

**RESOLUTION NO. 2019- 085**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ROHNERT PARK  
ESTABLISHING A HOUSING IN-LIEU FEE FOR DEVELOPMENT OF FOR-SALE  
RESIDENTIAL PROJECTS OF 50 UNITS OR LESS**

**WHEREAS**, the City of Rohnert Park's General Plan Housing Element (Chapter 9 of the General Plan sets goals and policies to adequately address the housing needs of all economic segments of the existing and future residents, with high priority for lower-income households; and

**WHEREAS**, the Rohnert Park Municipal Code Chapter 17.07.020.N "Inclusionary Housing," as amended and adopted on June 25, 2019 (Ordinance 936, hereinafter "Inclusionary Housing Ordinance"), requires that 15% of all dwelling units of for-sale residential development projects be set-aside as deed-restricted affordable units; and

**WHEREAS**, the Inclusionary Housing Ordinance, provides for the establishment of a "housing in-lieu fee" which is a fee established for for-sale residential development projects of 50 units or less that can be paid in lieu of constructing affordable units; and

**WHEREAS**, the City contracted with Economic and Planning Systems ("EPS") to complete studies to identify funds the City could lawfully recover from inclusionary housing in-lieu fees and to provide information and analysis in support of potential updates to the City's affordable housing fees; and,

**WHEREAS**, EPS's Ownership Inclusionary Housing In-lieu Fee Report ("Report") dated June 15, 2018 detailed a gap between market prices of housing in the City and prices affordable to very low, low, and moderate-income households, and included a proposed per market-rate unit in-lieu fee for for-sale projects based on the affordability gap; and

**WHEREAS**, it is the desire of the City Council to establish the City's For-Sale Housing In-Lieu fee of \$12,477 per unit, with an annual escalator, in accordance with the EPS Report, to apply to developers of new residential for-sale housing projects of fifty (50) units or less in-lieu of providing affordable housing on site to more closely approach developers' fair-share responsibility toward contributing to implementing the City's Housing Element policies and programs; and

**WHEREAS**, in accordance with the holding of the California Supreme Court in *California Building Association v. City of San Jose*, (2015) 61 Cal. 4th 435, where a city adopts an inclusionary ordinance to mitigate the effect of new market rate housing on the city's stock of affordable housing, to increase the number of affordable units in the city, and to distribute the affordable units throughout the city to obtain the benefits of economically diverse communities, such an ordinance is not an exaction, if it imposes lawful, non-confiscatory land use restrictions in the form of price limits; and

**WHEREAS**, under *California Building Association*, inclusionary ordinances, to be valid, need only be reasonably related to the broad general welfare purposes for which they are enacted, and such inclusionary housing ordinances that require residential projects to provide a reasonable amount of on-site affordable units, and offer reasonable alternative means of satisfying the ordinance's inclusionary objectives, such as payment of in-lieu fees, land dedication, and off-site construction are valid local land use regulations and not takings; and

**WHEREAS**, following staff presentation and a public hearing at a duly noticed public meeting on July, 9, 2019, the City Council considered the housing in-lieu fee for for-sale residential projects of fifty (50) units or less.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF ROHNERT PARK DOES RESOLVE, DETERMINE AND ORDER AS FOLLOWS:**

**Section 1.**     Recitals. That the above recitations are true and correct and material to this Resolution and are incorporated herein as if set forth herein in full and each is relied upon independently by the City Council for its adoption of this Resolution.

**Section 2.**     Environmental Review. The adoption of this Resolution is exempt from the California Environmental Quality Act as this action is not considered a “project” as defined in Title 14 California Code of Regulations, Section 15378(a) & (b)(4), and additionally is exempt pursuant to CEQA Guidelines Section 15061(b)(3), as it can be seen with certainty that there is no possibility that the activity in question would have a significant effect on the environment.

**Section 3.**     Approval of Report. The City Council hereby approves the Report, which is by this reference hereby made a part of this resolution (Exhibit A), and finds that the fee set forth therein represents a reasonable relationship between new development and impacts to the City’s affordable housing stock, as set forth in detail in the Report.

