

## MEMORANDUM

DATE August 25, 2023  
TO Eva Kelly, Ambur Cameron and Christine Hopper  
City of Hollister  
FROM Greg Goodfellow  
SUBJECT Inclusionary Housing Workshop Results and Study Session Recommendations

Eva, Ambur and Christy,

This Memo includes results and insights from the August 3, 2023, Inclusionary Housing (IH) Workshop at the City of Hollister Veteran' Memorial Hall.

Twenty members of the public, excluding the project team and city staff members, attended the event in-person. Ten to fifteen community members participated virtually.

### MEMO FRAMEWORK

The structure of this Memo parallels the eight questions of the "IH Preference Worksheet" (Appendix A) completed by workshop participants. Quantitative results of the questions are summarized and "Potential Study Session Topics" are presented. These topics are derived from participants' questions and comments expressed during the discussion of the relevant worksheet section.

### SUMMARY OF PARTICIPATION

There were two significant workshop participation trends. First, nearly all participants engaged in robust discussions about all components of IH. These include the position of IH in the larger context of state and local housing regulation; the households and demographics set to benefit from IH and the impact of IH on Hollister's built environment. At the same time, participants had many questions regarding the various technical components of IH, the administration of the policy and other ordinance details. Similarly, not all participants completed the IH Preference Worksheet, and some who did, did not answer the more technical questions. PlaceWorks has concluded that:

- » Residents of Hollister are supportive of inclusionary housing and the provision of affordable housing in general. Workshop participants demonstrated a commitment to involvement and understanding of IH policy.
- » Inclusionary housing is complex and technical, and understanding the policy requires a learning curve that may have impacted full participation during this workshop. However, the workshop established a foundation of understanding that will inform the upcoming City Council Study Session.

## QUESTION 1: MINIMUM AFFORDABILITY REQUIREMENT

*Summary: Community members prefer a 15% IH affordability requirement, with no density bonus.*

Workshop participants were given the opportunity to select either a 20% affordability requirement with a local density bonus, as currently drafted in the IH Ordinance; a 15% requirement with no local density bonus, or “Other.” Participants nearly unanimously selected the 15% option, with only one participant choosing “Other,” in the form of a 15% requirement paired with a local density bonus.

No participants selected the 20% option. Multiple participants submitted strong verbal and written comments highlighting the perceived risk of a 20% requirement. One in-person resident wrote that it would “result in no housing construction....no CDBGs, lawsuits, community members left behind, piling into houses, [and] parking on lawns...” Another stated that it “...is essentially a housing moratorium.”

### Potential Study Session Topics

- » **Missing Middle Housing Support.** Participants discussed the fact that while low-income households need housing support, so do middle income families. As stressed, there is a gap in housing opportunities for “missing middle” 1<sup>st</sup> time homebuyers and “we need opportunities to purchase housing in the \$550-\$700K range as well.”
- » **IH and State Housing.** There is a need to contextualize IH policy for residents. Participants asked if IH is tied to the RHNA process and other state affordability laws, and whether the City’s RHNA number would impact the IH ordinance.

## QUESTION 2: SPLIT OF AFFORDABILITY REQUIREMENTS ACROSS INCOME LEVELS

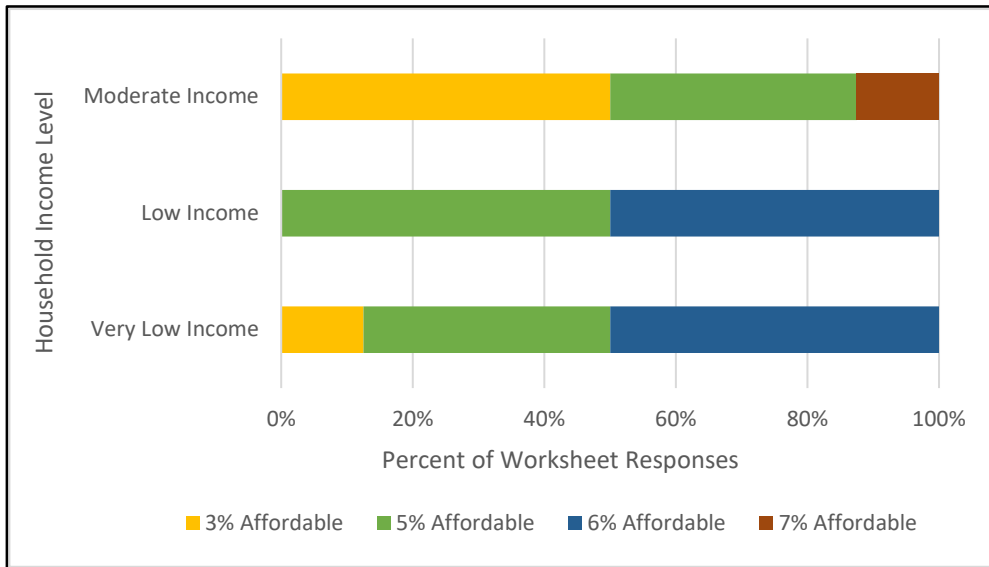
*Summary: Community members prefer allocating a higher proportion of required units to lower-income households, as currently drafted.*

