

Rental Outcomes

Initial Staff Thoughts

1. Are the current income targets of very low income and low income appropriate for inclusionary rental developments?

The city's inclusionary policies have facilitated the development of affordable rental development, with deeper affordability driven largely by available financing. As a production tool, staff believes the current income targets are appropriate. Deeper affordability occurs when developments are competitive for funding sources that support deeper affordability (extremely low income). Should an in-lieu fee be incorporated in the ordinance, an "ELI Buydown" program could subsidize a percentage of units in multi-family apartment projects to reach ELI income levels. SHRA will continue to target other local resources to additional (non-inclusionary) units that provide extremely low income and special needs housing throughout the City.

2. How can unregulated market rate units be incorporated into inclusionary rental developments?

The inclusion of unregulated units in an affordable rental development is a function of the current market rental rates and affordable funding programs, not a function of the inclusionary ordinance (or of other SHRA programs). When the market can support the inclusion of unregulated units in any affordable apartment complex, the developer will likely choose to incorporate them into inclusionary. Given the cost of mixed development in current market conditions, staff does not believe that sufficient additional subsidy can be identified to ensure such a mix and that the cost is not warranted given the (current) "natural" affordability of market rental units.

3. How can the inclusionary ordinance support the construction of smaller apartment complexes?

Currently, the size of affordable apartment developments is dictated primarily by market conditions, underlying planning considerations, and funding parameters. Staff does not believe the inclusionary ordinance should impose a limit (beyond the 200 unit size limit currently followed for new construction projects) that contradicts market conditions and affordable financing, as this only increases the local subsidy needed. If such a limit were imposed, additional funding sources would be needed to fund the significant additional gap needed to make smaller projects feasible.

Staff is interested in ideas that focus on improving the design of the developments.

4. How can inclusionary apartments be better integrated into the community?

Resident services currently are intensive, but are often internal to the apartment complex, and do not always make the necessary connections to the surrounding neighborhoods. SHRA would be very interested in working with community groups and neighborhood associations to better link residents of the apartments with the surrounding community. In addition, if there are alternative, cost effective services that may be appropriate for some of the apartments, SHRA is interested in exploring them for incorporation into our current requirements. Current service requirements require a substantial budget, for which SHRA pays in local subsidy. Changes to the type or scope within the current budget may be appropriate; however, additional or new services would require additional funding sources.

Staff would be interested in more broadly exploring ways to facilitate the integration of apartments and their residents into the neighborhood. Breaking down barriers and perceptions to build relationship and mutual understanding could benefit all community members.