



KEYSER MARSTON ASSOCIATES™

**INCLUSIONARY HOUSING PROGRAM:
POLICY RECOMMENDATIONS**

**Prepared for:
City of San Buenaventura**

**Prepared by:
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In May 2018 the City of San Buenaventura (City) enacted the Interim Inclusionary Housing Program (Interim Program). The requirements imposed by the Interim Program are codified in Division 25, Chapters 25.200 and 25.300 of the City's Code of Ordinances. The City Council recently directed the City staff to prepare studies related to the Inclusionary Housing requirements with the goal of adopting permanent program regulations. Specific issues that the City Council requested input on are:

1. Modifications to make the Inclusionary Housing program more efficient to implement; and
2. The alternatives to the on-site production of Inclusionary Units that will be allowed.

Keyser Marston Associates, Inc. (KMA) was engaged by the City to assist in creating a permanent Inclusionary Housing Program. The work scope to be performed by KMA consists of the following two separate components:

1. The City wishes to standardize the Inclusionary Housing program requirements on a citywide basis. In the following Inclusionary Housing: Policy Recommendations Report (Policy Recommendations Report) KMA provides recommendations to assist the City in achieving this goal.
2. The City wishes to evaluate the option of allowing developers to pay a fee in lieu of producing Inclusionary Housing units. In a separate Inclusionary Housing: In-Lieu Fee Study, KMA prepared the financial analyses that KMA used to create the in-lieu fee payment amounts that serve as the basis for the in-lieu fee standards being recommended in this Policy Recommendations Report.

I. BACKGROUND

A. Interim Program Standards

The Interim Program is codified in Division 25, Chapters 25.200 and 25.300 of the City's Code of Ordinances:

1. Chapter 25.200 describes the requirements being imposed on a citywide basis, excluding the Merged Downtown Redevelopment Area (Merged Project Area).
2. Chapter 25.300 describes the requirements being imposed within the Merged Project Area.

The two Chapters share many of the same terms and requirements. The common standards that KMA recommends for incorporation into the permanent Inclusionary Housing program are identified in Appendix A.

B. Program Aggregation

The following issues need to be considered in the process of creating a citywide Inclusionary Housing program:

1. The Merged Project Area is subject to any California Health and Safety Code (H&SC) Section 33413 affordable housing requirements that had not been fulfilled when all California redevelopment agencies were dissolved on February 1, 2012:
 - a. It is commonly held that affordable housing production requirements no longer accrue following the dissolution of redevelopment.¹
 - b. Numerous California jurisdictions that have dissolved redevelopment agencies have adopted citywide Inclusionary Housing ordinances that do not impose H&SC 33413 production standards.
2. The Merged Project Area is located within the Coastal Zone. California Government Code Section 6559 requires that new housing developments constructed within the Coastal Zone shall, where feasible, provide housing units for persons and families of low or moderate income. No specific production requirements are cited; only replacement housing obligations are defined.

C. Analysis Organization

The following sections of this Policy Recommendations Report are organized as follows:

1. The Inclusionary Housing obligations that are imposed by Chapter 25.200 and Chapter 25.300 are compared and contrasted. This comparative analysis serves as the basis for making the policy recommendations related to:
 - a. The Inclusionary Housing production requirements that will be imposed on ownership housing development on a citywide basis; and
 - b. The structural modifications that will allow the permanent Inclusionary Housing program to be efficiently implemented.

¹ The annual audit requirements imposed by H&SC Section 34176.1 (f) (9) only require Housing Successor Agencies to describe any H&SC Section 33413 requirements that remained outstanding as of February 1, 2012.

2. The City Council wishes to include an Inclusionary Housing requirement for apartment development in the permanent Inclusionary Housing program. This section of the Policy Recommendations Report will identify the recommended structure for this obligation.
3. Alternative methods for fulfilling the Inclusionary Housing requirements are described.
4. Recommendations are made for procedural requirements that should be updated in the permanent Inclusionary Housing program.
5. Alternative methods for fulfilling the Inclusionary Housing requirements are identified.

II. RECOMMENDED CITYWIDE OWNERSHIP HOUSING REQUIREMENTS

A. Threshold Project Size

Section 25.200.410 imposes Inclusionary Housing requirements on projects with 15 or more units. Section 25.300.410 sets the threshold project size at seven units. To maximize the impact of the permanent Inclusionary Housing program, KMA recommends that the threshold project size be set at seven units on a citywide basis.

The following exemptions are currently provided, and KMA recommends that they be included in the permanent Inclusionary Housing program:

1. Section 25.300.410 exempts project that already have more units that qualify as affordable to Moderate, Low and Very Low Income Households than the Interim Program requires. Chapter 25.200 does not include this exemption.
2. Both Chapters exempt the reconstruction of destroyed structures, additions, repairs and remodels as long as the new project does not increase the unit count to more than the threshold project size. Assuming a seven unit threshold is applied, these activities would not trigger an Inclusionary Housing as long as six or fewer units are constructed.

B. Income and Affordability Standards

Household Income Qualification Standards

Section 25.200.210 provides custom definitions for the various household income categories. Comparatively, Section 25.300.210 applies the following H&SC Section definitions:

Household Income Qualification Definitions Section 25.300.210	
Household Income Category	H&SC Section
Very Low	50105
Low	50093
Moderate	50093

To create a clear differentiation in the household income qualification definitions, KMA recommends that the following standards be applied in the permanent Inclusionary Housing program:

Household Income Qualification Definitions Section 25.300.210	
Household Income Category	H&SC Section
Very Low	50105
Low	50079.5
Moderate	50093

Affordability Standards: Section 25.200.310 Versus Section 25.300.210

Section 25.200.310

For projects with between 15 and 59 units, Section 25.200.310 imposes affordability standards that rotate from moderate to low and to very low income and then repeats until the Inclusionary Housing obligation is fulfilled. The following schedule is applied to these projects:

Inclusionary Housing Requirement Schedule		
15 – 59 Unit Projects		
Section 25.200.310		
Total Number of Base Zoning Units	Number of Inclusionary Units	% of Total Units
15-20	1	5.0 %- 6.7%
21-26	2	7.7% - 9.5%
27-33	3	9.1% - 11.1%
34-39	4	10.3% - 11.8%
40-46	5	10.9% - 12.5%
47-53	6	11.3% - 12.8%
54-59	7	11.9% - 13.0%

Based on this schedule, projects at the low end of each size category are subject to a higher Inclusionary Housing percentage requirement. This is done to eliminate fractional unit obligations, but it is fundamentally unfair given that the impact on small projects is greater than the impact on larger projects because there are fewer units to spread the requirement across.

A 15% Inclusionary Housing obligation is applied to projects with 60 or more units. The default requirement for these projects also calls for the Inclusionary Units to rotate from moderate to low to very low income. However, developers can choose to fulfill the requirement with 10% very low income units, 15% low income units, or 20% moderate income units.

Section 25.300.310

Section 25.300.315 imposes a 15% Inclusionary Housing requirement on projects with seven or more units. The affordability standards are set as follows:

1. At least 40% of the Inclusionary Units be allocated to very low income households; and
2. The remaining Inclusionary Units must be allocated to low or moderate income households.