The second topic of the worksheet and discussion was the split of IH requirements across household income levels. The current Draft IH Ordinance includes the following split:

1. No more than six percent of the dwelling units shall be affordable to Moderate Income Households.
2. Up to 13 percent of the dwelling units shall be affordable to Low Income Households.
3. Seven to 20 percent of the dwelling units shall be affordable to Very Low Income Households.

As shown in Figure 1, workshop results indicate that in general, the community agrees with the idea that more units should be made affordable to Low and Very Low Income households. About half of responders answered that three percent of Moderate Income units should be made affordable, while all responders felt that either five or six percent of Low Income units should be made affordable. Very Low Income units were also skewed to the higher end of affordability requirement, with deviations at both ends of the affordability spectrum.

**Figure 1. Affordability Across Household Income**



**Potential Study Session Topics**

- » **Sliding Scale vs. Straight Requirements.** As described above, the current Draft Ordinance does not include defined required percentages for each affordability level but is designed to offer flexibility. Some participants questioned this method and suggested a set of limited requirements may be more straightforward.

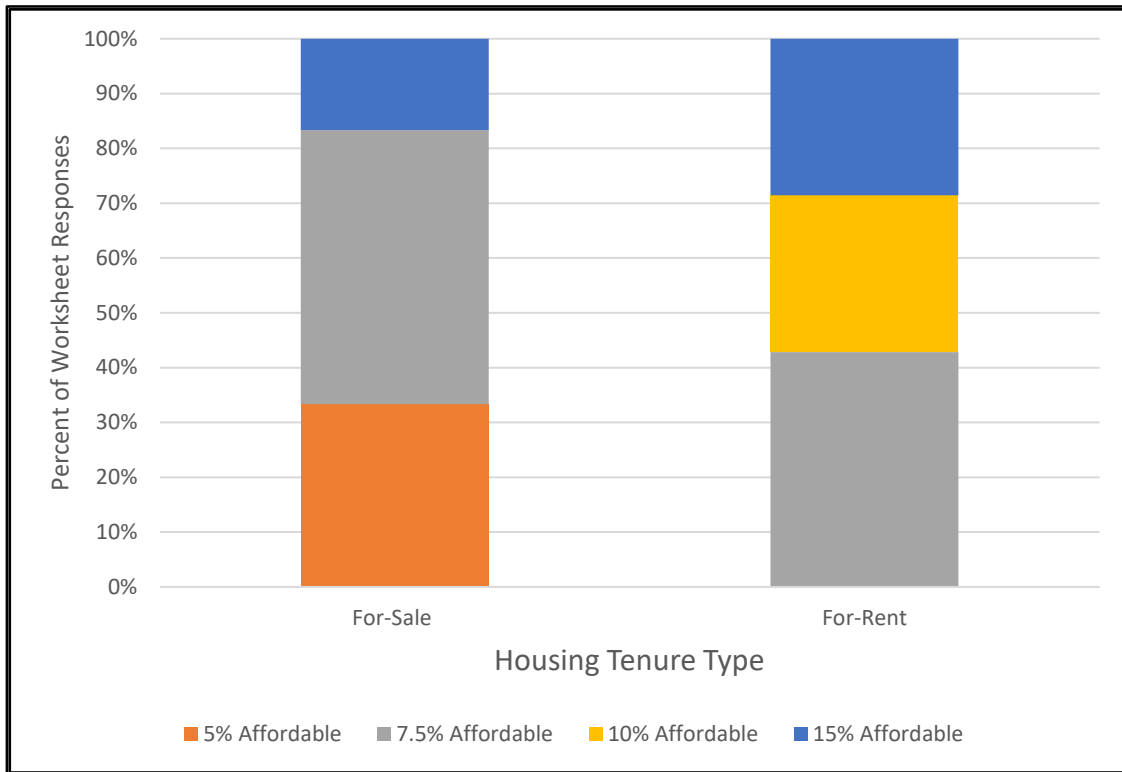
**QUESTION 3: HOUSING TENURE**

*Summary: Community members feel that a larger portion of for-rent housing should be dedicated to lower-income units than that of for-sale units.*

Per the current Draft IH Ordinance, the 20% affordability requirement applies equally to for-sale and rental housing projects. Participants were asked how their preferred total IH requirement should apply to housing projects of different tenure.

