goals and priorities, whether the pro forma is appropriate, and whether the level of investment it seeks from the City is appropriate.	
<ul style="list-style-type: none">Revisit investment strategy and goals when more funds come in through the housing fee programs.		<ul style="list-style-type: none">Staff will continue to track current and projected housing fee revenues, and will review and adjust the investment strategy and goals as appropriate.	
Council Input on Question 6			
<ul style="list-style-type: none">Apply North Bayshore as a template for affordable housing to Terra Bella.		<ul style="list-style-type: none">Per Council direction, Terra Bella will soon begin a visioning process. At the conclusion of the visioning process, Council will determine if a Precise Plan should be created for Terra Bella. If so, staff will study if and which components of the North Bayshore Precise Plan can be used for the affordable housing strategy in Terra Bella.	

Council Input	Staff Comments
<ul style="list-style-type: none"> Look at and link transportation. 	<ul style="list-style-type: none"> Staff seeks further clarification regarding this Council comment. The NBPP includes plans to add transportation infrastructure and a robust transportation demand management program to facilitate connections to transit alternatives and the walkability of the area. Existing Precise Plans also include TDM strategies, and future Precise Plans will certainly incorporate robust TDM strategies and assessment of investments for and connections to transit infrastructure.
<ul style="list-style-type: none"> Explore requirement greater than 20 percent. 	<ul style="list-style-type: none"> The City Council has been consistent in a 20 percent affordable housing goal for the NBPP. The City Council could modify this percentage if there is majority support.

Question 2: *Does the City Council have any additional feedback on the Council input provided for Questions 1 and 6 and as shown in Table 1?*

Group 2—Summary of Questions 2 and 5

Study Session Question 2: Does the City Council have any additional feedback on how to achieve a diverse affordable housing pipeline under Investment Strategy 1, taking into consideration the background information on the City's existing housing portfolio, the tradeoffs that may come with funding different types of affordable housing (e.g., larger units may mean less units and vice versa), and the funding available? (Note that this question was taken last.)

Staff Presentation: Question 2 was an open-ended question that provided the City Council an opportunity to provide additional input regarding staff's recommended strategy to invest the projected \$78 million in housing fee revenues.

Council Input: The more open-ended nature of Question 2 yielded a variety of Council responses. Comments ranged from specific recommendations to more general policy considerations. These items did not necessarily have consensus or majority support. Table 2 below summarizes the input and includes staff comments for Council consideration. Additionally, Table 2 includes Council input highlighted in grey where staff seeks additional feedback on priority or other clarifications.

Table 2—Summary of Council Input for Question 2 & Staff Comments

Council Input	Staff Comments
<ul style="list-style-type: none"> Condo mapping is a priority. 	<ul style="list-style-type: none"> This item is already on the FY 2017-19 Council major goals work program.

Council Input	Staff Comments
<ul style="list-style-type: none"> How to get money out sooner. 	<ul style="list-style-type: none"> Staff has and continues to explore innovative financing mechanisms to get more units built sooner, such as the prepayment of housing impact fees by LinkedIn.
<ul style="list-style-type: none"> Increase use of the tax credit system. 	<ul style="list-style-type: none"> Tax credit financing is a core financing tool that affordable housing developers in Mountain View and elsewhere use. The tax reform bill pending in Congress may impact this tool.
<ul style="list-style-type: none"> Improve and increase the use of the City's employee housing assistance program. 	<ul style="list-style-type: none"> This item is already on the FY 2017-19 Council major goals work program.
<ul style="list-style-type: none"> Density bonus for affordable housing. 	<ul style="list-style-type: none"> Density bonus is currently used to facilitate affordable housing.
<ul style="list-style-type: none"> Ok with larger but fewer units. 	<ul style="list-style-type: none"> Staff will review each development and assess the opportunity and appropriateness for larger units to be incorporated into the project.
<ul style="list-style-type: none"> Create a good strategy and let the market respond. 	<ul style="list-style-type: none"> Input from the affordable housing Study Session provides staff with the policy framework to develop an effective strategy and framework that developers can respond to.
<ul style="list-style-type: none"> Support modifying the BMR ownership program and basing the in-lieu fee on a per-square-foot fee instead of the current methodology of 3% of a unit's closing sales price and also increasing program requirement. 	<ul style="list-style-type: none"> This will be considered as part of the process to modify the BMR program.
<ul style="list-style-type: none"> Increase legislative advocacy. 	<ul style="list-style-type: none"> Staff has increased efforts to monitor legislation and the City has submitted letters on various housing-related bills.
<ul style="list-style-type: none"> Support tax credit bills. 	<ul style="list-style-type: none"> Staff monitors legislation related to the tax credit program and drafted a letter on the tax reform bill.
<ul style="list-style-type: none"> Concern about the ratio of ownership versus rental housing in the City. 	<ul style="list-style-type: none"> Staff will be exploring ways to facilitate home-ownership as part of the 2017-19 Council major goals work program.

