



City Council

Mark Mitchell, Mayor
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September 30, 2016

Michael Simmons, Foreperson
2015-2016 Contra Costa County Civil Grand Jury
725 Court Street
P.O. Box 431
Martinez, CA 94553-0091

Dear Mr. Simmons:

Pursuant to your June 24, 2016 letter regarding Grand Jury Report No. 1614, "Where Will They Live?" please consider this to be the City of Lafayette's response. This response was reviewed and authorized by the City Council at a duly noticed City Council meeting on September 26, 2016. According to page 24 of the Report, Lafayette is required to respond to Findings 1-3, 5, 6, 8-13 and Recommendations 1-3, 5-8, 11, 13, 15.

FINDINGS

- F1. PDAs recognize the importance of housing near transportation and jobs for developing prosperous communities.
Agree.
- F2. *Plan Bay Area 2040* seeks to combine transportation, jobs and housing as a solution to the needs of our growing population.
Agree.
- F3. While State law mandates that ABAG conduct the RHNA process, a city is not required to subsidize and/or build the units; it is only required to demonstrate that local zoning will not impede development.
Agree. A city is only required to demonstrate that local zoning will not impede the development of its regional housing needs allocation units (RHNA) as assigned by ABAG.
- F4. While State law mandates that ABAG conduct the RHNA process, the County is not required to subsidize and/or build the units. It is only required to demonstrate that local zoning will not impede development.
Not applicable.

- F5. Inclusionary zoning programs provide incentives and regulatory waivers to builders and developers who produce both affordable and market rate homes within the same project.
Agree.
- F6. The city's Inclusionary Housing ordinance helps to provide AH in that city.
Agree. In June 2016, the City adopted an Inclusionary Housing ordinance for its PDA.
- F7. The County's Inclusionary Housing ordinance helps to provide AH in the County.
Not applicable.
- F8. Inclusionary Housing Ordinances sometimes include the option for the developer to pay in lieu fees instead of constructing AH units.
Agree. Lafayette's Inclusionary Housing Ordinance provides an in-lieu fee option and is currently engaged in a study to establish this fee.
- F9. The city supplements the shortage of funds for AH by requiring builders to pay impact fees, in lieu fees, or other construction and remodeling fees.
Agree. As noted in F8, Lafayette has an Inclusionary Housing Ordinance and is engaged in a study to establish this fee. The studies to establish impact or linkage fees are costly. As a small, limited service city, staff will need to assess whether there is funding available to hire consultants to undertake these studies. Furthermore, the imposition of additional fees on development could hinder the production of housing in general and AH units in particular.
- Currently, impact fees collected from builders are reserved for traffic improvements, parkland acquisition and development, and the construction of walkways. They are not used to fund affordable housing.*
- F10. Infill costs less to service than new development because it takes advantage of the existing infrastructure.
Partially agree. Unlike development located in the outlying areas, infill does not require the extension of roads, utilities and other services. However, when not properly planned, infill development can overburden the existing infrastructure leading to traffic congestion and the need for additional municipal services. Also, taller buildings can require additional crews and specialized equipment for fire rescue.
- F11. The elimination of redevelopment agencies resulted in a reduction of the number of AH units constructed in the city by eliminating a major source of funding for affordable development projects.
Agree. The elimination of redevelopment and the absence of that steady source of funding have severely hindered the City's ability to fund or incentivize affordable housing.
- F12. The city delegates to the builder, owner, or management company of AH properties the responsibility for gathering and validating AH clientele information, as well as maintaining lists of potentially interested buyers.

Agree. As a small, limited service city, Lafayette does not accept applications for AH units, nor does it validate AH clientele information. It delegates that responsibility to the operators of individual properties.

- F13. There is no accessible centralized information source for available AH, which compounds the problems created by the AH shortage for those who are searching for affordable housing.

Disagree. Lafayette maintains a database of developments with affordable housing. This database contains the development's address, contact information of the person handling AH, the number of AH units and the levels of affordability within each development.

RECOMMENDATIONS

- R1. The city should consider increasing AH in PDAs.
The recommendation requires further analysis. The 2012 Specific Plan for Lafayette's PDA already calls for 60% more housing within the PDA than what was envisioned in the 2002 General Plan. The recent adoption of the Inclusionary Housing ordinance will ensure that 15% of these new units will be affordable to very low to moderate income households. Increasing the number of affordable units within the PDA could be difficult without a steady and reliable source of funding. The City may consider adding this project to the work plan in FY17-18 in conjunction with further direction from MTC and ABAG.
- R2. The city should consider adopting an Inclusionary Housing Ordinance.
The recommendation has been implemented. Lafayette adopted an Inclusionary Housing ordinance for its PDA in 2016.
- R3. The city should explore rehabilitating existing housing stock as AH for purchase or rental, and identify funding to do so.
The recommendation was implemented in one housing development. In 2008, the Lafayette Redevelopment Agency approved a 56 unit market rate housing development and permitted the developer to satisfy the affordable housing requirement by purchasing an existing apartment development, upgrading it and income-restricting 18 units.

