CITY MANAGER'S OFFICE

Richmond City of

October 4, 2016

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

RE: City of Richmond's Response to Grand Jury Report 1614: "Where Will We Live?"

Dear Foreperson Simmons:

In accordance with California Penal Code Sections 933.05(a) and 933.05(b), please find below the response of the City of Richmond to the findings and recommendations of the Grand Jury. The City's response is in italics directly below each finding or recommendation.

FINDINGS

1. PDAs recognize the importance of housing near transportation and jobs for developing prosperous communities.

    Response: The respondent agrees with the finding. Targeting growth into PDAs will also help the State achieve its GHG reduction targets.

2. *Plan Bay Area 2040* seeks to combine transportation, jobs and housing as a solution to the needs of our growing population.

    Response: The respondent agrees with the finding. Richmond has several PDAs for which it is aligning its land use regulations to support implementation of Plan Bay Area.

3. 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.

    Response: The respondent agrees with the finding and believes it is important to maintain this autonomy since cities do not have the financial capacity or staffing to "build" units in any case. However, the State and/or ABAG should financially reward cities that effectively facilitate construction of affordable units.

5. Inclusionary zoning programs provide incentives and regulatory waivers to builders and developers who produce both affordable and market rate homes within the same project.

   Response: The respondent partially agrees with the finding. Inclusionary zoning programs can include incentives and/or regulatory waivers, but those are more typical of Density Bonus Law. In Richmond, inclusionary housing units can be used to meet minimum numbers required for density bonuses.

6. The City's Inclusionary Housing ordinance helps to provide AH in that city.

   Response: The respondent agrees with the finding, however; market rate housing is not being proposed or constructed in sufficient quantities to generate substantial increases in the availability of affordable or market rate units.

8. Inclusionary Housing Ordinances sometimes include the option for the developer to pay in lieu of fees instead of constructing AH units.

   Response: The respondent agrees with the finding, however; the in lieu fee fund can only grow if non-inclusionary housing units are constructed.

9. 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.

   Response: The respondent does not agree with this finding. Only in lieu fees are set aside to help offset the cost of building affordable housing. Impact and other construction and remodeling fees are used to off-set cost associated with certain services or to mitigate the impact of new development on services.

10. Infill costs less to service than new development because it takes advantage of the existing infrastructure.

    Response: The respondent does not agree with this finding. Existing infrastructure is often undersized and outdated. This finding may be true in new cities that have comparatively new infrastructure. Moreover, high density in-fill requires additional investment in parks and recreational facilities because occupants do not have access to private open space (backyards and attached garages).

11. 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.

    Response: The respondent strongly agrees with this finding. A substantial share of tax increment generated through redevelopment was committed to construction of affordable housing. When properly leveraged, these funds created meaningful financial incentives for constructing housing at all income levels. In the absence of

redevelopment funds to offset some cost associated with high density development such as parking "podiums", private investment in high density housing has shifted to fast growing affluent cities such as Emeryville, Berkeley, San Francisco, San Ramon and Livermore, etc…. while Richmond, Vallejo, Pittsburg, San Pablo and other industrial cities have experienced a significant decline in new housing proposals at all income levels.

12. 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.

   Response: The respondent agrees with this finding. The City does not have the resources to manage this process and existing and potential development projects are not numerous or substantial enough to generate a revenue stream that would support such a function.

13. 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.

   Response: The respondent disagrees with this finding. Only a small percentage of housing is acquired through any centralized source. In today's social media environment, "craigslist" and other Web-based sources are far more accurate and efficient than anything that could be crafted by an individual or group of cities. The fact is that very little AH is "available". A centralized information source has no impact on the shortage of housing at nearly all levels.

RECOMMENDATIONS

1. The City should consider increasing AH in PDAs.

   Response: The recommendation has not yet been implemented, but will be implemented in the future. The City is currently updating its zoning ordinance to remove some barriers (i.e. reducing parking requirements, setbacks, and minimum open space requirements) to infill development in the City, including within the City's PDAs. The removal of these barriers should attract additional housing in the City and its PDAs, including affordable housing. The Zoning Update, including the Form-Base Code should be adopted by January 2017.

2. The City should consider adopting an Inclusionary Housing Ordinance.

   Response: The recommendation has been implemented, the City has had an inclusionary housing ordinance since the mid-1990s.

3. The City should explore rehabilitating existing housing stock as AH for purchase or rental, and identifying funding to do so.

Response: The recommendation has been implemented. As part of the Neighborhood Stabilization Program, the City purchased many foreclosed properties, rehabilitated them, and sold them as affordable units. Following the elimination of this funding source, the City works with the Richmond Community Foundation. The RCF purchases blighted properties and rehabilitated them for sale as affordable housing. This project is funded using social impact bonds.

5. 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.

   Response: The recommendation requires further analysis. The City has obtained a grant to prepare an affordable housing nexus analysis and financial feasibility study to determine if the current in-lieu fee should be modified. Depending on the outcome of both studies, a recommendation will be prepared for City Council consideration. The Study is anticipated to be completed by June 30, 2017.

6. 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 identifying funding to do so.

   Response: The recommendation will not be implemented because it is not reasonable. The City has staffing constraints that would make this recommendation difficult to implement. This recommendation would also require that the various affordable housing development property managers throughout the City of Richmond routinely submit current waiting list and unit availability data. This would present significant coordination and voluntary compliance challenges. However, the City does maintain a list of available affordable housing units and this list is available as a handout to the public.

7. The City should consider seeking federal, state, and local funding sources for AH.

   Response: The recommendation has been implemented. The City routinely pursues federal, state and local funding to support affordable housing development. Additionally, the City utilizes low income housing tax credit equity to support affordable housing development. While these funding sources are scarce and highly competitive, the City has been successful in securing these funds to help support affordable housing development.

8. 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.

   Response: The recommendation will not be implemented because it is not warranted or is not reasonable. A 'partnership' requires that each partner bring something to the transaction. During the redevelopment era, cities could offer land or

funding to help achieve a desired outcome. Today, cities cannot offer land or funding. Cities cannot control the cost of labor, material, or fees set by other critical agencies that provide water and power or school fees. More stringent energy and construction standards are also beyond local control.

11. 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.

Response: The recommendation will not be implemented because it is not warranted or is not reasonable. Housing projects face strong opposition regardless of income profile. Many neighborhoods are represented by people who are opposed to high density buildings, others are opposed to development in the hills or along the shoreline, and other opponents express their concerns about increased traffic or shadowing. Medium to high density is the appropriate model for centrally located communities; however, knowledge of this trend does not appear to be moderating opposition.

13. 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.

Response: The recommendation has been implemented. The City's Housing Element includes a vacant land inventory available for housing; however, as stated previously, remaining vacant land is changing ownership outside of City oversight and monitoring.

15. 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.

Response: The recommendation has not yet been implemented, but will be implemented in the future as this activity is included in the City's Housing Element. This program is anticipated to be implemented by June 30, 2017.

The Richmond City Council reviewed and approved this response at their meeting of October 4, 2016.

Thank you for the opportunity to respond on this very important issue. Please contact me at (510) 620-6512 or at bill_lindsay@ci.richmond.ca.us if you have any additional questions.

Respectfully,

for William Lindsay

William A. Lindsay
City Manager

cc: Tom Butt, Mayor
        Bruce Reed Goodmiller, City Attorney
        Richard Mitchell, Director of Planning and Building Services
        Tim Jones, Executive Director of Richmond Housing Authority