Affordability Gap Analyses

KMA prepared “Affordability Gap” analyses for single family home, townhome and condominium prototypes. The Affordability Gap can generally be defined as the difference between the achievable

market rate sales prices or rents and the allowable sales prices or rents for the designated Inclusionary Units. The calculations are presented in Appendix B, and the results are summarized in the following tables:

Affordability Gap Calculations			
Single Family Home Prototype			
	Three Bedrooms	Four Bedrooms	Five Bedrooms
Moderate Income Units			
Affordable Sales Price	\$443,600	\$471,300	\$489,300
Estimated Market Rate Price	959,000	1,044,000	1,175,000
Affordability Gap	(\$515,400)	(\$572,700)	(\$685,700)
Low Income Units			
Affordable Sales Price	\$120,800	\$122,800	\$115,100
Estimated Market Rate Price	959,000	1,044,000	1,175,000
Affordability Gap	(\$838,200)	(\$921,200)	(\$1,059,900)
Very Low Income Units			
Affordable Sales Price	\$10,200	\$3,400	(\$12,700)
Estimated Market Rate Price	959,000	1,044,000	1,175,000
Affordability Gap	(948,800)	(\$1,040,600)	(\$1,187,700)

Affordability Gap Calculations		
Townhome Prototype		
	Three Bedrooms	Four Bedrooms
Moderate Income Units		
Affordable Sales Price	\$467,500	\$469,500
Estimated Market Rate Price	700,000	855,000
Affordability Gap	(\$232,500)	(\$385,500)
Low Income Units		
Affordable Sales Price	\$144,700	\$121,100
Estimated Market Rate Price	700,000	855,000
Affordability Gap	(\$555,300)	(\$733,900)
Very Low Income Units		
Affordable Sales Price	\$34,100	\$1,600
Estimated Market Rate Price	700,000	855,000
Affordability Gap	(\$655,900)	(\$853,400)

Affordability Gap Calculations			
Specific Plan Condominium Prototype			
	One Bedroom	Two Bedrooms	Three Bedrooms
Moderate Income Units			
Affordable Sales Price	\$348,700	\$376,800	\$426,200
Estimated Market Rate Price	449,000	578,000	605,000
Affordability Gap	(\$100,300)	(\$201,200)	(\$178,800)
Low Income Units			
Affordable Sales Price	\$90,500	\$86,400	\$103,500
Estimated Market Rate Price	449,000	578,000	605,000
Affordability Gap	(\$358,500)	(\$491,600)	(\$501,500)
Very Low Income Units			
Affordable Sales Price	\$2,100	(\$12,400)	(\$6,800)
Estimated Market Rate Price	449,000	578,000	605,000
Affordability Gap	(\$446,900)	(\$590,400)	(\$611,800)

The following key factors must be considered in creating the affordability standards to be imposed by the permanent Inclusionary Housing program:

1. The requirements should balance the interests of property owners and developers against the public benefit created by the production of income restricted units; and
2. The Inclusionary Housing requirements cannot be confiscatory or deprive an owner of a fair and reasonable return on their investment.

The following conclusions can be drawn from the Affordability Gap analyses:

1. For all three ownership housing prototypes it is the KMA conclusion that requiring units to be sold at the low and very low income levels can very likely be deemed to create a constraint to development.
2. Given the premium sales prices being commanded by single family homes, the market rate prices are more than double the Affordable Sales Prices at the moderate income level.
3. KMA prepared a conceptual pro forma analysis of the townhome prototype and concluded that a 15% moderate income production requirement can be supported.
4. The prototype specific plan stacked flats condominium project effectively breaks even, with no profit, if all the units are sold at unrestricted market rate prices. Comparatively, under current market conditions, the same prototype is financially viable as an apartment development.

Recommended Affordability Standards

Based on the results of the KMA financial analyses it is our recommendation that the following affordability standards be imposed on ownership housing development:

1. The rotating moderate to low to very low income affordability standards should be eliminated in their entirety.
2. The on-site Inclusionary Housing production requirement should be set at no more stringent standards than 15% of the units at the moderate income level.
3. Ownership housing developments should be allowed by right to select from alternative fulfillment options, including the payment of a fee in lieu of producing any affordable units.

Affordable Sales Price Calculation Methodology

Section 25.300.210 requires the Affordable Sales Prices to be calculated using the H&SC Section 50052.5 methodology. This methodology should be included in the permanent Inclusionary Housing program.

Section 25.200.715 and Section 25.300.710 require the Affordable Sales Price to be set once per year. It is KMA's recommendation that the Affordable Sales Price be calculated on the first day of each calendar quarter. This will allow for changes in allowable household incomes, mortgage interest rates, and utilities allowances to be factored into the calculations on a timely basis.

C. Covenant Period

Section 25.300.325 imposes a 45 year covenant requirement on ownership housing Inclusionary Units. The covenant requirements imposed by Section 25.200 are not specifically defined.

KMA recommends that the covenant period for ownership housing Inclusionary Units be set at one cumulative 45-year period. Within that one 45-year period the home should be required to be sold and resold to moderate income households at the then current Affordable Sales Price.

III. RECOMMENDED CITYWIDE APARTMENT REQUIREMENTS

A. Role of AB 1505

AB 1505, which is otherwise known as the “Palmer Fix”, was signed into law on September 29, 2017. AB 1505 amended Section 65850 of the California Government Code and adds Section 65850.01. This legislation provides jurisdictions with the ability to adopt programs that impose Inclusionary Housing requirements on apartment projects.

Section 65850.01 does not place a cap on the percentage of units that can be subject to income and affordability restrictions. However, Section 65850.01 (a) gives HCD the authority to review the restrictions imposed by an Inclusionary Housing program on apartment developments if it requires that more than 15% of the units to be restricted to households earning less than 80% of the area median income, and if one of the following conditions applies:

1. The jurisdiction has failed to meet at least 75% of its Regional Housing Needs Assessment (RHNA) allocation for above moderate income units. This test is measured on a pro-rated basis over the planning period, which is set at a minimum of five years; or
2. HCD finds that the jurisdiction has not submitted their housing element report for at least two consecutive years.

The City has fulfilled the requirements imposed by both of the standards identified above. As such, HCD does not have authority under Section 65850.01 (a) to review the Inclusionary Housing requirements the City proposes to impose on apartment development. However, in a technical guidance memorandum dated October 21, 2019, HCD reaffirmed its authority to review Inclusionary Housing ordinances as part of its review of a jurisdiction’s Housing Element.

California Government Code Section 65583 (a) (Section 65583 (a)) requires the City to analyze potential and actual constraints being placed on the development of housing. If the City chooses to impose a greater than 15% affordability requirement and/or deeper affordability standards on apartment development, HCD can potentially extend and complicate the approval process for the City's 6th Cycle Housing Element.

