

RESOLUTION NO. 75-2023

**A RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF EAST PALO ALTO**

ADOPTING INCLUSIONARY HOUSING IN-LIEU FEES THROUGH FISCAL YEAR 2023-24

WHEREAS, on November 19, 2019, the City Council adopted Ordinance No. 425, Inclusionary Housing Ordinance ("Ordinance"), adding Chapter 18.37 to the East Palo Alto Municipal Code; and

WHEREAS, the Ordinance requires that 20% of all units in new market-rate residential developments be affordable to 35% AMI income households, very low-income, low-income, median-income and moderate-income households; and

WHEREAS, the Ordinance requires, under specified conditions, the payment of a fee to the City in-lieu of constructing rental or for-sale inclusionary units within a residential development ("In-Lieu Fees"); and

WHEREAS, the Ordinance provides that these In-Lieu Fees shall be established and amended from time-to-time by resolution of the City Council; and

WHEREAS, the Ordinance further provides that In-Lieu Fee payments shall be placed into an affordable housing fund and shall be expended exclusively to provide rental housing affordable to low income households (or below), ownership housing affordable to moderate-income households (or below), and any special needs populations in the City, consistent with the goals and policies contained in the City's Housing Element, and for administration and compliance monitoring of the Inclusionary Housing program, as approved by the City Council; and

WHEREAS, on October 20, 2020, the City Council held a properly noticed public hearing to adopt the In-Lieu Fee methodology as provided in a report commissioned by the City from David Rosen & Associates and set the In-Lieu Fees through Fiscal Year 2021-22; and

WHEREAS, these In-Lieu Fees must be updated on an annual basis and adopted by City Council resolution, to the methodology outlined in the Report and in the Guidelines, which may be updated from time to time by the City Manager; and

WHEREAS, the Rental In-Lieu Fee was adjusted annually by staff based on the percentage change in new home prices in San Mateo County, as published in the Northern California Real Estate Construction Report by the Real Estate Research Council of Southern California at California State Polytechnic University, Pomona (RERCSC); and

WHEREAS, the RERCSC data is no longer available, and the City was unable to find an alternative data source that calculates the percentage change in new home prices in San Mateo County in the same manner as the RERCSC data; and

WHEREAS, the City has determined that the Construction Cost Index (CCI) is a reasonable alternative index to the RERCSC data for calculating the Rental In-Lieu Fee increase, which when applied results in a Rental In-Lieu Fee of \$273,400 for Fiscal Year 2023-2024; and

WHEREAS, on an April 25, 2023 comment letter regarding the City's draft 2023-2031

Housing Element, the California Department of Housing and Community Development (HCD) provided guidance to analyze and modify the City's inclusionary requirements to reduce governmental constraints; and

WHEREAS, in light of HCD's comment letter, the City has determined it is in the best interest of the City to decrease fee volatility by using in its calculations a three-year average of interest rates from 30-year amortizing loans taken from the first week of January of the Freddie Mac Mortgage Market Survey, resulting in an Ownership/For-Sale In-Lieu Fee of \$259,600 for Fiscal Year 2023-2024.

NOW, THEREFORE, BE IT RESOLVED THAT THE CITY COUNCIL OF THE CITY OF EAST PALO ALTO HEREBY:

1. Finds the foregoing recitals are true and correct, and are incorporated by this reference into this action; and
2. Adopts the Inclusionary In-Lieu Fees for Ownership/For-Sale and Rental Units commencing July 18, 2023 through the 2023-24 Fiscal Year, as shown in Exhibit A, attached and incorporated by reference.

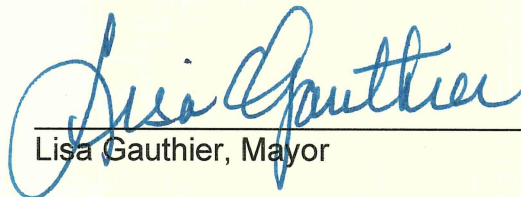
PASSED AND ADOPTED this 18th day of July 2023 by the following vote:

AYES: Abrica, Gauthier, Romero

NOES:

ABSENT: Lopez

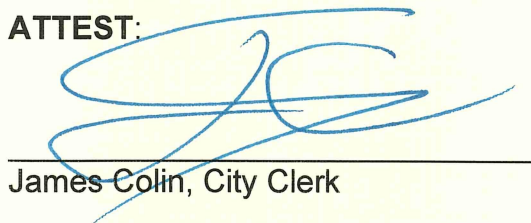
ABSTAIN: Barragan



Lisa Gauthier, Mayor

ATTEST:

APPROVED AS TO FORM:



James Colin, City Clerk



John D. Lê, City Attorney

Exhibit A

Inclusionary In-Lieu Fees	
Ownership/For-Sale In-Lieu Fee	\$259,600 per Unit
Rental In-Lieu Fee	\$273,400 per Unit

The Inclusionary In-Lieu Fees shall be updated by resolution by the City Council on an annual basis and published on the City of East Palo Alto website.