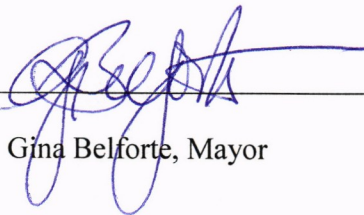
**Section 4.**     Adoption of Fee. The housing in-lieu fee as set forth in Exhibit A is hereby approved and adopted for construction of new for-sale residential projects of fifty (50) units or more. The fee shall be in full force and effective 30 days after adoption. The City Council may review and amend the housing in-lieu fee for construction of new for-sale residential projects from time to time. Fees authorized pursuant to this resolution shall be paid and collected on behalf of the City prior to the issuance of each building permit and shall be used in accordance with the Inclusionary Housing Ordinance. For any annual period during which the City Council does not review these fees, the fee amounts shall be automatically adjusted once annually on July 1st, based on the Engineering News Record (ENR) Construction Cost Index – San Francisco.

**Section 5.**     Severability. If any action, subsection, sentence, clause or phrase of this Resolution or the fees levied by this Resolution shall be held invalid or unconstitutional by a court of competent jurisdiction, such invalidity shall not affect the validity of the remaining portions of this Resolution or the fees levied by this Resolution that can be given effect without the invalid provisions.

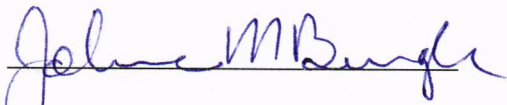
**Section 6.** Adjustment or Waiver of Fee. The fee outlined in this resolution may be adjusted or waived pursuant to the provisions in the Inclusionary Housing Ordinance.

**DULY AND REGULARLY ADOPTED** this 9th day of July, 2019.

**CITY OF ROHNERT PARK**

  
\_\_\_\_\_  
Gina Belforte, Mayor

**ATTEST:**

  
\_\_\_\_\_  
JoAnne M. Buergler, City Clerk



Attachment: Exhibit A

ADAMS: AYE MACKENZIE: Absent STAFFORD: AYE CALLINAN: AYE BELFORTE: AYE

AYES: ( 4 ) NOES: ( 0 ) ABSENT: ( 1 ) ABSTAIN: ( 0 )

## **Final Report**

# Ownership Inclusionary Housing In-Lieu Fee

*The Economics of Land Use*



Prepared for:

City of Rohnert Park

Prepared by:

Economic & Planning Systems, Inc.

June 15, 2018

EPS #161158

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## EXECUTIVE SUMMARY

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Economic & Planning Systems, Inc. (EPS) was retained by the City of Rohnert Park to review and update the City's affordable housing fees, including the inclusionary housing In-Lieu fee. The City's current inclusionary housing ordinance requires developers of for-sale housing developments to provide 15 percent of the units at income-restricted, below-market-rate prices. Of the 15 percent, one-half must be available to moderate income households (households earning up to 120 percent of Area Median Income (AMI)), and the remaining half must be offered to low income households (households earning up to 80 percent of AMI). However, some communities require a greater percentage of affordable units if constructed off-site or if funded through in-lieu fee payments. In addition or as an alternative, the City has the option to require that off-site unit construction or in-lieu fee requirements be based on lower household income levels than on-site units would be.

This report considers each of these potential outcomes for consideration by the City of Rohnert Park. **Table 1**, below, shows the different in-lieu fee calculations for four different scenarios. For any of these scenarios, the City's current affordable housing ordinance would need to be amended, as it does not presently provide useful guidance on the calculation or implementation of an in-lieu fee. As part of that amendment process, the City should consider retaining or amending the current requirement that in-lieu fees are only applicable to small projects of 10 or greater units or of more than one acre, and that all projects of greater scale are required to provide affordable units or satisfy another, non-fee-based means of compliance with the inclusionary housing policy.