B. Recommended Income and Affordability Standards

KMA recommends that the following standards be applied to the on-site production of Inclusionary Units within market rate apartment projects:

1. A 15% low income requirement should be imposed on market rate apartment projects that choose to fulfill the Inclusionary Housing obligations on site.
2. KMA recommends that the City calculate the Affordable Rents using the H&SC Section 50053 methodology.
3. The City should prepare Affordable Rent calculations once per year. The resulting Affordable Rent schedule should be provided to all property owners and management companies that own and/or manage Inclusionary Units in Ventura.

C. Recommended Development Standards

1. The Inclusionary Units should be required to be constructed concurrently with the market rate project, and they must be dispersed throughout the project.
2. The Inclusionary Units should be required to comply with the following development scope requirements:
 - a. The bedroom mix for the Inclusionary Units must be proportional to the bedroom mix of the market rate units. However, the Inclusionary Units may be smaller in square footage than the market rate units.
 - b. The interior improvements of the Inclusionary Units must comport with defined quality standards such as those applied by the Low Income Housing Tax Credit (Tax Credit) program. The market rate units in the project can include enhanced interior improvements.

D. Covenant Period

KMA recommends that the covenants for the Inclusionary Units in apartment projects should remain in place for as long as the property is developed with a residential use, but for not less than 55 years. Following the 55-year term, the covenant should only be removed if at some point the property is rezoned and subsequently put to a non-residential use.

IV. CONDOMINIUM CONVERSION REQUIREMENTS

It is conceivable that some developers of apartment projects will seek to obtain Tentative Maps that allow the developer to sell the units as condominiums at a later date. KMA recommends that the following options be provided to mapped apartment projects:

1. The developer can be allowed to pay the in-lieu fee that is applicable to ownership housing developments; or
2. The developer can fulfill the 15% low income production requirement that is imposed on apartment development projects. If and when the apartment units are converted to condominiums, the City should require the developer to fulfill one of the following requirements:
 - a. The developer can continue renting the existing Inclusionary Units at the then current Affordable Rents; or
 - b. The developer can provide relocation benefits to the tenants in the Inclusionary Units and then sell the formerly rented Inclusionary Units to moderate income households at the then current Affordable Sales Price.

V. INCLUSIONARY HOUSING FULFILLMENT OPTIONS

Inclusionary Housing fulfillment options need to be tailored to the types of housing being developed in Ventura in order to mitigate the financial impacts created by the imposition of Inclusionary Housing requirements. The threshold requirement is to produce the Inclusionary Units on site within a market rate project that is subject to Inclusionary Housing requirements. In addition, the following options are proposed to be offered under specified circumstances.

A. In-Lieu Fee Payment Option

IN-LIEU FEE PAYMENT THRESHOLDS

It is the KMA recommendation that in-lieu fee payments be allowed under the following circumstances:

1. An in-lieu fee payment option should be allowed for any fractional Inclusionary Unit obligation.
2. Ownership housing developments of any size should be provided with the option to pay an in-lieu fee.
3. The following options should be offered to proposed apartment projects:
 - a. Inclusionary Housing requirements have a disproportionate impact on smaller projects, because there are fewer market rate units available to spread the impact created by the income and affordability standards. KMA recommends that a sliding scale in-lieu fee payment be allowed by right for apartment projects with 20 or fewer units.
 - b. As a baseline, apartment projects with more than 20 units should be required to produce the requisite number of Inclusionary Units. However, the decision making authority for the entitlement should be provided with the discretion to allow an in-lieu fee to be paid for apartment projects with more than 20 units if they are deemed to exhibit extreme hardship circumstances.

IN-LIEU FEE SCHEDULES

It is KMA's opinion that an in-lieu fee measured against the square footages of the units in the market rate residential project corresponds more closely to the Affordability Gap than an in-lieu fee that is measured by the number of units in the project. As such, KMA recommends that the in-lieu fee be based on the saleable area for ownership housing projects and the leasable area for apartment projects.

The in-lieu fee calculations are derived from KMA's Inclusionary Housing: In-Lieu Fee Study, and are presented in Appendix C of this report. The in-lieu fee schedules being recommended by KMA, in 2021 dollars, are presented in the following tables. These schedules should be escalated to current year dollars the first year that the program is implemented.

Recommended In-Lieu Fees Per Square Foot of Saleable Area			
Ownership Housing Development			
Units	Single-Family Home Projects	Townhome Projects	Condominium Projects
7	\$2.04	\$1.35	\$1.61
8	\$4.07	\$2.70	\$3.23
9	\$6.11	\$4.05	\$4.84
10	\$8.14	\$5.40	\$6.46
11	\$10.18	\$6.75	\$8.07
12	\$12.21	\$8.10	\$9.69
13	\$14.25	\$9.45	\$11.30
14	\$16.29	\$10.80	\$12.91
15	\$18.32	\$12.15	\$14.53
16	\$20.36	\$13.50	\$16.14
17	\$22.39	\$14.85	\$17.76
18	\$24.43	\$16.20	\$19.37
19	\$26.46	\$17.55	\$20.99
20+	\$28.50	\$18.90	\$22.60

Recommended In-Lieu Fees Per Square Foot of Leasable Area			
Apartment Development			
Units	Coastal Projects	Inland Projects	Specific Plan Projects
7	\$4.23	\$2.54	\$2.74
8	\$8.46	\$5.07	\$5.49
9	\$12.69	\$7.61	\$8.23
10	\$16.91	\$10.14	\$10.97
11	\$21.14	\$12.68	\$13.71
12	\$25.37	\$15.21	\$16.46
13	\$29.60	\$17.75	\$19.20
14	\$33.83	\$20.29	\$21.94
15	\$38.06	\$22.82	\$24.69
16	\$42.29	\$25.36	\$27.43
17	\$46.51	\$27.89	\$30.17
18	\$50.74	\$30.43	\$32.91
19	\$54.97	\$32.96	\$35.66
20+	\$59.20	\$35.50	\$38.40

IN-LIEU PAYMENT TIMING

Developers should be required to pay the in-lieu fee when building permits are obtained for the project. However, for phased projects, the developer should be allowed to pay a pro rata share of the in-lieu fee concurrently with the issuance of building permits for each development phase.

B. Off-Site Production of Inclusionary Units

For both ownership housing projects and apartment projects, KMA recommends that the Inclusionary Housing program allow a developer to fulfill the Inclusionary Housing obligations in an off-site location under the following conditions:

1. Irrespective of the market rate project's tenure, the Inclusionary Housing obligation must be fulfilled with apartment units.

2. The development parcel must be located within one-half mile of the market rate project that is subject to the Inclusionary Housing obligations.
3. The development must not create an over concentration of deed restricted affordable housing units in any specific neighborhood.²
4. The following income and affordability standards will be applied:
 - a. The inclusionary Housing allocation is set at 15% of the units being developed in the market rate project.
 - b. The income standard is set at the very low income level.
5. Design, building quality and maintenance standards will be based on a defined standard such as the requirements imposed by the Low Income Housing Tax Credit program.
6. The bedroom mix will not be required to match the unit mix provided in the market rate ownership housing or apartment project. However, the following standards will be imposed:
 - a. The percentage of studio units is capped at 15%;
 - b. At least 40% of the units must include two or more bedrooms; and
 - c. The remaining units must include one or more bedrooms.
7. Under the following circumstances the developer of the market rate project will be allowed to enter into an agreement with an affordable housing developer to construct, own and operate the affordable housing project:
 - a. The affordable housing developer must have recent relevant experience, and be approved by the City.
 - b. The affordable housing developer may not request any financial assistance from the City.
 - c. The developer may apply to use the California Government Code Section 65915 et seq. (Section 65915) density bonus and the statutorily established number of incentives or concessions.

