

**CITY OF GLENDALE, CALIFORNIA
REPORT TO THE:**

Joint City Council Housing Authority Successor Agency Oversight Board

January 30, 2018

AGENDA ITEM

Report: Approval of Professional Services Agreement with Keyser Marston and Associates to Provide Comprehensive Studies on Inclusionary Zoning Ordinance and a Development Impact Fee for the Benefit of Providing Affordable Housing.

1. City Council Motion Approving a Professional Services Agreement with Keyser Marston and Associates to Conduct Comprehensive Studies Related to an Inclusionary Zoning Ordinance and an Impact Fee for Affordable Housing; and
2. Housing Authority Resolution of Appropriation in the amount of \$57,000.

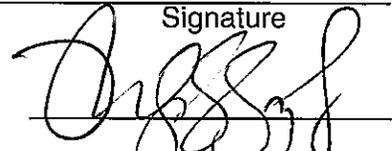
COUNCIL ACTION

Public Hearing Ordinance Consent Calendar Action Item Report Only

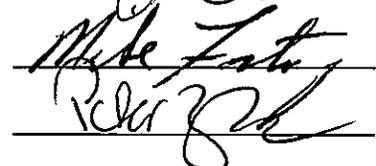
Approved for Jan. 30, 2018 calendar

ADMINISTRATIVE ACTION

Submitted by:
Philip Lanzafame, Director of Community Development

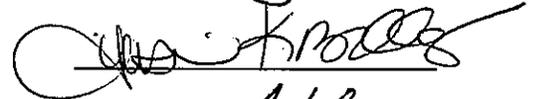
Signature


Prepared by:
Michael Fortney, Principal Housing Project Manager

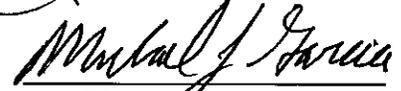


Peter Zovak, Acting Assistant Director of Community Development

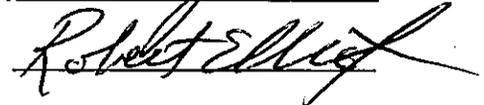
Approved by:
Yasmin K. Beers, Interim City Manager and Executive Director



Reviewed by:
Michael J. Garcia, City Attorney



Robert P. Elliot, Director of Finance *MK*



RECOMMENDATION

Community Development staff recommends that the City Council approve a Professional Services Agreement with Keyser Marston and Associates to conduct a comprehensive study related to an Inclusionary Zoning Ordinance and Affordable Housing Development Impact Fee.



The source of funding for this contract is the Low & Moderate Income Housing Asset Fund, a non-General fund, specifically for affordable housing. Staff recommends the Housing Authority adopt a resolution of appropriation authorizing the funding of the study.

BACKGROUND/ANALYSIS

At its December 5, 2017 meeting and as part of the approval of the City's Affordable Housing Strategy, the City Council directed staff to begin studying the possible implementation of two new housing programs to assist with development of affordable housing: Inclusionary Zoning and Development Impact Fees.

Inclusionary zoning is a legal standard requiring the inclusion of affordable housing units in new residential development projects. Recent studies support that inclusionary housing programs are an increasingly prevalent tool for producing affordable housing. Additionally, local inclusionary housing programs are: (1) prioritizing on-site affordable housing development, which may be an effective strategy to place affordable housing in neighborhoods of opportunity; and (2) ensuring long-term affordability, which is an effective way to maintain community assets and the affordable housing stock. Typical Inclusionary Zoning Ordinances allow for an In-Lieu fee as an option for the developer, rather than building the affordable units.

A Development Impact Fee, or DIF, is a one-time fee(s) charged to new developments through the entitlement process that is used to defray some of the costs of providing additional public amenities such as schools, roads, sewer lines, etc. Numerous cities within the State have implemented such a fee. Some cities (mainly in Northern California) have required the fee for both new residential development and new commercial developments, linking it to a jobs/housing imbalance. This commercial fee application is less frequently applied by cities because of some agency concerns with business attraction and retention issues. Most recently, Glendale implemented a DIF for park and library facilities against all new residential development in Glendale, and to date has generated approximately \$16 million in revenue. Considering that such DIF revenue for housing would be generated locally, the allocation, priorities, and use of it would be governed locally by the Housing Authority.

The two programs can be implemented exclusively (e.g. adopt either Inclusionary Zoning or a DIF) or combined by administering them separately in residential (Inclusionary) and commercial (DIF); however, cities are not permitted to implement both on the same type of project.