Lafayette will continue explore this option in the future. However, funding for this effort is limited because redevelopment is no longer available as a tool to promote, fund and build affordable housing units.
- R4. The city should explore increasing existing "impact fees" or "linkage fees" or enacting such fees in order to generate revenue with which to assist funding of AH.
The recommendation requires further analysis. The studies to establish impact or linkage fees are costly. As a small, limited service city, staff will need to assess whether there is funding available to hire consultants to undertake these studies. Furthermore, the imposition of additional fees on development could hinder the production of housing in general and AH units in particular. The City may consider adding this project to the work plan in FY17-18.

- R5. The city should consider designating an employee within the city's planning or housing department to coordinate with property management to maintain current waiting and interest lists of available AH and ensure information is posted on the city website, and identify funding to do so.
The recommendation requires further analysis. As a small, limited service city, staff will need to assess whether there are resources available to take on this additional task. The City may consider adding this project to the work plan in FY17-18.
- R6. The city should consider seeking federal, state, and local funding sources for AH.
The recommendation has been implemented in one housing development. In 2008, the Lafayette Redevelopment Agency partnered with Eden Housing to acquire land and build a 46-unit very low income senior housing development. Lafayette's contribution of \$3.8M and the County's contribution \$3M from CDBG and HOME funds were leveraged to secure federal funding.

Lafayette will continue explore this option in the future.
- R7. The city should consider partnering with for-profit and not-for-profit builders to secure land suitable for AH, and identify funding to do so.
The recommendation was implemented in two housing developments. In 1998, the Lafayette Redevelopment Agency sold its land at fair reuse value and contributed \$800,000 to a for-profit developer for the construction of 75 apartments next to BART, with 15 units reserved for persons with developmental disabilities making very low incomes. In 2008, the Lafayette Redevelopment Agency contributed \$3.8M to Eden Housing, a non-profit company, to acquire land and build a 46-unit very low income senior housing development.

Lafayette will continue to look for opportunities to partner with the building industry.
- R8. The County should consider seeking federal, state, and local funding sources for AH.
Not applicable.
- R9. The County should consider partnering with for-profit and not-for-profit builders to secure land suitable for AH, and identify funding to do so.
Not applicable.
- R10. The city should consider undertaking an education initiative in the earliest phase of affordable planning projects in order to alleviate community concerns regarding AH, and identify funding to do so.
The recommendation was implemented during the processing of the Town Center (15 affordable units) and Eden Housing (46 affordable units) development applications. Additionally, when the City's Housing Element was revised in 2014, three public workshops were held to educate the public about the State's requirements and the need for AH units, and help identify the community's housing needs. The City sent a press release to all locally distributed newspapers and publications. Email announcements were sent to 300-400 homeowner groups, major downtown property owners and businesses, Chamber, schools, organizations, affordable housing groups, senior housing groups, special needs groups, and other interested parties. Notices were mailed to property owners who are listed in the draft inventory. General fund monies were used in this effort.

- R11. The County should consider undertaking an education initiative in the earliest phase of affordable planning projects in order to alleviate community concerns regarding AH, and identify funding to do so.
Not applicable.
- R12. The city should consider identifying all infill and vacant land not in PDAs and encourage use of it for AH through tax incentives, density bonuses, etc.
The recommendation requires further analysis. The production of AH is typically accomplished through the construction of higher density multifamily development and in Lafayette, the PDA includes all areas zoned for multifamily housing. The City could expand AH outside the PDA through second units. The City is considering an amnesty program for unpermitted second units; the results of that study will be available by the end of this fiscal year.
- R13. The County should consider identifying all infill and vacant land not in PDAs and encourage use of it for AH through tax incentives, density bonuses, etc.
Not applicable.
- R14. The city should consider creating an easily accessible, online central repository with all relevant information on deed-restricted housing units to assure that inventory of AH is maintained, and identify funding to do so.
The recommendation has been partially implemented. The City maintains a database of developments with affordable housing. This list will be posted on the City's web site within the next three months.
- R15. The County should consider creating an easily accessible, online central repository with all relevant information on deed-restricted housing units to assure that inventory of AH is maintained, and identify funding to do so.
Not applicable.

We appreciate your time and attention in consideration of these important matters and hope this letter is responsive to your request.

Sincerely,



Steven Falk, City Manager