² Over concentration is defined as more than 50 covenanted very low or low income units within ¼ mile, or more than 200 such units within ½ mile of the of the proposed affordable housing site.

- d. The affordable housing project must be constructed prior to or concurrently with the market rate project that triggered the Inclusionary Housing obligation. If the market rate project is proposed to be developed in phases, the Inclusionary Units should be required to be developed along with the first phase of the market rate project.

C. Land Donation

The decision making authority for the entitlement should have the discretion, but not the requirement, to approve a developer's proposal to donate property in lieu of producing Inclusionary Units. KMA recommends that the following threshold requirements be imposed for any property put forth for the City's consideration:

1. The developer must be willing to convey the property to the City at no cost.
2. The developer must provide evidence of the following when the land donation proposal is submitted:
 - a. The developer must have site control with lien-free title. Any encumbrances or easements that adversely impact the property's title must be disclosed and factored into the estimated value of the interests proposed to be conveyed to the City.
 - b. The property cannot contain any hazardous materials at the time the land donation proposal is submitted:
 - i. The developer must disclose whether any hazardous materials were previously contained on the site; and
 - ii. If hazardous materials were previously remediated, the developer must provide evidence that the cleanup was performed in accordance with applicable law.
 - c. The property cannot have been improved with any residential use for at least five years prior to the submission of a land donation proposal.
 - d. Payment in full of all property taxes and special taxes must have been made when the proposal is submitted, and again prior to conveyance of the property to the City.
3. The following Inclusionary Housing obligations should be applied:
 - a. The requirement should be set at 15% of the of units in the project that triggered the Inclusionary Housing obligation; and

- b. The income and affordability standards should be set at the very low income level.
4. The property must embody the following characteristics:
- a. The property must be located within one-half mile of the project that is subject to the Inclusionary Housing obligation.
 - b. The construction of Inclusionary Units on the property must not create an over concentration of very low income housing in any specific neighborhood.
 - c. The land donation site must meet the following conditions:
 - i. The site's existing General Plan and zoning standards must allow for a residential use at a density sufficient to allow for the requisite number of Inclusionary Units to be developed.
 - ii. The site must be suitable in terms of size, configuration, and physical characteristics to allow for the requisite number of Inclusionary Units to be developed on a cost efficient basis.
 - d. The property must be fully served by the necessary infrastructure prior to conveyance to the City.
5. KMA recommends that the City only re-convey donated properties to developers with experience developing affordable apartment projects targeted to very low income households. To assist the City in evaluating land donation proposals, the developer should be required to submit the following documents:
- a. A conceptual site plan and narrative description of a project that could be developed on the property.
 - b. A identification of the income and affordability restrictions proposed to be imposed.
 - c. A pro forma analysis that quantifies any financial gap associated with the identified development scope, and describes how this financial gap will be filled.
 - d. If a Section 65915 density bonus will be required, the terms of the requested density bonus; incentives and concessions; and development standards waivers must be identified.

Prior to submitting a proposal to the decision making authority for the entitlement for consideration, the City staff should independently evaluate the information submitted by the developer. Based on that review, the City should determine whether the proposal meets the defined threshold standards.

D. Acquisition and Rehabilitation Projects

A primary purpose in establishing an Inclusionary Housing program is to assist the City in meeting its Regional Housing Needs Assessment (RHNA) targets. Under the requirements imposed by California Government Code Section 65583.1 (Section 65583.1) up to 25% of the City's RHNA obligation can be fulfilled with acquisition and rehabilitation units under the following circumstances:

1. The project(s) must be identified in the City's Housing Element;
2. An identified amount of financial assistance must be committed to the project;
3. Statutorily established relocation assistance must be provided to existing residents; and
4. The units must be provided to very low or low income households, at the Affordable Rent, over a 55-year covenant period.

Section 65583.1 also requires the project(s) to meet one of the following requirements:

1. The units are in imminent risk of loss to the housing stock, and the units have been found by the City or a court to be unfit for human habitation due to the existence of at least four violations of H&SC Section 17995.3 (a) – (g); or
2. The units are located in a market rate project that is being foreclosed upon, and upon acquisition the units will be converted to very low and low income units; or
3. The units are located in a project that is subject to existing income and affordability covenants that are due to expire during the eight-year Housing Element period. For this option, the following additional criteria must be met to qualify for RHNA credit:
 - a. The project must currently be defined as an "assisted housing development".
 - b. The units must be in decent, safe and sanitary condition at the time of occupancy.
 - c. At the time the units are identified for preservation they must be available for very low or low income households.

For projects that meet these requirements, the decision making authority for the entitlement should have the discretion, but not the requirement, to approve a developer's proposal to use the acquisition and rehabilitation of existing units to fulfill the Inclusionary Housing requirements incurred by a proposed development project. The additional threshold requirements that should be imposed on acquisition and rehabilitation projects are:

1. The Inclusionary Housing requirement should be set at 20% of the units in the project that triggered the Inclusionary Housing obligation.
2. The affordability standard should be set at the very low income level.
3. The rents charged for the Inclusionary Units must be set at the lesser of the H&SC Section 50053 rents or an at least 10% discount from the achievable market rents for the rehabilitated units.
4. If there are more units in the acquisition and rehabilitation project than are required to fulfill the Inclusionary Housing requirement, those units may be rented at unrestricted market rate rents.

VI. PROCEDURAL MODIFICATIONS/REQUIREMENTS

A. Section 65915 Density Bonus

The City's Section 65915 density bonus ordinance does not currently include all of the amendments the State Legislature made between 2006 and 2021. Given that the Section 65915 density bonus is intended to reduce the financial impact created by the imposition of Inclusionary Housing requirements, KMA recommends that the City update Section 24.445.120 of the Municipal Code to reflect the current requirements.

Section 25.300.320 identifies the treatment of additional units allowed by a density bonus. This section applies the following rounding methodology:

1. For very low income requirements the result of the calculations is always rounded up.
2. For other requirements, calculation results of .5 or greater are rounded up and results of less than .5 are rounded down.

In order to comport with Section 65915 (q) each component of any density calculation, including base density and bonus density, resulting in fractional units must be separately rounded up to the next whole number.

B. Discretionary Approvals

Section 25.200.625 and 25.300.625 both include specific language regarding the standards applied to the discretionary approval process. The application requirements and timing standards should be reviewed to ensure that they comply with streamlining provisions imposed by SB 330.

C. Owner Occupancy Requirements

Section 25.200.730 imposes the following requirements on ownership housing Inclusionary Units:

1. The household members are required to occupy the Inclusionary as their “Principal Residence”. A definition of Principal Residence should be included in the permanent Inclusionary Housing Ordinance.
2. The home owner is expressly prohibited from leasing or renting the Inclusionary Unit unless the City has given it prior consent on the basis of a demonstrated hardship. This section should be supplemented with a prohibition on leasing any part of the home at any time.