**Table 1 Summary of In-Lieu Fee Calculations**

Item	Very Low (50% AMI)	Low (80% AMI)	Moderate (120% AMI)	Total	In-Lieu Fee	
					per Affordable Unit	per Market-Rate Unit
Scenario 1: 15% at Low and Moderate Income						
Units	0	7.5	7.5	15	15	100
Subsidy per Unit	\$250,818	\$121,000	\$45,364			
Total Subsidy Required	\$0	\$907,500	\$340,227	\$1,247,727	\$83,182	\$12,477
Scenario 2: 20% at Low and Moderate Income						
Units	0	10	10	20	20	100
Subsidy per Unit	\$250,818	\$121,000	\$45,364			
Total Subsidy Required	\$0	\$1,210,000	\$453,636	\$1,663,636	\$83,182	\$16,636
Scenario 3: 15% at Very Low, Low, and Moderate Income						
Units	3.75	7.5	3.75	15	15	100
Subsidy per Unit	\$250,818	\$121,000	\$45,364			
Total Subsidy Required	\$940,568	\$907,500	\$170,114	\$2,018,182	\$134,545	\$20,182
Scenario 4: 20% at Very Low, Low, and Moderate Income						
Units	5	10	5	20	20	100
Subsidy per Unit	\$250,818	\$121,000	\$45,364			
Total Subsidy Required	\$1,254,091	\$1,210,000	\$226,818	\$2,690,909	\$134,545	\$26,909

Source: Economic & Planning Systems, Inc.

# 1. METHODOLOGY

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The City's current inclusionary housing ordinance requires housing developments to provide 15 percent of the units at income-restricted, below-market-rate prices. For for-sale housing developments, one-half of the affordable units must be priced for moderate income households (households earning up to 120 percent of Area Median Income (AMI)), and the remaining half must be offered to low income households (households earning up to 80 percent of AMI). For rental developments, one half of the affordable units must be priced for low income households (earning up to 80 percent of AMI), and the remaining half must be offered to very low income households (earning up to 50 percent of AMI).

Through an affordability gap analysis, this report estimates the subsidy needed to produce multifamily rental housing that is affordable to very-low, low- and moderate-income households (50, 80, and 120 percent of AMI) in the event that developers do not build the units themselves. Some jurisdictions require that if the affordable units are provided off-site or the developer pays an in-lieu fee rather than constructing the units, the affordable housing requirement shall be increased to be a higher proportion of market-rate units and/or priced for lower income levels. Each of these alternatives is considered in this report.

## Maximum Affordable Housing Rents

The maximum rents affordable to lower-income households are calculated as a factor of the income level of the intended occupants. The income levels are set for the entire County of Sonoma by the California Department of Housing and Community Development (HCD) on an annual basis. **Table 2** shows the income limits for 2017, which vary by the number of people in the household. The average owner-occupied household in Rohnert Park has 2.67 people, and the average renter-occupied household has 2.56 people. Moreover, the Area Median Income for a family of three in Sonoma County is \$75,500 in 2017, as shown below.

**Table 2     2017 Affordable Housing Income Limits for Sonoma County**

Income Group and Definition		2017 Maximum Income 3-Person Household
Very Low	>30% to ≤50% AMI	\$39,650
Low	>50% to ≤80% AMI	\$63,450
Median (Base)	>80% to ≤100% AMI	\$75,500
Moderate	>100% AMI to ≤120% AMI	\$90,650

Source: Sonoma County 2017 Income Limits, California Housing and Community Development (HCD).

EPS has assumed a housing cost to income ratio of 30 percent and has used this factor to calculate the annual spending on housing at the low and moderate income levels. Then the annual spending on utilities is subtracted from the annual spending on housing to determine the maximum rent that a household can pay, as summarized on **Table 3** below. A very-low income household can pay up to \$750 on monthly rent, while a moderate income household can pay \$2,025. Further detail on utility allowances for Sonoma County is available in **Table A-1**.

**Table 3 2017 Maximum Supported Rents by Income Category**

Income Category	AMI	Annual HH Income (3-Person)	Annual Spending on Housing [1]	Annual Spending on Utilities [2]	Max Rent Assumptions [1]	
					Annual Rent	Monthly Rent
Very Low	50%	\$39,650	\$11,895	\$2,892	\$9,003	\$750
Low	80%	\$63,450	\$19,035	\$2,892	\$16,143	\$1,345
Moderate	120%	\$90,650	\$27,195	\$2,892	\$24,303	\$2,025

[1] Assumes a housing costs to income ratio of 30 percent. Includes rent plus utilities.

