



# ***Agenda Report***

## ***Fullerton City Council***

**MEETING DATE:** JULY 5, 2022

**TO:** CITY COUNCIL / SUCCESSOR AGENCY

**SUBMITTED BY:** ERIC J. LEVITT, CITY MANAGER

**PREPARED BY:** KELLEEE FRITZAL, CONSULTANT / SPECIALIST

**SUBJECT:** INCLUSIONARY HOUSING INFORMATION

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### **SUMMARY**

During the May 17, 2022 City Council meeting, Council Members Zahra and Silva asked staff to bring back information regarding Inclusionary Housing for discussion.

### **RECOMMENDATION**

Direct staff as necessary.

### **PRIORITY POLICY STATEMENTS**

This item matches the following Priority Policy Statement:

- Fiscal and Organizational Stability.

### **FISCAL IMPACT**

The discussion of Inclusionary Housing Zoning has no fiscal impact. If the City Council directs staff to consider an ordinance to adopt Inclusionary Housing, staff recommends retaining a consultant prepare the fiscal analysis. In similar cities the estimated cost totaled between \$45,000 to \$60,000.

### **DISCUSSION**

Inclusionary Housing Zoning is a policy tool that requires or encourages private developers to include a percentage of below market rate affordable units, create off-site affordable units or to pay an in-lieu fee. Inclusionary Zoning works to capture some of the value of rising real estate prices to provide community benefits by using local land use controls to ensure that developers produce needed affordable housing units along with market rate units and that the City utilizes the limited supply of developable land in a way that serves households at all income levels. Inclusionary Housing – also referred to

as “Inclusionary Housing Zoning” – is a flexible tool that cities can tailor to local circumstances. There is no one “model” for Inclusionary Housing, but rather several best practices to consider when adopting an Inclusionary Housing Zoning Ordinance.

An Inclusionary Housing Ordinance comprises one part of an equitable development strategy and should not be viewed as the sole way to address affordable housing needs. Achieving the needed amount of housing for lower income families will require public subsidies at various levels integrated with other strategies.

However, according to property owners, Inclusionary Ordinances pass the costs of affordable units on to the developers and without significant incentives, negatively impacting investor and developer profits. In addition, opponents argue it decreases housing production overall and raises market rate rents.

The following Orange County cities have Inclusionary Housing Ordinances: Brea, Huntington Beach, Irvine, La Habra, Santa Ana and San Clemente. Each city created their program to meet the needs of the community.

If City Council desires to consider initiating an Inclusionary Housing Zoning Ordinance, City Council should direct staff to work with a consultant to determine the program desired if inclusionary housing incentives occur: in lieu fees, percentage of units, off-site production of units or land donation for the City to build housing. In addition, the Consultant would prepare a fiscal analysis to determine in lieu fees, etcetera.