VII. IMPLEMENTATION RECOMMENDATIONS

KMA recommends that the City take the following actions as part of the implementation process for the permanent Inclusionary Housing program:

A. Affordable Housing Regulations

The following Inclusionary Housing Ordinance regulations documents should be created:

1. Affordable Ownership Housing Regulations: Developer Requirements;
1. Affordable Ownership Housing Regulations: Owner Requirements; and
2. Affordable Apartment Regulations.

B. Inclusionary Housing Program Updates

The Inclusionary Housing program should be updated at regular intervals:

1. The entire program should be re-evaluated at least every five years.

2. To allow in-lieu fees to keep pace with changes in the market place during the intervening periods, the in-lieu fees should be adjusted each year based on the percentage change in new home prices in Ventura County as published annually by the Real Estate Research Council.

C. Staffing Plan

A staffing plan should be created for managing the development process and the ongoing monitoring of the Inclusionary Units once they are built.

VIII. SUMMARY

This Inclusionary Housing Program: Policy Recommendations report describes an array of fulfillment options that can be made available to the developers of market rate residential projects. These policy recommendations are intended to assist the City in achieving the goal of creating an Inclusionary Housing program that balances the interests of property owners and developers against the public benefits associated with increasing the inventory of affordable housing units in the community.

APPENDIX A

EXISTING INTERIM PROGRAM TERMS RECOMMENDED FOR USE IN THE PERMANENT INCLUSIONARY HOUSING PROGRAM

**CONSISTENT TERMS AND REQUIREMENTS INCLUDED IN
CHAPTER 25.200 AND CHAPTER 25.300
RECOMMENDED FOR INCLUSION IN THE PERMANENT PROGRAM**

Affordable Rent Definition	Based on the calculation methodology defined in California Health & Safety Code (H&SC) Section 50053.
Affordable Housing Cost – Ownership Units Definition	Based on the calculation methodology defined in H&SC Section 50052.5.
Area Median Income Definition	Based on H&SC Section 50093.
Access to Common Amenities: Section 25.200.330 Section 25.300.335	Occupants of Inclusionary Units must have the same rights and access to amenities as are provided to the market rate unit occupants.
Design: Section 25.200.320 Section 25.300.330	<p>The requirements imposed by these Sections convey the same intent, but the wording is different.</p> <p>The intent is for Inclusionary Units to be dispersed throughout the project, to have comparable infrastructure, construction quality, exterior design, and bedroom mix. Inclusionary Units can be smaller in aggregate size and have different interior finishes and features than market-rate units, so long as the interior features are durable, of good quality and consistent with contemporary standards for new housing.</p> <p>This section should also be updated to include the specific requirements imposed by AB 491.</p>
Timing: Section 25.200.325 Section 25.300.335	The inclusionary units must be built concurrently or prior to the market rate units. Proportional number of inclusionary units may be developed in each phase of a phased development.
Refund of Fees for Inclusionary Units: Section 25.200.510 Sections 25.300.510 and 25.300.515	<p>These Sections convey the same intent, but the wording is different.</p> <p>The intent is for refunds to be provided for the inclusionary units from the following fees: Housing Approval Process Fees, Planned Development Permit Fees, Variance Fee, Coastal Development Permit Fee, Tentative Subdivision</p>

**CONSISTENT TERMS AND REQUIREMENTS INCLUDED IN
CHAPTER 25.200 AND CHAPTER 25.300
RECOMMENDED FOR INCLUSION IN THE PERMANENT PROGRAM**

	Map Fee, Design Review Fee, Environmental Review, Development Agreement, Annexation, Change of Zone.
Other Incentives: Section 25.200.515 Section 25.300.515	Based on the number of Inclusionary Units provided, an applicant may be eligible for one or more other regulatory incentives set forth in section 24.445.120 of the Code. This represents the incentives provided by the Section 65915 density bonus as they may be changed from time-to-time.
General: Section 25.200.610 Section 25.300.610	No City approvals will be provided until an Inclusionary Housing Plan and an affordable housing agreement have been executed.
Housing Approval Program: Section 25.200.615 RGMP Allocation: Section 25.300.615	Requires the developer to submit a Preliminary Inclusionary Housing Plan and a Housing Approval prequalification determination. Requires the same documentation, but it must be submitted as part of the RGMP application.
Discretionary and Design Approvals: Section 25.200.620 Inclusionary Housing Plan: Section 25.300.620	Discretionary and design approvals are part of the Inclusionary Housing Plan approval process.
Recording of Affordable Housing Agreements: Section 25.200.635 Section 25.300.635	Affordable housing agreements approved by the City must be recorded against Inclusionary Units prior to the issuance of any building permits for the project. Resale agreements must also be recorded against the Inclusionary Units.
Building Permits: Section 25.200.640 Section 25.300.640	No building permits will be issued for projects subject to the program without an affordable housing agreement executed by the owner, the applicant (if not the owner), and the City Manager, and approved as to form by the City Attorney, and recorded against the property.

**CONSISTENT TERMS AND REQUIREMENTS INCLUDED IN
CHAPTER 25.200 AND CHAPTER 25.300
RECOMMENDED FOR INCLUSION IN THE PERMANENT PROGRAM**

<p>Implementation & Compliance Monitoring Fees Section 25.200.650 Section 25.300.345</p>	<p>The City has the authority to charge fees for the costs to process the Inclusionary documents and ongoing monitoring fees.</p>
<p>Article 7</p>	<p>In Chapter 25.200 Article 7 is called Restrictions on Moderate and Low Income Owner Occupied Units. In Chapter 25.300 Article 7 is called Restrictions on Owner Occupied Units The intent of both these articles is the same.</p>
<p>Changes in Title: Section 25.200.725 Section 25.300.720</p>	<p>The transfer requirements vary depending on the identity of the heir: Spouse is the heir: the Inclusionary Unit may be conveyed to the surviving spouse. Child or stepchild is the heir: a one-year compassion period, after the estate is settled, is provided. Then the heir must sell the Inclusionary Unit to an income qualified buyer. Any other party is the heir: The Inclusionary Unit must be sold to an income eligible buyer within 180 days after the estate is settled.</p>
<p>Article 8</p>	<p>In Chapter 25.200 Article 8 is called Occupancy of Very Low and Low Income Rental Units. In Chapter 25.300 Article 8 is called Restrictions on Rental Units</p>
<p>Annual Report: Section 25.200.830: General: Section 25.300.810 Annual Report: Section 25.300.815</p>	<p>The provisions of Section 25.200.830 consist of the requirements imposed by Sections 25.300.810 and 25.300.815. The requirement is for the owner to submit an annual report that identifies the occupancy of each rental Inclusionary Unit and tenant certification on a form approved by the City.</p>

**CONSISTENT TERMS AND REQUIREMENTS INCLUDED IN
CHAPTER 25.200 AND CHAPTER 25.300
RECOMMENDED FOR INCLUSION IN THE PERMANENT PROGRAM**