As shown in Figure 2, participants generally feel that most of the desired 15% total requirement should be allocated to for-rent development, with about 70% of responders stating that that an affordability requirement of at least 10% should be allocated to for-rent development. The remainder stated that all 15% should be allocated to for-rent housing. On the other hand, 80 percent of participants felt that an affordability requirement of 7.5 percent or less should be applied to for-sale housing.

**Figure 2. Application of IH Requirements to Housing Tenure Type**



### Potential Study Session Topics

- » **Ability of VLI households to purchase homes.** Two participants stated verbally that VLI requirements should be skewed to for-rent units, because VLI households are unlikely to afford home buy-in costs such as a down payment. However, another participant stressed that first-time buyer programs can make home purchase possible for all households, including VLI households.
- » **Constructing Rental Units for For-Sale Requirements.** A potential topic of the study session is whether the IH ordinance should include a clause that states that all or some of the required IH units for for-sale developments, should be dedicated to rental housing. One workshop participant suggested that this would further ensure needed rental housing for low income households.

#### QUESTION 4: MINIMUM PROJECT SIZE

*Summary: Community members support the currently-drafted minimum project size of 10-units.*

The current draft ordinance includes a minimum project size of 10 units. Asked what their preferred minimum size threshold is, nearly all workshop participants selected “As drafted.” Only one responder suggested raising the threshold to 15 units.

#### Potential Study Session Topics

There were no additional questions or comments related to this topic during the workshop.

#### QUESTION 5: IN-LIEU FEE OPTION FOR FOR-SALE HOUSING

*Summary: The community is split on offering an in-lieu fee option for for-sale housing.*

In accordance with state law for IH ordinances with for-rent affordability requirements greater than 15%, the current draft IH Ordinance includes an in-lieu fee option for all for-rent developments. As currently drafted, the option is not available for for-sale housing.

Fifty-five percent of respondents stated that an in-lieu fee should be made available to developers of for-sale housing, while 45 percent stated it should not. As indicated by the following questions and comments, the establishment and administration of in-lieu fees is a complicated process that may impact the community’s ability to make an informed decision on the topic.

#### Potential Study Session Topics

- » **In-lieu Fee Calculation and Process.** Participants asked what kind of analysis would be performed to set the in-lieu fee. Others questioned why the draft ordinance did not include the specific fee amount and how it was possible to adopt the ordinance without that amount set. The questions indicate the need to outline the in-lieu fee analysis and administration process.
- » **Ensuring the Value of In-lieu Fees.** The study session should include a demonstration of how in-lieu fees will be adequate to cover the cost of constructing for-sale units. One participant stressed that because the “the fees won’t ever cover the cost of building the homes”, no developer would take on the process of actual construction over fee payment.
- » **In-Lieu Fee Alternatives.** Some participants suggested allowing options for in-lieu fees, such as having the fees credited in the form of on-site, vacant lots that would made available for BMR development by non-profit affordable builders.

#### QUESTION 6: ALTERNATIVE COMPLIANCE OPTIONS

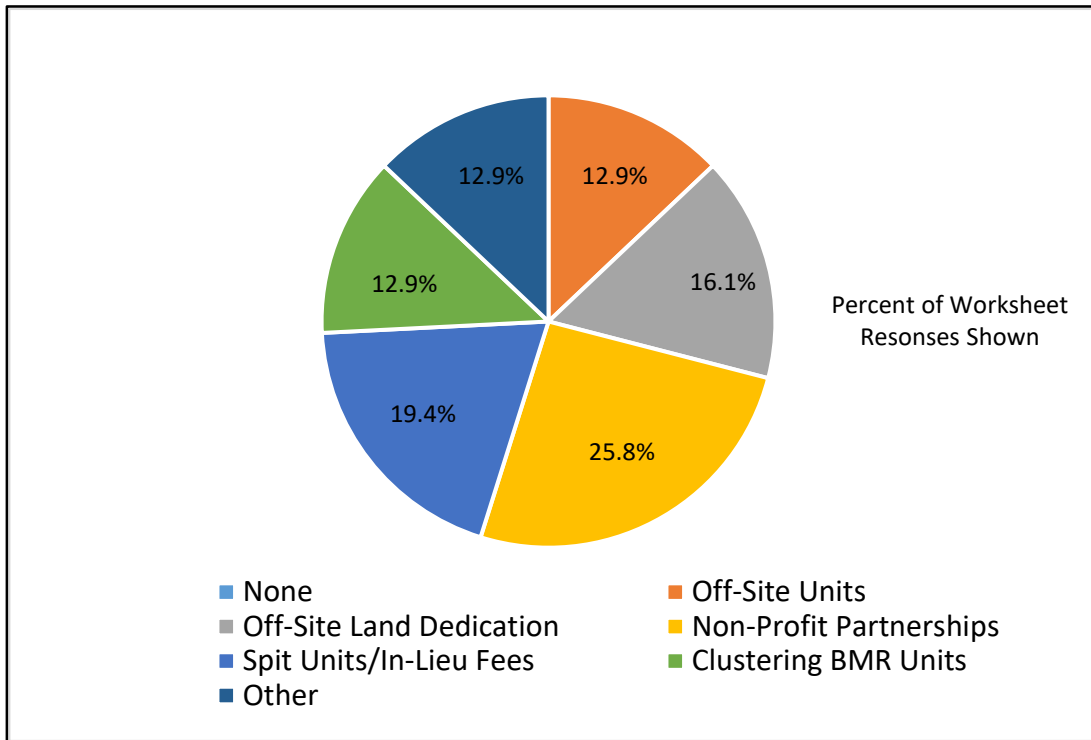
*Summary: Community members overwhelmingly support developer options for complying with IH affordability requirements.*