[2] Assumes annual utility expenditures consistent with the Sonoma County CDC limits for a 2-bedroom unit (assumes use of electricity for heating and cooking). Utility costs effective October 2016.

Sources: Sonoma County Community Development Commission; California Housing and Community Development; Economic & Planning Systems, Inc.

## Affordability Gap Analysis

### Product Type

The analysis assumes that new lower-income households would be housed in affordable units similar to the type of multifamily construction currently observed in the City. The assumed prototype reflects multifamily construction at 32 dwelling units to the acre with surface/carport parking.<sup>1</sup> This building prototype is generally cost-effective to construct, as it makes efficient use of land and does not involve overly expensive construction materials or techniques.

California State law (California Health and Safety Code Section 50052.5) assumes that a 2-bedroom unit is occupied by a 3-person household, and this assumption is used in this analysis. Consistent with input from the City, EPS assumes that the typical gross square footage of a 2-bedroom rental unit in Rohnert Park will be approximately 1,150 square feet. Applying an efficiency ratio of 85 percent to account for shared lobbies, hallways, etc., results in net square footage of 978 square feet.

<sup>1</sup> The average base density assumed in the City is 24 dwelling units per acre, but applying the state's 30 percent density bonus results in a density of 32 dwelling units per acre.

## Development Cost Assumptions

Affordable housing development costs include land costs, direct costs (e.g., labor and materials), and indirect or “soft” costs (e.g., architecture, entitlement, marketing, etc.). For rental projects, operating costs also must be incorporated into the analysis. Data from recent Rohnert Park developments and recent Rohnert Park land transactions have been combined with EPS’s information from various market-rate and affordable housing developers to estimate appropriate development cost assumptions for use in Rohnert Park. These assumptions are shown on **Table 4** and indicate that the total cost per unit for rental apartments is about \$358,000.

## Revenue Assumptions

To calculate the values of the affordable units, assumptions must be made regarding the applicable income level (very-low, low, and moderate) and the percentage of household income spent on housing costs. In addition, translating these assumptions into unit prices and values requires estimates of operating expenses and capitalization rates. The following assumptions were used in these calculations:

- *Income Levels*—This analysis estimates the subsidy required to produce units for households earning up to 50, 80, and 120 percent of AMI for a three-person household. In 2017, AMI in Sonoma County for these households is \$75,500, as shown in the California Department of Housing and Community Development’s (HCD’s) income limits chart (see **Table 2**).
- *Percentage of Gross Household Income Available for Housing Costs*—HCD standards on overpaying for rent indicate that households should pay no more than 30 percent of their gross income on housing costs. For this analysis, EPS has assumed that all households spend 30 percent of their gross income on housing costs.
- *Operating Costs for Rental Units*—This analysis assumes that apartment operators incur annual operating costs of \$6,000 per unit, which include the cost of utilities, for units affordable at 80 percent of AMI or below. EPS has assumed the units for moderate income households would have similar operating costs but would be built by for-profit builders and thus also subject to property taxes, increasing their annual operating cost to \$10,000 per unit.

## Affordability Gap Results

**Table 4** shows the subsidies required for construction of rental apartments for households at low and moderate-income levels. As shown, a unit affordable to a household earning 50 percent of AMI is expected to require a subsidy of roughly \$250,800. A household at 120 percent of AMI falls requires a subsidy of \$45,400.

It is worth noting that the affordability gaps estimated in this analysis are not as large as they might be using other also-valid assumptions. For example, the funding gaps for low income units assume that prices are set at 80 percent of median income, while State law indicates low-income unit prices may be set at 70 percent of median income. This methodology used by EPS yields higher unit values and thus results in lower fees than would result from less conservative assumptions.