<p>General Section 25.200.910 Section 25.300.910</p>	<p>The requirements imposed by the ordinance may be adjusted or waived if the applicant demonstrates that applying the requirement would take property in violation of the United States or California constitutions.</p>
<p>Timing Section 25.200.915 Section 25.300.915</p>	<p>Adjustments and waivers will only be considered at the time of the housing approval application under Section 25.200.915, and at the time of the RGMP application under Section 25.300.915.</p>
<p>Adjustments or Waivers Section 25.200.920 Section 25.300.925</p>	<p>If it is determined that applying the program’s requirements would take property in violation of the United States or California constitutions, the program requirements will be modified, adjusted or waived to reduce the obligations. However, the modifications will be applied only to the extent necessary to avoid an unconstitutional result.</p>
<p>Decision and Further Appeal Section 25.200.925 Section 25.300.930</p>	<p>An applicant can submit a written appeal to the City Council of a Community Development Director/Executive Director determination.</p>
<p>Legal Action Section 25.200.1015 Section 25.300.1010</p>	<p>The City may institute any appropriate legal action necessary to ensure with the requirements imposed by the ordinance.</p>

APPENDIX B

AFFORDABILITY GAP ANALYSIS OWNERSHIP HOUSING DEVELOPMENT

APPENDIX B - TABLE 1

AFFORDABILITY GAP CALCULATIONS 1
 SINGLE FAMILY HOME PROTOTYPE
 2021 INCOME STANDARDS
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: POLICY RECOMMENDATIONS REPORT
 SAN BUENAVENTURA, CALIFORNIA

		Three-Bedroom Units	Four-Bedroom Units	Five-Bedroom Units
General Assumptions				
Estimated Market Rate Sales Price	2	\$959,000	\$1,044,000	\$1,175,000
Area Median Income	3	\$98,800	\$106,700	\$114,600
Annual Utilities Allowance	4	\$3,144	\$3,696	\$4,248
HOA, Maintenance & Insurance	5	\$100	\$125	\$150
I. Moderate Income Units				
A. Affordable Sales Price Based on 110% AMI				
Benchmark Annual Household Income		\$108,680	\$117,370	\$126,060
Income Allotted to Housing @ 35% of Income		\$38,040	\$41,080	\$44,120
B. Property Taxes @ 1.15% of Market Rate Sales Price				
		\$11,030	\$12,010	\$13,510
C. Income Available for Mortgage				
	6	\$23,766	\$25,249	\$26,212
D. Affordable Sales Price				
Supportable Mtg @ 3.87% Interest	7	\$421,400	\$447,700	\$464,800
Home Buyer Down Payment @ 5% of ASP		22,200	23,600	24,500
Affordable Sales Price		\$443,600	\$471,300	\$489,300
E. Affordability Gap Calculation				
Affordable Sales Price		\$443,600	\$471,300	\$489,300
Estimated Market Rate Sales Price		959,000	1,044,000	1,175,000
Affordability Gap		(\$515,400)	(\$572,700)	(\$685,700)
II. Low Income Units				
A. Affordable Sales Price Based on 70% AMI				
Benchmark Annual Household Income		\$69,160	\$74,690	\$80,220
Income Allotted to Housing @ 30% of Income		\$20,750	\$22,410	\$24,070
B. Property Taxes @ 1.15% of Market Rate Sales Price				
		\$11,030	\$12,010	\$13,510
C. Income Available for Mortgage				
	6	\$6,476	\$6,579	\$6,162
D. Affordable Sales Price				
Supportable Mtg @ 3.87% Interest	7	\$114,800	\$116,700	\$109,300
Home Buyer Down Payment @ 5% of ASP		6,000	6,100	5,800
Affordable Sales Price		\$120,800	\$122,800	\$115,100
E. Affordability Gap Calculation				
Affordable Sales Price		\$120,800	\$122,800	\$115,100
Estimated Market Rate Sales Price		959,000	1,044,000	1,175,000
Affordability Gap		(\$838,200)	(\$921,200)	(\$1,059,900)

APPENDIX B - TABLE 1 (CONT)

AFFORDABILITY GAP CALCULATIONS
 SINGLE FAMILY HOME PROTOTYPE
 2021 INCOME STANDARDS
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: POLICY RECOMMENDATIONS REPORT
 SAN BUENAVENTURA, CALIFORNIA

	Three-Bedroom Units	Four-Bedroom Units	Five-Bedroom Units
III. Very Low Income Units			
A. Affordable Sales Price Based on 50% AMI			
Benchmark Annual Household Income	\$49,400	\$53,350	\$57,300
Income Allotted to Housing @ 30% of Income	\$14,820	\$16,010	\$17,190
B. Property Taxes @ 1.15% of Market Rate Sales Price			
	\$11,030	\$12,010	\$13,510
C. Income Available for Mortgage ⁶			
	\$546	\$179	(\$718)
D. Affordable Sales Price			
Supportable Mtg @ 3.87% Interest	\$9,700	\$3,200	(\$12,700)
Home Buyer Down Payment @ 5% of ASP	500	200	0
Affordable Sales Price	\$10,200	\$3,400	(\$12,700)
E. Affordability Gap Calculation			
Affordable Sales Price	\$10,200	\$3,400	(\$12,700)
Estimated Market Rate Sales Price	959,000	1,044,000	1,175,000
Affordability Gap	(\$948,800)	(\$1,040,600)	(\$1,187,700)

¹ Based on 2021 Ventura County household incomes published by the California Housing & Community Development Department (HCD). The Affordable Sales Price calculations are based on the California Health and Safety Code Section 50052.5 methodology.

² Based in part on the results of the home sales survey.

³ Under the California Health & Safety Code Section 50052.5 calculation methodology, the benchmark household size is set at the number of bedrooms in the unit plus one. This benchmark is used solely for the purposes of calculating the Affordable Sales Price. It is neither an occupancy cap nor a floor.

⁴ Utilities allowances are based on the HACSB Single Family Home utility allowance schedule effective as of 7/1/21. Assumes: Gas Heating, Gas Cooking, Gas Water Heater, Basic Electric, Air Conditioning, Water, Sewer, and Trash.

⁵ Based in part on the HOA dues identified in the home sales survey.

⁶ Based on the Income Allotted to Housing minus the following: Annual Utilities Allowance; HOA, Maintenance & Insurance; and Property Taxes @ 1.15% of Market Rate Sales Price.

⁷ Based on a 50 basis points premium applied to the Bankrate site average as of October 1, 2021 for a fixed-interest rate loan with a 30-year amortization period.

