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Item # _____

To: Lemoore City Council and Planning Commission
From: Caleb Brock, Planning Department Intern and
Holly Smyth, Planning Director
Date: October 5, 2006
Subject: Inclusionary Housing Policy Study Session

Discussion:

As staff progresses through the General Plan update, land use policies are being reviewed. Staff has heard concerns voiced by the Planning Commission and others that the City ensure that adequate affordable housing will be provided to meet the "Regional Housing Needs Allocation" (RHNA) percentages identified in the current Housing Element of the General Plan. Because the General Plan consultant's contract does not include updating of the Housing Element, staff is reviewing the impact of current housing policy on the long term goals and objectives of the City, meeting the RHNA, and meeting the Redevelopment Agency housing requirements.

A few years ago the City of Lemoore had a housing summit to discuss the types of housing programs that the City should implement. When the Housing Element was adopted by the City Council in February 2004, the City adopted general goals and objectives. Goal 2 of the Housing Element (located in Chapter 6, pg 6-2 of the element located at <http://www.countyofkings.com/planning/Plan/GeneralPlanhousingelement.htm>) is to "facilitate and encourage the provision of a range of housing types and prices to meet the diverse needs of residents". Goal 4 is to "provide housing assistance to very low, low, and moderate income households and those with special housing needs". Additionally, Chart 4-1 of the Housing Element identifies RHNA numbers for Lemoore, which staff has converted into percentage of the population proportionality below to help estimate future needs outside of the 2001-2008 planning period:

Proportional Housing Affordability Levels to Plan for in Lemoore

Very Low - 24% Low - 20% Moderate - 16% Above Moderate - 40%

During the update of the Redevelopment Agency 2005-2009 Five-Year Implementation Plan, adopted in December of 2004, Agency housing activities were identified for the planning period. Goal 4 of this plan is to "promote safe and affordable housing and related amenities for all segments of the City's population base" with one sub-objectives to "provide at least 15% of all new and substantially rehabilitated dwelling units developed within the Project Area (referring to the RDA project areas)....be at affordable housing cost to persons and families of low or moderate income".

Several months ago the Director of Navy Housing spoke during a public meeting about their concern that the City help provide housing to better serve military personnel. Recently, City Council Ordinance 2006-08 (extending the partial moratorium) identified concerns regarding the City's existing housing/land use policies in that they may not adequately "provide for the protection of multi-family housing areas or guarantee a variety of housing types for its citizenry, including any requirements for the provision of affordable housing. Under the regional fair needs housing allocation plan percentages, it appeared that there may be significant shortfalls in the provision of affordable housing throughout the City".

Based on these discussions, the Planning Department's intern Caleb Brock did initial research into what housing has been provided in the past, what current trends indicate, potential constraints in the future, and possible available options to address affordable housing issues which could be implemented during the General Plan update.

Initial research showed that over the past few years the City has seen major increases in the cost of single family housing. According to the Housing Element of the General Plan, the average house price in 2002 was \$132,000 in Lemoore and new homes sold between \$125,000-\$174,000. As shown in the table below, over the last three years new home purchase prices increased between 50% - 86% (a 16% - 29% annual increase). The highest average quarterly housing price experienced in the overall market, when reviewing quarterly reports from July 2005 to June 2006 which are attached herein, was \$294,000 which represents a 124% increase over the 2002 data shown in the Housing Element, or a 31% annual increase).

<u>Single Family Subdivision Name</u>	<u>2003 New Home Prices</u>	<u>2006 New Home Prices</u>
Liberty by Cambridge/Lennar		\$252,000 - \$357,000
Cedar Nest by Coker Ellsworth	\$164,900 - \$194,900	
College Park (in 2001 \$107-\$134K)	\$162,400 - \$203,400	\$221,000 - \$278,000
Silva Homes by Daley Enterprises	\$145,950 - \$198,500	\$297,500 - \$456,750
DeVante Villas by Nova Development		\$276,900 - \$379,900
Fairway Homes by Coker Ellsworth		\$351,900 - \$379,900
The Landing by Flatley Homes		\$315,000 - \$366,500
Jonathon Homes		\$290,000 - \$382,000

(prices doesn't include the Florence that is sold out)

Past trends in Kings County indicate that the household incomes have not kept pace with increases in housing costs. Below are the State Department of Finance income categories from 2001 through 2006 based on a household size of 3, which reflects the City's average persons per household. Over the five year report period, the average incomes increased 32%, or approximately 6.4% per year for very low, low income, median and moderate income households (above moderate income households are not tabulated). The housing industry standard for "affordable housing" has meant keeping housing costs (which include rent/mortgage, utilities, taxes and insurance) at or below 30% of a household's gross income. Based on a 6.5% interest rate on a 30 year mortgage, a household would have to earn approximately \$93,000 annually so that their "housing costs" do not exceed 30% of their gross income (which is 204% of the 2006 Kings County median income for a family of three) or receive homebuyer assistance to the tune of \$165,000 for a moderate income family. Attached are three sample housing cost spreadsheets showing key prices and necessary incomes to keep housing "affordable".