**Table 4 Affordability Gap Analysis -- Rental Product Type**

	<b>2 - 3 Stories Multifamily Building with Surface/Carport Parking</b>		
	Very Low Income (50% AMI)	Low Income (80% AMI)	Moderate Income (120% AMI)
<b>Development Program Assumptions</b>			
Density/Acre [1]	32	32	32
Gross Unit Size	1,150	1,150	1,150
Net Unit Size [2]	978	978	978
Number of Bedrooms	2	2	2
Number of Persons per 2-Bedroom Unit [3]	3	3	3
Parking Spaces/Unit (Carport) [4]	2.00	2.00	2.00
<b>Cost Assumptions</b>			
Land/Acre [5]	\$590,000	\$590,000	\$590,000
Land/Unit	\$18,438	\$18,438	\$18,438
<b>Direct Costs</b>			
Direct Construction Costs/Net SF [6]	\$175	\$175	\$175
Direct Construction Costs/Unit	\$201,000	\$201,000	\$201,000
Parking Construction Costs/Space	\$5,000	\$5,000	\$5,000
Parking Construction Costs/Unit	\$10,000	\$10,000	\$10,000
Subtotal, Direct Costs/Unit	\$211,000	\$211,000	\$211,000
<b>Indirect Costs as a % of Direct Costs [7]</b>			
Indirect Costs/Unit	\$84,400	\$84,400	\$84,400
<b>Profit Margin (% of all costs)</b>			
Profit (rounded)	\$44,000	\$44,000	\$44,000
Total Cost/Unit (rounded)	\$358,000	\$358,000	\$358,000
<b>Maximum Supported Home Price</b>			
Household Income [8]	\$39,650	\$63,450	\$90,650
Revenue to Property Owner/Year [9]	\$11,895	\$19,035	\$27,195
(less) Operating Expenses per Unit/Year [10]	(\$6,000)	(\$6,000)	(\$10,000)
Net Operating Income	\$5,895	\$13,035	\$17,195
Capitalization Rate [11]	5.5%	5.5%	5.5%
Total Supportable Unit Value [12]	\$107,182	\$237,000	\$312,636
<b>Affordability Gap</b>	<b>(\$250,818)</b>	<b>(\$121,000)</b>	<b>(\$45,364)</b>

[1] Assumes 30% density bonus applies (base density of 24 units/acre).

[2] An efficiency ratio of 85% is applied to the gross unit size to calculate the net unit size.

[3] For this analysis, EPS has assumed an average unit for income-qualified worker households would be 2-bedrooms. State law (Health and Safety Code Section 50052.5) indicates that a 2-bedroom unit should be assumed to be occupied by a 3-person household.

[4] Assumption of 2 parking spaces/unit is consistent with the State's density bonus program requirements.

[5] Based on two recent land sale transactions in the City: Stadium Lands and Avram House.

[6] Includes on-site work, offsite work, vertical construction, general requirements, overhead and builder fees. The cost estimate reflects wood-frame construction, carport-style parking, no basement, and union labor.

[7] Includes costs for architecture and engineering; entitlement and fees; project management; appraisal and market study; marketing, commissions, and general administration; financing and charges; insurance; developer fee and contingency.

[8] Based on 2017 income limits for a three-person household in Sonoma County.

[9] Assumes housing costs (e.g., rent and utilities) to be 30% of gross household income.

[10] Operating expenses are generally based on data reported by CoStar and reflective of properties in Rohnert Park. Estimates are inclusive of utility costs and property taxes, except Very Low and Low properties which are exempt from property taxes.

[11] The capitalization rate is used to determine the current value of a property based on estimated future operating income, and is typically a measure of estimated operating risk. The capitalization rate used in this analysis is based on CoStar reported transaction data for a December 2016 transaction in Rohnert Park.

[12] The total supportable unit value is determined by dividing the net operating income by the capitalization rate.

Sources: City of Rohnert Park; California Housing and Community Development; RS Means; IRR Monitor Investor Survey; and EPS



## In-Lieu Fee Calculations

As shown on **Table 5**, a typical “very-low” income unit will require a subsidy of roughly \$250,800, while a “low” income unit requires \$121,000 and a “moderate” income unit will require a subsidy of roughly \$45,400. Using these subsidy figures as the basis, EPS has calculated in-lieu fees under four different policy scenarios.