APPENDIX B - TABLE 2

AFFORDABILITY GAP CALCULATIONS 1
 TOWNHOME PROTOTYPE
 2021 INCOME STANDARDS
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: POLICY RECOMMENDATIONS REPORT
 SAN BUENAVENTURA, CALIFORNIA

		Three-Bedroom Units	Four-Bedroom Units
General Assumptions			
Estimated Market Rate Sales Price	2	\$700,000	\$855,000
Area Median Income	3	\$98,800	\$106,700
Annual Utilities Allowance	4	\$3,144	\$3,696
HOA, Maintenance & Insurance	5	\$1,800	\$2,400
I. Moderate Income Units			
A. Affordable Sales Price Based on 110% AMI			
Benchmark Annual Household Income		\$108,680	\$117,370
Income Allotted to Housing @ 35% of Income		\$38,040	\$41,080
B. Property Taxes @ 1.15% of Market Rate Sales Price			
		\$8,050	\$9,830
C. Income Available for Mortgage			
	6	\$25,046	\$25,154
D. Affordable Sales Price			
Supportable Mtg @ 3.87% Interest	7	\$444,100	\$446,000
Home Buyer Down Payment @ 5% of ASP		23,400	23,500
Affordable Sales Price		\$467,500	\$469,500
E. Affordability Gap Calculation			
Affordable Sales Price		\$467,500	\$469,500
Estimated Market Rate Sales Price		700,000	855,000
Affordability Gap		(\$232,500)	(\$385,500)
II. Low Income Units			
A. Affordable Sales Price Based on 70% AMI			
Benchmark Annual Household Income		\$69,160	\$74,690
Income Allotted to Housing @ 30% of Income		\$20,750	\$22,410
B. Property Taxes @ 1.15% of Market Rate Sales Price			
		\$8,050	\$9,830
C. Income Available for Mortgage			
	6	\$7,756	\$6,484
D. Affordable Sales Price			
Supportable Mtg @ 3.87% Interest	7	\$137,500	\$115,000
Home Buyer Down Payment @ 5% of ASP		7,200	6,100
Affordable Sales Price		\$144,700	\$121,100
E. Affordability Gap Calculation			
Affordable Sales Price		\$144,700	\$121,100
Estimated Market Rate Sales Price		700,000	855,000
Affordability Gap		(\$555,300)	(\$733,900)

APPENDIX B - TABLE 2 (CONT)

AFFORDABILITY GAP CALCULATIONS
 TOWNHOME PROTOTYPE
 2021 INCOME STANDARDS
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: POLICY RECOMMENDATIONS REPORT
 SAN BUENAVENTURA, CALIFORNIA

1

	Three-Bedroom Units	Four-Bedroom Units
III. Very Low Income Units		
A. Affordable Sales Price Based on 50% AMI		
Benchmark Annual Household Income	\$49,400	\$53,350
Income Allotted to Housing @ 30% of Income	\$14,820	\$16,010
B. Property Taxes @ 1.15% of Market Rate Sales Price		
	\$8,050	\$9,830
C. Income Available for Mortgage		
	\$1,826	\$84
D. Affordable Sales Price		
Supportable Mtg @ 3.87% Interest	\$32,400	\$1,500
Home Buyer Down Payment @ 5% of ASP	1,700	100
Affordable Sales Price	\$34,100	\$1,600
E. Affordability Gap Calculation		
Affordable Sales Price	\$34,100	\$1,600
Estimated Market Rate Sales Price	700,000	855,000
Affordability Gap	(\$665,900)	(\$853,400)

¹ Based on 2021 Ventura County household incomes published by the California Housing & Community Development Department (HCD). The Affordable Sales Price calculations are based on the California Health and Safety Code Section 50052.5 methodology.

² Based in part on the results of the home sales survey.

³ Under the California Health & Safety Code Section 50052.5 calculation methodology, the benchmark household size is set at the number of bedrooms in the unit plus one. This benchmark is used solely for the purposes of calculating the Affordable Sales Price. It is neither an occupancy cap nor a floor.

⁴ Utilities allowances are based on the HACSB Single Family Home utility allowance schedule effective as of 7/1/21. Assumes: Gas Heating, Gas Cooking, Gas Water Heater, Basic Electric, Air Conditioning, Water, Sewer, and Trash.

⁵ Based in part on the HOA dues identified in the home sales survey.

⁶ Based on the Income Allotted to Housing minus the following: Annual Utilities Allowance; HOA, Maintenance & Insurance; and Property Taxes @ 1.15% of Market Rate Sales Price.

⁷ Based on a 50 basis points premium applied to the Bankrate site average as of October 1, 2021 for a fixed-interest rate loan with a 30-year amortization period.

APPENDIX B - TABLE 3

AFFORDABILITY GAP CALCULATIONS
 SPECIFIC PLAN CONDOMINIUM PROTOTYPE
 2021 INCOME STANDARDS
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: POLICY RECOMMENDATIONS REPORT
 SAN BUENAVENTURA, CALIFORNIA

	One-Bedroom Units	Two-Bedroom Units	Three-Bedroom Units
General Assumptions			
Estimated Market Rate Sales Price	\$449,000	\$578,000	\$605,000
Area Median Income	\$79,050	\$88,900	\$98,800
Annual Utilities Allowance	\$2,088	\$2,592	\$3,144
HOA, Maintenance & Insurance	\$4,500	\$4,800	\$5,100
I. Moderate Income Units			
A. Affordable Sales Price Based on 110% AMI			
Benchmark Annual Household Income	\$86,955	\$97,790	\$108,680
Income Allotted to Housing @ 35% of Income	\$30,430	\$34,230	\$38,040
B. Property Taxes @ 1.15% of Market Rate Sales Price			
	\$5,160	\$6,650	\$6,960
C. Income Available for Mortgage			
	\$18,682	\$20,188	\$22,836
D. Affordable Sales Price			
Supportable Mtg @ 3.87% Interest	\$331,300	\$358,000	\$404,900
Home Buyer Down Payment @ 5% of ASP	17,400	18,800	21,300
Affordable Sales Price	\$348,700	\$376,800	\$426,200
E. Affordability Gap Calculation			
Affordable Sales Price	\$348,700	\$376,800	\$426,200
Estimated Market Rate Sales Price	449,000	578,000	605,000
Affordability Gap	(\$100,300)	(\$201,200)	(\$178,800)
II. Low Income Units			
A. Affordable Sales Price Based on 70% AMI			
Benchmark Annual Household Income	\$55,335	\$62,230	\$69,160
Income Allotted to Housing @ 30% of Income	\$16,600	\$18,670	\$20,750
B. Property Taxes @ 1.15% of Market Rate Sales Price			
	\$5,160	\$6,650	\$6,960
C. Income Available for Mortgage			
	\$4,852	\$4,628	\$5,546
D. Affordable Sales Price			
Supportable Mtg @ 3.87% Interest	\$86,000	\$82,100	\$98,300
Home Buyer Down Payment @ 5% of ASP	4,500	4,300	5,200
Affordable Sales Price	\$90,500	\$86,400	\$103,500
E. Affordability Gap Calculation			
Affordable Sales Price	\$90,500	\$86,400	\$103,500
Estimated Market Rate Sales Price	449,000	578,000	605,000
Affordability Gap	(\$358,500)	(\$491,600)	(\$501,500)

APPENDIX B - TABLE 3 (CONT)

AFFORDABILITY GAP CALCULATIONS
 SPECIFIC PLAN CONDOMINIUM PROTOTYPE
 2021 INCOME STANDARDS
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: POLICY RECOMMENDATIONS REPORT
 SAN BUENAVENTURA, CALIFORNIA

