



April 11, 2016

To the Honorable, the City Council:

I am pleased to submit to the City Council the recently completed Inclusionary Housing Study as described in the attached communication received from Assistant City Manager Iram Farooq.

This is a thorough study that proposes bold changes to the inclusionary housing provisions. As the City Council undertakes its review of this study and its recommendations, I would urge the City Council to be mindful of how successful the inclusionary housing provisions have been in creating and providing permanently affordable housing for our community. In the almost 20 years these provisions have been in place, more than 890 affordable units have been or are now being created without the need for any capital subsidy funds. These affordable homes will serve our community for decades to come. Our inclusionary program has been a national model, and we must be sure that changes will build on this success so we can better meet our affordable housing needs.

As we look to strengthen our inclusionary housing provisions, we should be aware of the impact changes will have on residential development if they are not thoughtfully put into place. We want to continue to see new affordable units being built in mixed-income buildings, and therefore must work with housing developers to ensure that new housing continues to be built in our city.

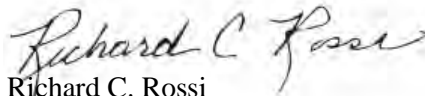
The current inclusionary provisions include a set-aside ratio of 15% and allow for up to a 30% increase in total units through the inclusionary density bonus. This bonus, which allows additional market units for each affordable unit, helps offset the development costs of creating permanently affordable housing units. This important provision was deliberately included to help ensure success and yield an outcome where approximately 11.5% of total units would be affordable in a typical development eligible for the density bonus.

Recognizing the impact of a significant increase in affordable housing set-asides, and being aware of other mitigation, community benefits, and public policy goals we want to address through new development, I would suggest that the City Council consider an increase in the inclusionary standards to be in the range of 17% to 20% of the total of newly-built units. I would also urge the City Council to be mindful of the impact of ordinance changes on developments begun in good faith under the current provisions, and consider how changes might be put into place in a way that does not disrupt developments in process.

The study suggests several policy options for the Council to consider in addition to the change in the affordable set-aside percentage. In considering the recommendations and policy options, we must work collaboratively with residents, housing advocates and housing developers to ensure these benefits can be achieved.

With the long-awaited inclusionary study complete, I will now ask Community Development Department staff to be available to discuss the report and its recommendations with residents, developers, housing advocates, and others who may have comments on the study recommendations. If it would help the City Council, CDD can provide a summary of these discussions to assist in getting comments and ideas to the City Council for consideration. Strengthening the inclusionary housing provisions will yield immeasurable long-term benefits for our community and my staff and I look forward to working with the City Council over the coming months to implement these changes.

Very truly yours,

A handwritten signature in cursive script that reads "Richard C. Rossi".

Richard C. Rossi
City Manager

RCR/mec