### Scenario 1: 15% at Low and Moderate Incomes

Under the City’s current inclusionary ordinance, for a theoretical 100-unit housing development, 15 total affordable units would be required to be built on-site, with an aggregate subsidy of \$1.25 million for those 15 units. As shown below, this translates to a weighted average subsidy of roughly \$83,182 per affordable unit. If those units are not produced within the project, but rather the City is expected to subsidize their construction elsewhere in the community, the 100 market-rate units in the project would be subject to an in-lieu fee of \$12,477 per market-rate unit.

**Table 5 In-Lieu Fee Calculation, Scenario 1**

Item	Low (80% AMI)	Moderate (120% AMI)	Total	In-Lieu Fee	
				per Affordable Unit	per Market-Rate Unit
Units	7.5	7.5	15	15	100
Value/Unit	\$237,000	\$312,636			
Total Value	\$1,777,500	\$2,344,773	\$4,122,273		
Costs/Unit	\$358,000	\$358,000			
Total Costs	\$2,685,000	\$2,685,000	\$5,370,000		
Subsidy per Unit	\$121,000	\$45,364			
Total Subsidy Required	\$907,500	\$340,227	\$1,247,727	<b>\$83,182</b>	<b>\$12,477</b>

Source: Economic & Planning Systems, Inc.

While it is useful to think of the total in-lieu fee as it may apply to each market-rate unit, it is also useful to know the fee per affordable unit, as some projects will be required to provide a certain number of units but may meet any fractional obligation through payment of a fee. For example, under the current inclusionary housing ordinance, which requires 15 percent inclusionary units, a 17-unit project would be required to provide 2.55 affordable units. If two units are provided on site, the additional 0.55-unit requirement could be met by charging a fee of 0.55 times the \$83,182 per affordable unit fee, or a total payment of \$12,050.

### Scenario 2: 20% at Low and Moderate Income

While the current inclusionary ordinance requires projects to provide 15 percent of their units at affordable prices, if a project were to pay the in-lieu fee rather than building the units, more than 15 affordable units would be required to yield the same proportionate mix of affordability. A

100-unit project providing 15 on-site affordable units meets the 15 percent policy goal. By contrast, a 100 unit project that is all market rate and pays an in-lieu fee that covers only 15 affordable units ultimately results in only 13 percent affordable housing (15 out of 115 total). To maintain at least the same overall affordability proportion as would result from the inclusionary policy, and to avoid providing the developer an undue financial windfall (from the profits from the additional market-rate units), some communities require that units provided off-site or funded through the in-lieu fee must exceed the standard inclusionary requirement. In this scenario, the City of Rohnert Park may require the in-lieu fee to fund 20 percent affordable units, still split evenly between low- and moderate income levels. As shown on **Table 6** below, the in-lieu fee resulting from this approach would be \$16,636 per market-rate unit, while the fee per affordable unit would remain unchanged from Scenario 1.

**Table 6 In-Lieu Fee Calculation, Scenario 2**

Item	Low (80% AMI)	Moderate (120% AMI)	Total	In-Lieu Fee	
				per Affordable Unit	per Market-Rate Unit
Units	10	10	20	20	100
Value/Unit	\$237,000	\$312,636			
Total Value	\$2,370,000	\$3,126,364	\$5,496,364		
Costs/Unit	\$358,000	\$358,000			
Total Costs	\$3,580,000	\$3,580,000	\$7,160,000		
Subsidy per Unit	\$121,000	\$45,364			
Total Subsidy Required	\$1,210,000	\$453,636	\$1,663,636	<b>\$83,182</b>	<b>\$16,636</b>

Source: Economic & Planning Systems, Inc.

### Scenario 3: 15% at Very Low, Low, and Moderate Income

The City's inclusionary ordinance requires that rental housing development must provide units at very low and low incomes, thus reaching households with lower incomes than are served by the City's requirement that for-sale housing provide units for low and moderate income households. This policy clearly indicates that housing for very low income households is a priority for the City and community – a sentiment echoed by the City's Housing Element goals that seek to provide as many newly constructed units for very low income (125) as low (100) and moderate (125).