Council Input	Staff Comments
<ul style="list-style-type: none"> • Increase the construction of stacked flats. 	<ul style="list-style-type: none"> • This will be considered as part of the 2017-19 Council major goals work program to explore programs to facilitate homeownership. This is also related to the work item on condo-mapping, as well as modifying the R3 Zone to become a form-based zone, which the Council supported during the study session.
<ul style="list-style-type: none"> • Raise impact fees. 	<ul style="list-style-type: none"> • Due to the passage of AB 1505, the City can implement the overall BMR program, which includes the rental housing side of the program. Per the rental housing impact fee resolution, the City Council will consider rescinding the fee due to AB 1505. In light of AB 1505, modifying the existing BMR rental in-lieu fee will be part of the process of modifying the BMR program.
<ul style="list-style-type: none"> • Look at how housing and transportation costs go together. 	<ul style="list-style-type: none"> • Building housing in proximity to transit, jobs, and amenities is a key strategy to reduce the overall housing and transportation costs. Does the Council have any additional context or direction that it can provide regarding the intent of the input?
<ul style="list-style-type: none"> • Explore teacher housing and potential funding sources. 	<ul style="list-style-type: none"> • Staff welcomes discussions with developers and the school districts to explore teacher housing. However, given staff workload, proactive staff efforts to facilitate discussions and to explore teacher housing specifically has not been part of staff's work program.
<ul style="list-style-type: none"> • Consider different ways of assessing impact, not just by the number of units but number of people helped, the number of bedrooms, etc. 	<ul style="list-style-type: none"> • Currently, there is not a report that discusses impact per the Council input.
<ul style="list-style-type: none"> • Facilitate accessory dwelling units ("ADUs"). Work with organizations such as Habitat for Humanity and explore ways to keep ADUs affordable. 	<ul style="list-style-type: none"> • Council approved changes that encourage more ADUs but active facilitation of ADUs is currently not part of staff's work program. Does the Council wish to make this a priority item? If so, which existing work plan item would be reprioritized?
<ul style="list-style-type: none"> • How to limit the loss of naturally affordable housing. 	<ul style="list-style-type: none"> • This is currently not part of staff's work program. Does the Council wish to make this a priority item? If so, which existing work plan item would be reprioritized?

Study Session Question 5a: Does the Council wish to continue to prioritize the preservation of the affordable ownership unit through strict resale restrictions (but still allow the homeowner to keep all of the equity gained by paying down the mortgage) or would the Council wish to modify the BMR program to allow homeowners to benefit from housing appreciation?

Study Session Question 5b: If the Council wishes to allow a BMR unit to be sold at a higher price and for the homeowners to benefit from appreciation, does the Council wish to preserve the affordability of the unit by using City funds to subsidize the unit?

Study Session Question 5c: Does the Council support the other strategies identified in Tables 10 and 11 in order to support the City Council's goal to facilitate homeownership? Are there other tools or mechanisms that the Council recommends that staff explore?

Staff Presentation: Staff presented various strategies to facilitate homeownership in Mountain View. Question 5 was framed as a three-part question to seek feedback from the City Council regarding homeownership.

Council Input: The City Council provided a broad range of comments regarding homeownership. While there was not clear consensus on any particular policy, program, or tool (besides condo mapping), staff heard overall support for increasing the opportunities for homeownership as a priority. Table 3 below summarizes the input and includes staff comments for Council consideration. Additionally, Table 3 includes Council input and where highlighted in gray, staff seeks additional feedback on priority or other clarifications.