Despite millions of dollars in investment in affordable housing and hundreds of units constructed in Glendale, the lack of affordable housing remains an urgent concern. To advance the process of studying the potential of Inclusionary Zoning and DIF, staff recommends sole sourcing the contract to Keyser Marston and Associates (KMA) to conduct the studies. Staff recommends KMA for a variety of reasons:

1. KMA has a statewide reputation for knowledge and expertise in the area of affordable housing and has extensive experience doing similar studies for numerous cities both in southern and northern California. KMA is currently performing the same studies for the City of South Pasadena, and County of Los Angeles;
2. KMA is already familiar with and involved in economic studies within the city that will assist in the preparation of the two studies which will further expedite the process; and

3. KMA has an existing contract in effect with the City and has had previous contracts with the Housing Authority, eliminating the time needed to establish a new vendor and meet the City / Housing Authority's insurance requirements.;

In the time it would take to complete a Request for Qualifications (RFQ) or Request for Proposals (RFP) and contract with a consultant, KMA could complete the studies. KMA has verbally committed to completing the studies within six to eight weeks following execution of the PSA. The estimated fee for the Inclusionary Zoning study is \$17k and \$40k for the Development Impact Fee. The contract will terminate June 30, 2018.

The scope of work will include:

Inclusionary Zoning:

The KMA analysis will evaluate the financial feasibility of imposing inclusionary housing requirements on a citywide basis. The foundation of the financial feasibility analyses will be a market analysis, affordability gap analyses, and the use of KMA's proprietary pro forma models. The results of the financial analyses will inform the recommendations regarding the percentage of affordable housing required and the depth of affordability.

The financial feasibility analyses will be used to identify the following supportable inclusionary housing requirements:

1. The threshold project size that will trigger the inclusionary requirements;
2. The percentage of affordable units that will be required to be provided;
3. The income and affordability restrictions that will be imposed;
4. The comparability standards that will be imposed on inclusionary units;
5. Off-site alternatives to developing the inclusionary units on site within a market-rate project;
6. Payments in lieu of producing the required affordable housing units; and
7. The treatment of inclusionary requirements that result in fractional units.

KMA will deliver a report to the City that will be supported by tables, data and other materials relevant to the analysis. The report will include the following components:

1. An Executive Summary;
2. A description of the analysis methodology, key assumptions and findings of the financial feasibility analyses; and
3. Recommendations for the supportable structure of a citywide inclusionary housing program.

Development Impact Fee:

KMA will provide a nexus study to establish the maximum allowable linkage fee amounts for commercial uses identified by the City for evaluation. The analysis will include recommended fee levels tailored to the local conditions in Glendale. Recommendations will be calibrated based on the results of a review of commercial market trends and conditions. The goal is to set the fees at amounts that will not impede opportunities for new development.

The commercial nexus study will include two parts; context information and quantitative analysis. The context information will review and discuss commercial development trends, benefits of affordable housing to commercial development, and commercial linkage fees in other jurisdictions. The quantitative analysis will provide a recommendation on the commercial linkage fees, a discussion on a provision for affordable units in lieu of paying the commercial linkage fee and a proposed method for annual updates to the fee.

Staff is not recommending KMA study residential development as part of the development impact fee for a number of reasons:

- 1) If the desire is to generate affordable housing dollars for more local control of affordable housing, an Inclusionary Zoning Ordinance can be developed in such a way as to encourage paying the in-lieu fee versus building the units;
- 2) More funds can be generated through the in-lieu fee then through a development impact fee given the in lieu fee can be charged to fill both current and unmet need versus the development impact fee which can only accommodate future need; and
- 3) The additional scope of work will cost an addition \$30k (approximate).

FISCAL IMPACT

The total cost to complete the two studies is \$57,000 which will be paid from the Low and Moderate Income Housing Asset Fund (LMIHAF).

From:		
24214-213	Unallocated Fund Balance, LMIHAF 213	\$57,000
To:		
43110-213-714	Contractual Services, LMIHAF Fund - Admin	\$57,000

ALTERNATIVES

Alternative 1: The City Council may approve the Professional Services Agreement with Keyser Marston and Associates allowing the study to move forward immediately;

Alternative 2: The City Council may elect not to approve the Professional Services Agreement with Keyser Marston and Associates and direct staff to circulate an RFP which will extend the study period approximately 6-8 weeks;

Alternative 3: The City Council may elect to make changes to the Professional Services Agreement such as including residential development to the development impact fee to the scope of work; or

Alternate 4: The City Council may consider any other alternative not currently proposed by staff.