	One-Bedroom Units	Two-Bedroom Units	Three-Bedroom Units
III. Very Low Income Units			
A. Affordable Sales Price Based on 50% AMI			
Benchmark Annual Household Income	\$39,525	\$44,450	\$49,400
Income Allotted to Housing @ 30% of Income	\$11,860	\$13,340	\$14,820
B. Property Taxes @ 1.15% of Market Rate Sales Price			
	\$5,160	\$6,650	\$6,960
C. Income Available for Mortgage ⁶			
	\$112	(\$702)	(\$384)
D. Affordable Sales Price			
Supportable Mtg @ 3.87% Interest	\$2,000	(\$12,400)	(\$6,800)
Home Buyer Down Payment @ 5% of ASP	100	0	0
Affordable Sales Price	\$2,100	(\$12,400)	(\$6,800)
E. Affordability Gap Calculation			
Affordable Sales Price	\$2,100	(\$12,400)	(\$6,800)
Estimated Market Rate Sales Price	449,000	578,000	605,000
Affordability Gap	(\$446,900)	(\$590,400)	(\$611,800)

¹ Based on 2021 Ventura County household incomes published by the California Housing & Community Development Department (HCD). The Affordable Sales Price calculations are based on the California Health and Safety Code Section 50052.5 methodology.

² Based in part on the results of the home sales survey.

³ Under the California Health & Safety Code Section 50052.5 calculation methodology, the benchmark household size is set at the number of bedrooms in the unit plus one. This benchmark is used solely for the purposes of calculating the Affordable Sales Price. It is neither an occupancy cap nor a floor.

⁴ Utilities allowances are based on the HACSB Single Family Home utility allowance schedule effective as of 7/1/21. Assumes: Gas Heating, Gas Cooking, Gas Water Heater, Basic Electric, Air Conditioning, Water, Sewer, and Trash.

⁵ Based in part on the HOA dues identified in the home sales survey.

⁶ Based on the Income Allotted to Housing minus the following: Annual Utilities Allowance; HOA, Maintenance & Insurance; and Property Taxes @ 1.15% of Market Rate Sales Price.

⁷ year amortization period.

APPENDIX C

IN-LIEU FEE ANALYSIS

APPENDIX C - TABLE 1

IN-LIEU FEE CALCULATIONS
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: POLICY RECOMMENDATIONS REPORT
 SAN BUENAVENTURA, CALIFORNIA

		Single Family Home Prototype	Townhome Prototype	Specific Plan Condominium Prototype
I.	<u>Sales Price Difference</u>			
	A. One-Bedroom Units			
	Market Rate Sales Price			\$449,000
	Affordable Sales Price			348,700
	Difference			\$100,300
	B. Two-Bedroom Units			
	Market Rate Sales Price			\$578,000
	Affordable Sales Price			376,800
	Difference			\$201,200
	C. Three-Bedroom Units			
	Market Rate Sales Price	\$959,000	\$700,000	\$605,000
	Affordable Sales Price	443,600	467,500	426,200
	Difference	\$515,400	\$232,500	\$178,800
	D. Four-Bedroom Units			
	Market Rate Sales Price	\$1,044,000	\$855,000	
	Affordable Sales Price	471,300	469,500	
	Difference	\$572,700	\$385,500	
	E. Five-Bedroom Units			
	Market Rate Sales Price	\$1,175,000		
	Affordable Sales Price	489,300		
	Difference	\$685,700		
II.	<u>Distribution of Total Units</u>			
	One-Bedroom Units			30%
	Two-Bedroom Units			60%
	Three-Bedroom Units	45%	70%	10%
	Four-Bedroom Units	40%	30%	
	Five-Bedroom Units	15%		
III.	<u>Assumptions</u>			
	Total Units	49	23	40
	Total Saleable Area	138,300	44,230	44,800
	Weighted Avg Unit Size (Sf)	2,820	1,920	1,120
	Inclusionary Housing Percentage	15%	15%	15%
	Inclusionary Units	7	3	6
	Affordability Gap Per Inclusionary Unit ⁴	\$563,900	\$278,400	\$168,700
IV.	<u>In-Lieu Fee</u>			
	Total In-Lieu Fee	\$3,947,300	\$835,200	\$1,012,200
	Per Total Unit in the Project	\$80,560	\$36,310	\$25,310
	Per Sf of Total Saleable Area	\$28.50	\$18.90	\$22.60

¹ The market rate sales prices are drawn from the pro forma analyses.

² See TABLE 2A, TABLE 2B, and TABLE 2C.

³ Based on the unit mix distribution applied in the pro forma analyses.

⁴ Based on the weighted average difference between the market rate prices and the Affordable Sales Prices.

APPENDIX C - TABLE 2

IN-LIEU FEE CALCULATIONS
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: POLICY RECOMMENDATIONS REPORT
 SAN BUENAVENTURA, CALIFORNIA

		Unleveraged Coastal Apartment Prototype	Unleveraged Inland Apartment Prototype	Unleveraged Specific Plan Apartment Prototype
I. Rent Difference				
A. One-Bedroom Units				
Market Rents	1	\$3,210	\$2,830	\$3,180
Affordable Rent	2	1,110	1,110	1,110
Difference		\$2,100	\$1,720	\$2,070
B. Two-Bedroom Units				
Market Rents	1	\$3,210	\$2,830	\$3,180
Affordable Rent	2	1,234	1,234	1,234
Difference		\$1,977	\$1,597	\$1,947
C. Three-Bedroom Units				
Market Rents	1			\$3,480
Affordable Rent	2			1,354
Difference				\$2,126
II. Distribution of Total Units	3			
One-Bedroom Units		60%	30%	30%
Two-Bedroom Units		40%	70%	60%
Three-Bedroom Units		0%	0%	10%
III. Annual Rent Difference Per Inclusionary Unit		\$24,609	\$19,604	\$24,019
Less: Property Tax Difference	4	(6,290)	(5,010)	(6,140)
Net Annual Rent Difference Per Inclusionary Unit		\$18,319	\$14,594	\$17,879
IV. Assumptions				
Total Units		100	120	40
Total Leasable Area		89,000	121,200	44,800
Weighted Avg Unit Size (Sf)		890	1,010	1,120
Inclusionary Housing Percentage		15%	15%	15%
Inclusionary Units		15	18	6
Affordability Gap Per Inclusionary Unit	5	\$351,000	\$239,000	\$287,000
V. In-Lieu Fee				
Total In-Lieu Fee		\$5,265,000	\$4,302,000	\$1,722,000
Per Total Unit in the Project		\$52,650	\$35,850	\$43,050
Per Square Foot of Total Leasable Area		\$59.20	\$35.50	\$38.40

¹ The market rents are drawn from the pro forma analyses.

² See TABLE 2.

³ Based on the unit mix distribution applied in the pro forma analysis.

⁴ Based on the rent differential capitalized at a 4.5% rate to establish the value, and a 1.15% property tax rate.

⁵ Based on the Annual Affordability Gap Per Inclusionary Unit capitalized at the Threshold Return on Total Investment generated by each prototype.