Table 3— Summary of Council Input for Question 5 & Staff Comments

Council Input	Staff Comments
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Council Input	Staff Comments
<ul style="list-style-type: none"> Multiple comments related to the City's BMR ownership program, including the following: <ul style="list-style-type: none"> Assess the impact to BMR homeowners in down markets. Keep the goal of the BMR ownership program to preserve the affordable housing unit through strict resale restrictions. Expand the range of the Moderate-Income category. Do not add other income categories. Increase the thresholds for when in-lieu fees can be paid. Study more about per-square-foot fee instead of the 3% of actual sales price. Increase the BMR Ownership In-Lieu Fee. Overhaul BMR Program but explore other programs. 	<ul style="list-style-type: none"> These items will be considered as part of the process to modify the BMR program. -- Thresholds for ownership housing have been part of the BMR guidelines since they were adopted in 1999. The current threshold amount is \$727,218 and is updated annually, and applies to developments with ten or more homes.
<ul style="list-style-type: none"> Overall goal is to increase homeownership (whatever the mechanism). 	<ul style="list-style-type: none"> Staff will be exploring ways to facilitate homeownership as part of the 2017-19 Council major goals work program.
<ul style="list-style-type: none"> Condo-mapping is a priority. 	<ul style="list-style-type: none"> This item is already on the FY 2017-19 Council major goals work program.
<ul style="list-style-type: none"> Look at building requirements for for-sale v. rental housing. 	<ul style="list-style-type: none"> This item will be included as part of the condo-mapping work plan item.
<ul style="list-style-type: none"> Explore down payment assistance programs for employees, teachers, etc. 	<ul style="list-style-type: none"> Staff will be exploring ways to facilitate homeownership as part of the 2017-19 Council major goals work program.
<ul style="list-style-type: none"> Explore down payment equity share program to enable purchase of market-rate housing. 	<ul style="list-style-type: none"> Staff will be exploring ways to facilitate homeownership as part of the 2017-19 Council major goals work program.
<ul style="list-style-type: none"> Implement a down payment assistance program with no City funds. 	<ul style="list-style-type: none"> Staff will be exploring ways to facilitate homeownership as part of the 2017-19 Council major goals work program.

Council Input	Staff Comments
<ul style="list-style-type: none"> Prioritize ownership units for Gatekeepers. 	<ul style="list-style-type: none"> The Council has the ability to provide this input to Gatekeeper requests.
<ul style="list-style-type: none"> Look at outdated codes such as storage requirements. 	<ul style="list-style-type: none"> This is not currently part of staff's work program. Does the Council wish to make this a priority item? If so, which existing work plan item would be reprioritized?
<ul style="list-style-type: none"> Prevent the rental of ownership housing. 	<ul style="list-style-type: none"> This is not currently part of staff's work program. Does the Council wish to make this a priority item? If so, which existing work plan item would be reprioritized?

In order to provide the City Council additional context for deliberation on potential new priority work items, the following are the current workplan items for the FY 2017-19 Council major goals. These items are in addition to staff's day-to-day work.

- Develop recommendations on Short-Term Residential Rental Regulations (e.g., Airbnb, etc.).
- Explore strategies to increase ownership opportunities.
- Update the Below Market Rate (BMR) Ordinance – Condo Mapping.
- Begin marketing and establish the Request For Proposals (RFP) process for Lot 12.
- Review the Employee Housing Assistance Program.
- Develop and implement a housing strategy for the homeless.
- Develop the 2019-24 Affirmatively Furthering Fair Housing Plan.
- Continue to enhance existing partnerships and develop new partnerships and funding opportunities to meet housing priorities.
- Continue to develop housing policies (including affordable housing) for Precise Plans.

Question 3: *Do the summaries for Questions 2 and 5 from the affordable housing Study Session accurately reflect City Council's input?*

Question 4: *Of the shaded items in Tables 1 and 2 that are not currently part of staff's work program, are any of them priority items that the Council feels that staff should work on this two-year goal cycle? If so, which items that are currently on the work program should be replaced? If these are not priority items for this cycle, does the Council wish to add them to a list for consideration as part of future work programs?*

Modifications to the City's BMR Affordable Housing Program

As mentioned in the summary above, the City Council supported staff's recommended strategies to strengthen the City's affordable rental housing program as well as the BMR Affordable Housing Program. Over the last several years, the City has implemented the Rental Housing Impact Fee Program, which was established after the City's BMR rental housing program was suspended due to legal challenges to inclusionary rental housing programs. Because the legal challenge did not impact inclusionary ownership housing programs, the City's BMR ownership housing program remained in effect. Since the affordable housing Study Session, Governor Brown signed AB 1505, also known as the "Palmer Fix," which restores the ability for cities to implement inclusionary housing for rentals. The law goes into effect January 1, 2018.

As a result of AB 1505 and based on Council's input from the study session, staff recommends reactivating the BMR rental program, continuing to operate the BMR ownership program, and modifying the overall BMR program. Additionally, the resolution of the Rental Housing Impact Fee states that if legislation is adopted that reinstates the City's option of requiring developers of market-rate housing to provide affordable rental housing onsite, the Council shall consider rescinding the fee.