CAMPAIGN DISCLOSURE

In accordance with the City Campaign Finance Ordinance No. 5744, the following are the names and business addresses of the members of the board of directors, the chairperson, CEO, COO, CFO, Subcontractors and any person or entity with more than 10% interest in the company proposed for contract in this Agenda Item Report:

Board Members and officers of Keyser Marston and Associates:

Full Name	Title	Business Address	City	State	Zip
Timothy Kelly	President	2040 Bancroft Way, Suite 302	Berkeley	CA	94704
Kathleen Head	Board Member / Managing Principal	500 Grand Ave. Suite 1480	Los Angeles	CA	90071
James Rabe	Board Member / Principal	500 Grand Ave. Suite 1480	Los Angeles	CA	90071
Debbie Kern	Board Member / Managing Principal	2040 Bancroft Way Suite 302	Berkeley	CA	94704
Paul Marra	Board Member / Managing Principal	555 W Beach St. Suite 460	San Diego	CA	92101
Diane Chambers	Board Member / CFO	2040 Bancroft Way Suite 302	Berkeley	CA	94704
Julie Roney	Board Member / Principal	500 Grand Ave. Suite 1480	Los Angeles	CA	90071
Kevin Engstrom	Board Member / Principal	500 Grand Ave. Suite 1480	Los Angeles	CA	90071
David Doezeza	Board Member / Principal	2040 Bancroft Way Suite 302	Berkeley	CA	94704

Ownership Interest of more than 10% in Keyser Marston and Associates

Full Name	Title	Business Address	City	State	Zip
Timothy Kelly	President	2040 Bancroft Way, Suite 302	Berkeley	CA	94704
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Paul Marra	Board Member / Managing Principal	555 W Beach St. Suite 460	San Diego	CA	92101
Diane Chambers	Board Member / CFO	2040 Bancroft Way Suite 302	Berkeley	CA	94704

EXHIBITS

No Exhibits.

MOTION

Moved by Council Member _____, seconded by Council Member _____, that the Interim City Manager or her designee is authorized to execute a professional services agreement with Keyser Marston and Associates to conduct comprehensive studies related to an inclusionary housing ordinance and an impact fee for affordable housing. The agreement shall be subject to the review and approval as to form by the City Attorney.

Vote as follows:

Ayes:

Noes:

Absent:

Abstain:

APPROVED AS TO FORM

Michael J. Jones

CITY ATTORNEY

DATE 1/25/18

RESOLUTION NO. _____

RESOLUTION OF THE HOUSING AUTHORITY OF THE CITY OF GLENDALE
MAKING AN APPROPRIATION

BE IT RESOLVED BY THE HOUSING AUTHORITY OF THE CITY OF GLENDALE:

SECTION 1: That the sum of \$57,000 is hereby appropriated and/or transferred from the following accounts to the following accounts:

ACCOUNTS	DESCRIPTION	FROM	TO
24214-213	Low&Mod Unallocated Fund Balance, Low&Mod Income Housing Asset Fund	\$57,000	
43110-213-714	Contractual Services, Low&Mod Income Housing Asset Fund, Affordable Housing Admin		\$57,000

To appropriate funding for the PSA with Keyser Marston and Associates to provide comprehensive studies on Inclusionary Zoning Ordinance and a Development Impact Fee for Affordable Housing.

SECTION 2: The Director of Finance is authorized to make such other revisions, individual appropriation line-items, changes in summaries, fund totals, grand totals, and other portions of the budget document as necessary to reflect and implement the changes specified in this resolution.

SECTION 3: The Clerk of the Housing Authority shall certify to the adoption of this Resolution.

Adopted this _____ day of _____, 2018.

APPROVED AS TO FORM

Michael J. Hayes
CITY ATTORNEY

Chair of the Housing Authority of the City of Glendale

DATE 1/26/18

ATTEST:

Clerk, Housing Authority of the City of Glendale



CITY OF GLENDALE

DATE 1/24/2018

APPROVED AS TO FINANCIAL
PROVISION FOR \$ 57,000

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) SS
CITY OF GLENDALE)

[Signature]
Michele Flynn
Director of Finance
for *Bob Elliott*

I, Ardashes Kassakhian, Clerk of the Housing Authority of the City of Glendale, do hereby certify that the foregoing Resolution No. _____ was adopted by the Housing Authority of the City of Glendale, California at a joint meeting with the City Council held on the _____ day of _____, 2018, and that the same was adopted by the following vote:

Ayes:
Noes:
Absent:

1 B /

Clerk of the Housing Authority of the City of Glendale