The current draft ordinance does not include options for complying with the current 20 percent affordability requirement, other than the state-required in-lieu fee for rental housing. Participants were shown a list of potential compliance options and asked which, if any, they support. The worksheet also included a “None” option, which no responders selected.

As shown in Figure 3, while all the potential alternative compliance options were selected by participants at a consistent rate, there was a slight preference for:

- » Partnering with non-profit affordable housing builders.
- » Compliance split between affordable units and in-lieu fees

**Figure 3. Alternative IH Compliance Options**



**Potential Study Session Topics**

- » **Construction of Targeted Support Housing.** Based on participant feedback, the community and Council could consider the construction of targeted support housing, such as group homes for needy youth and transitional housing developments, as an alternative to complying with IH requirements.
- » **Council Selection of Alternatives.** There is a broad range of alternative compliance options that could be incorporated into the Inclusionary Housing Ordinance. As indicated by participant discussion, the City Council should be prepared to discuss how the City would prioritize the selection of one alternative over another, and the total number of alternatives potentially included in the ordinance.

**QUESTION 7: ADDITIONAL IH SUPPORT MEASURES**

*Summary: There is general sense that residents would like to include IH support measure in the ordinance. However, written and verbal feedback on this topic was restricted to fewer participants than that of other topics.*

The current draft ordinance includes a local density bonus developed to support developers in fulfilling IH requirements. Participants were asked what other support measures they support, from reduced parking standards to streamlined project review. Some participants left this answer blank on the worksheet, suggesting limited understanding of the nine IH support measures listed. Of those that answered the question, most selected all measures listed. Additional measures added by responders include:

- » Impact fees paid by square feet/unit
- » Project site “prezoning” for the development

### Potential Study Session Topics

- » **City Interest in Incentives.** Participants questioned how motivated the City is to allow for modifications to development standards, such as new height allowances, setback flexibility and reduced parking minimums. The current IH ordinance allows these for these incentives when fulfilling the density bonus, but not generally.
- » **Financial Incentives.** Some participants raised the issue of providing some sort of financial incentives for developers to support IH development. This Council may wish to consider this issue as part of the study session.

### QUESTION 8: OTHER COMMENTS AND ISSUES

The final question of the IH worksheet allowed participants to contribute final thoughts or questions. The following were recorded both on the worksheets and in the ensuing discussion:

- » **Restriction to County Residents.** One participant stressed that Hollister is already an “inclusionary environment” because “people move here because it is affordable.” The potential for a guarantee that locals would have the opportunity to qualify for the BMR units first was discussed. The community and Council could consider restricting the 15% requirement to existing residents of San Benito County.
- » **Avoid Clustering.** Participants highlighted the desire to ensure that low-income neighborhoods are not clustered together and that neighborhoods include all income ranges and demographics.
- » **Concerns about Density.** Participants expressed the following concerns with future high building densities in Hollister:
  - Lack of transit and the apparent difficulty building new bus and rail operations into and within Hollister.
  - Lack of central parking structures and shared parking downtown.
  - Provision of open spaces associated with increased population densities.
- » **Need for Collaboration.** Participants stressed the need to work with outside advocates, including the San Benito County Homeless/Housing Committees, Silicon Valley Housing Trust and Home Key and other State programs focused on youth homelessness and foster housing
- » **Community Trust.** IH housing highlights the need to be careful about systemic racism and community planning, especially in the provision of offsite development. As stated, the entire



community benefits from the provision of inclusionary housing of all types, from for-sale homes to apartments. The ordinance should be developed so as to facilitate on-site development, to ensure balanced development of market-rate and affordable residential units throughout the community. In-lieu fees and alternative compliance should be the second choice.