The Council's input from the study session was as follows:

- Increase the current 10 percent affordable housing requirement in the BMR program.
- Increase the Rental Housing Impact Fee (In light of AB 1505, the BMR rental in-lieu fee will be modified to reflect the City Council's desire to increase housing fees).
- Include the Moderate-Income category for rental housing, and program for achieving a range of incomes within the Low-Income and Moderate-Income categories.
- Expand the Moderate-Income category for ownership housing.
- Increase the amount and threshold for ownership in-lieu fees.
- Explore changing the in-lieu fee methodology for ownership housing from 3 percent of closing price to a per-square-foot amount.

Modifying any portion of the BMR Program is likely to result in modifications to other parts of the program to ensure that the entire program is coherent. For example, AB

1505 requires local jurisdictions to include alternative mitigations to providing the affordable units on-site. However, cities are not required to provide an in-lieu fee option as an alternative mitigation. Staff anticipates that an assessment of alternative mitigations and the issue of in-lieu fees will need to be part of the overall BMR Program modification process.

Staff estimates that comprehensive modifications to the BMR Program could take approximately nine to twelve months, and would include a public outreach process. The process could take longer if additional aspects of the BMR Program are identified as potential areas of modifications or inclusion.

As such, staff recommends that the BMR Program be modified in a two-step process. The first step would occur *immediately* and would include the following:

- Increase the overall BMR affordable housing requirement for both rental and ownership units from 10 percent up to 15 percent. If the Council wishes to consider a percentage above 15 percent, AB 1505 allows the State to require a financial feasibility study to be conducted.
- Add language to the BMR Program that allows developers to provide an alternative mitigation to the 15 percent on-site requirement, without specifying what the alternative mitigation should be. This would provide both the City and developers the flexibility to explore alternative mitigations during the first stage of the BMR modification process—and prior to the longer-term process that would include assessment of specific alternative mitigations—in a manner that meets the intent of the BMR Program.
- Replace the existing BMR rental in-lieu fee with a per square foot fee equivalent to the increased percentage requirement as determined by the Council. The current BMR rental in-lieu fee methodology is three percent (3%) of the appraised value of all the rental units.

If Council supports this direction, staff will begin the process to modify the BMR Program. Because this would include an amendment to the zoning text, this item would first need to go to the Environmental Planning Commission (EPC), which would consider recommendation to the City Council to approve the zoning text amendment. If the EPC does recommend the amendments, then an ordinance to increase the affordable housing requirement will be brought to the City Council for a first and second reading in early 2018, just after AB 1505 goes into effect. It should be noted that staff does not anticipate any new rental projects coming before Council for final approval before the first step of the modification process.

The second step would be to initiate an overall update of the BMR program and guidelines that includes the various items identified by the City Council at the study session and other items such as alternative mitigations and in-lieu fees. Staff recommends procuring a consultant to facilitate this effort. This may require a midyear budget request.

Grandfathering

In the past, developments that have received entitlements have been exempted from modifications to housing policies and programs. Developments that have not received entitlements have been subject to changes to the relevant programs. Based on past precedent, developments that have not yet been entitled would be subject to any modification to the BMR Program enacted prior to their entitlement.

Question 5: Does the City Council wish to immediately modify the BMR Program to increase the affordable housing requirement from 10 percent to 15 percent, to include a flexible alternative mitigation provision in the short-term, and to modify the current BMR rental in-lieu fee methodology to a per square foot fee?

Question 6: Does the City Council support a longer-term process to update the overall BMR Program, including, but not limited to, the items identified during the September Study Session?

FISCAL IMPACT

This Council item includes multiple items related to affordable housing policies and programs. As a result, it is difficult to estimate what, if any, fiscal impacts may result from the modifications to the City's existing housing programs. For example, increasing the in-lieu fees for the BMR ownership program could increase the fee revenue that the City receives from the program, but increasing the eligible threshold so that fewer projects qualify to pay fees may reduce the amount of fee revenues that the City receives. However, the tradeoff would be that more affordable housing gets built instead of receiving fees. Further evaluation would be needed to determine the specific fiscal impacts.

CONCLUSION

The City Council provided input on various affordable housing policy items during the September 12, 2017 Study Session. This follow-up item provides the Council the opportunity to review, to correct, or to confirm the summary of the Study Session and to provide direction on any new priority work plan items. Additionally, the City

Council is asked to consider modifications to the City's BMR Program, with an immediate modification to increase the percentage required for affordable housing from the current 10 percent up to 15 percent, and a longer-term process to modify the overall BMR that includes, but is not limited to, the items identified during the Study Session.

ALTERNATIVES

Provide other direction on the work plan priorities and/or modifications to the BMR Program.

PUBLIC NOTICING – This item did not require public noticing.

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WC-RT/7/CAM
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Attachment: 1. September 12, 2017 Study Session Staff Report