Income Category	Maximum Kings County Income by category for a family of 3						Average Annual Increase over 5 yrs
	2001	2002	2003	2004	2005	2006	
Very Low	\$17,350	\$17,650	\$20,450	\$22,100	\$22,100	\$22,850	6.4%
Low	\$27,800	\$28,200	\$32,700	\$35,350	\$35,350	\$36,600	6.4%
Median	\$34,750	\$35,300	\$40,850	\$44,200	\$44,200	\$45,700	6.4%
Moderate (120% Median)	\$41,650	\$42,350	\$49,050	\$53,000	\$53,000	\$54,900	6.4%

Similar housing increases have occurred in the rental housing market. As shown in the table below, rental information for some of the City's apartment complexes was updated from a previous City report. Based on the listed apartments below, rents increased between 10% - 82% over a five year period, or approximately 2% to 16.4% annually. According to the attached October 3, 2006 Fresno Bee article, median rental costs in Kings County increased 29% between 2000 to 2005, or approximately a 5.8% increase annually.

<u>Apartment Complex</u>	<u>2001</u>	<u>As of October 2006</u>	<u># of Units</u>
College Park Apartments (1 & 2 bed)		\$745 & \$910/\$925	120
Country Club (2 & 3 bedroom)	\$369/\$452 & \$420/\$516	\$500/\$535 & 600/635	(72 & 36)
Hazelwood (2 bedroom)	\$395/\$400	\$700/\$775	(36)
Heritage Apts (2 bedroom)	\$440/\$450	\$755	(144)
Kings River (1, 2 & 3 bedroom)	\$312, \$352 & \$392	\$479, \$519 & \$559	(10, 28, & 6)
Lakeview (Studio, 1, 2 & 3 bed)	\$500, \$550, \$550/\$675, \$725/\$750	\$550, \$650, & \$750	(24, 24, 180, 50, 8)
Northgate (2 bedroom)	\$415/\$425	\$700/\$775	(23)
Park Place (2 & 3 bedroom)	\$560 & \$660	\$750 & \$850	(72 & 28)
Summer Place (1 & 2) bedroom)	\$395 & \$425	\$500 & \$620	(24 & 36)
Tanglewood (2 bedroom)	\$440/ \$475	\$755/\$805	(96 & 36)

Based on the above rents, the cheapest 1 bedroom apartment dwelling would have to earn a gross income of just over \$19,000 per year to afford the \$479 per month rent listed above. A small family of 3-4 persons would have to earn about \$20,000 per year for a 2 bedroom apartment at \$500 per month. A family living in the most expensive apartment listed above would have to earn \$37,000 per year. If one wanted to rent a single family home, the costs would most likely be higher than comparable apartment units, not to mention the limited number of units available to persons.

Based on these initial analysis, housing costs will continue to be a growing problem as the annual increases in housing costs outpace increases in incomes. Over the last month, Planning Department intern Caleb Brock started inquiring about inclusionary housing policies. He made many phone calls to State, Federal, and local jurisdictions and researched various inclusionary policies and ordinances of various cities throughout the State of California. The general purpose of inclusionary housing is to promote the development of various housing types, especially to citizens who fall within the affordable bracket of very low, low and moderate income levels (based on Kings County statistics). A basic principle of inclusionary Housing states, a certain percentage of new development must be affordable to the general public. Attached are copies of sample inclusionary housing ordinances from the Cities of Ripon and Greenfield for your review.

The purpose of reviewing inclusionary housing is to address the growing problem of providing affordable housing opportunities for all segments of the Community. Market rate housing can prevent the Community from meeting its fair share of regional housing needs (RHNA) listed above and the Redevelopment Agency's (RDA) mandated requirement of providing 15 percent affordable housing in RDA areas. Inclusionary housing can also help in guiding physical development of City land uses depicted in the General Plan and Kings County Housing Element. Lastly it will help promote the health of citizens, safety in communities and amplify the welfare of housing equality to all citizens.

Some of the impacts to a community that cannot provide a variety of housing types at various affordability rates can include the following:

- Jobs / Housing balance cannot be attained as lower paid employees cannot afford local housing
- Military personnel cannot afford to live close to the base and may have to commute longer distances
- Commuting distances increase, as employees cannot afford to live and work in Lemoore
- Volunteerism continues to decrease due to increased commuting or both parents must work
- Overcrowding becomes an issue as multiple families may have to move into single family homes to afford the payment of a home in a decent and safe neighborhood
- Disposable income decreases as more household income pays for housing costs
- Younger generations of the Lemoore citizenry can no longer afford to stay in the area

Recommendation:

In order to keep within the timeline of the General Plan update, the Planning Department needs direction from the Council as soon as possible in how they would like to pursue any possible inclusionary housing policy.