If the City were to require that off-site unit construction and in-lieu fee calculations provide units or funding for very low income as well as low and moderate, such a requirement might blend the City's current inclusionary requirements for for-sale and rental projects by requiring a quarter of the affordable units at very low incomes (up to 50 percent of AMI), half at low incomes (up to 80 percent of AMI), and the final quarter at moderate incomes (up to 120 percent of AMI). **Table 7** indicates that the in-lieu fee under these requirements would be \$20,182 per market-rate unit. In addition, because the blend of incomes among the affordable units has changed and now

includes even lower incomes, the subsidy required per affordable unit has increased to an average of \$134,545.

**Table 7 In-Lieu Fee Calculation, Scenario 3**

Item	Very Low (50% AMI)	Low (80% AMI)	Moderate (120% AMI)	Total	In-Lieu Fee	
					per Affordable Unit	per Market-Rate Unit
Units	3.75	7.5	3.75	15	15	100
Value/Unit	\$107,182	\$237,000	\$312,636			
Total Value	\$401,932	\$1,777,500	\$1,172,386	\$3,351,818		
Costs/Unit	\$358,000	\$358,000	\$358,000			
Total Costs	\$1,342,500	\$2,685,000	\$1,342,500	\$5,370,000		
Subsidy per Unit	\$250,818	\$121,000	\$45,364			
Total Subsidy Required	\$940,568	\$907,500	\$170,114	\$2,018,182	<b>\$134,545</b>	<b>\$20,182</b>

Source: Economic & Planning Systems, Inc.

#### Scenario 4: 20% at Very Low, Low, and Moderate Income

In this scenario, the City would both increase the proportion of units required to be affordable (20 percent) and incorporated very low income units among the low and moderate units. The resulting in-lieu fees shown on **Table 8** are \$26,909 per affordable unit, while the fee per affordable unit remains the same as in Scenario 3 at \$134,545.

**Table 8 In-Lieu Fee Calculation, Scenario 4**

Item	Very Low (50% AMI)	Low (80% AMI)	Moderate (120% AMI)	Total	In-Lieu Fee	
					per Affordable Unit	per Market-Rate Unit
Units	5	10	5	20	20	100
Value/Unit	\$107,182	\$237,000	\$312,636			
Total Value	\$535,909	\$2,370,000	\$1,563,182	\$4,469,091		
Costs/Unit	\$358,000	\$358,000	\$358,000			
Total Costs	\$1,790,000	\$3,580,000	\$1,790,000	\$7,160,000		
Subsidy per Unit	\$250,818	\$121,000	\$45,364			
Total Subsidy Required	\$1,254,091	\$1,210,000	\$226,818	\$2,690,909	<b>\$134,545</b>	<b>\$26,909</b>

Source: Economic & Planning Systems, Inc.

## **Conclusions**

This analysis has suggested four different potential approaches to calculating the in-lieu fees for for-sale housing in Rohnert Park. Each option is believed to be legally permissible, as inclusionary housing policies and in-lieu fees have typically been affirmed to be the purview of a city's police powers rather than subject to higher scrutiny and requirements for nexus-based relationships. To select among these or potentially other options, EPS recommends that the City consider factors such as the community's needs for housing at different levels, the availability of alternative local funding sources, consistency with past practices and development agreements, and comparability with other communities' practices.



## APPENDIX A: Sonoma County Utility Allowances

**Table A-1 Sonoma County Community Development Commission -  
Utility Allowances per Month, Attached Dwellings**

Item	Number of Bedrooms
	2-Bedrooms
Electricity [1]	\$71
Other Allowances	
Other Electric	\$26
Water	\$43
Sewer	\$71
Garbage	\$20
Range	\$4
Refrigerator	<u>\$6</u>
Subtotal, Other Allowances	\$170
<b>Total Utility Allowance per Month</b>	<b>\$241</b>

[1] Assumes use of electricity for space heating, cooking, and water heating.

Sources: Sonoma County Community Development Commission Utility Allowances (effective October 2016); Economic & Planning Systems, Inc.