



Legislation Details (With Text)

**File #:** 23-891      **Version:** 1      **Name:**

**Type:** Consent Item      **Status:** Passed

**File created:** 10/4/2023      **In control:** City Council/Public Finance and Economic Development Authority/Parking Authority

**On agenda:** 11/20/2023      **Final action:** 11/20/2023

**Title:** SUBJECT: Adoption of a Resolution Amending the Regional Housing Needs Allocation Unit Production Plan Including a Schedule for In-Lieu Fees

REPORT IN BRIEF  
Considers adopting Resolution 2023-83 to amend the Regional Housing Needs Allocation (RHNA) Unit Production Plan including a schedule for In-Lieu Fees

RECOMMENDATION  
City Council - Adopt a motion adopting Resolution 2023-83, A Resolution of the City Council of the City of Merced, California, Approving an Amendment to the Regional Housing Needs Allocation Unit Production Plan and related In-Lieu Fee Schedule.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. City Council Resolution 2022-15, 2. Resolution 2023-83, 3. RHNA Unit Production Plan RED-LINED 11062023.pdf, 4. RHNA Unit Production Plan – Clean Version, 5. Map of AB 3312 Eligible Properties.pdf

Date	Ver.	Action By	Action	Result
11/20/2023	1	City Council/Public Finance and Economic Development Authority/Parking Authority	approved	Pass

*Report Prepared by: Leah Brown, Management Analyst, Development Services*

**SUBJECT:** Adoption of a Resolution Amending the Regional Housing Needs Allocation Unit Production Plan Including a Schedule for In-Lieu Fees

**REPORT IN BRIEF**

Considers adopting Resolution 2023-83 to amend the Regional Housing Needs Allocation (RHNA) Unit Production Plan including a schedule for In-Lieu Fees

**RECOMMENDATION**

**City Council** - Adopt a motion adopting **Resolution 2023-83**, A Resolution of the City Council of the City of Merced, California, Approving an Amendment to the Regional Housing Needs Allocation Unit Production Plan and related In-Lieu Fee Schedule.

**ALTERNATIVES**

1. Adopt the Resolution as recommended by staff; or,
2. Amend the Resolution (with further specific modifications to be specified in the Council motion); or,

3. Deny; or,
4. Continue to a future meeting (date to be specified in the motion).

## **AUTHORITY**

City of Merced Charter, Section 200; et. seq.

## **CITY COUNCIL PRIORITIES**

As provided for in the 2023-24 Adopted Budget and City Council's Prohousing Policies

## **DISCUSSION**

RSG, the City's pro-housing feasibility consultant, gave a presentation to City Council on August 21, 2023, on the In-Lieu Fee Analysis and sought direction to confirm the percentage of affordable units the Council would like and to set the fees to determine the in-lieu fee calculation.

Questions came up regarding triggers for the affordable housing requirement in the RHNA Unit Production Plan (City Council Resolution 2022-15) which was created and adopted on April 4, 2022. Those triggers include a Legislative Action Agreement, Development Agreement, Pre-Annexation Development Agreement, or size of development.

RHNA makes it the City's responsibility to have adequately zoned sites for development. The City's RHNA Unit Production Plan has other options for meeting RHNA production goals, for example, a developer can pay an in-lieu fee instead of developing the deed restricted affordable units, the purpose of the In-Lieu Fee Analysis was to create a fee structure. Those In-Lieu fees would be deposited into the City's newly created Affordable Housing Fund and used to support other affordable housing production with City Council approval per funding commitment.

After receiving public input and discussion, City Council set the In-Lieu Fee based on 10%, incorporating a CCI annual adjustment to the fee, and enforcement to include revoking building permits (to be built into negotiated agreements). Additional direction included review of the fee to occur with each subsequent Housing Element update.

Immediately thereafter, there was discussion and a motion to amend the overall RHNA Production Policy and to return to Council for a future discussion.

On October 2, 2023, staff and RSG returned to address City Council's questions and seek more specific direction on policy changes to the RHNA Unit Production Plan. Per City Council request, RSG sought out and provided a summary of comments from local developers. A presentation on breaking down the affordability requirement by partially building moderate units and paying in-lieu for very low- and low-income units was given. Alternatives from the past discussion were attached to consider. The meeting was well attended and there was much interest and input from the public with about 11 voicemails, many emails, and over 15 comments from the public in attendance. The consensus was that people were in favor of more affordable housing with differing viewpoints on how best to achieve that goal. Following much discussion and a motion that failed for lack of a second, City Council gave direction to amend the policy in this way:

- Limit policy to outside city limits (annexation and pre-annexation areas)
- Exempt multi-family residential from production policy
- 5% inclusionary production requirement

- Fee per single-family lot by annexation area:  
AB 3312 lands: \$5,000 (See attached AB 3312 Eligible Properties map)  
South Merced: \$1,000 (South of Bear Creek)  
North Merced: \$2,000 (Area North of Bear Creek, excluding AB 3312 Properties)
- Review fees in one year

After review of the amended RHNA Unit Production Plan, staff realized that the in-lieu fees would best be collected at building permit issuance thus making revocation of the permit not needed. The amended RHNA Unit Production Plan is attached in red-lined and clean versions, as well as Resolution 2023-83 for Council's potential adoption.

### **IMPACT ON CITY RESOURCES**

No appropriation of funds is needed. The funds deposited from the affordable housing in-lieu fees will go into the City's Affordable Housing Fund.

### **ATTACHMENTS**

1. City Council Resolution 2022-15
2. Resolution 2023-83
3. RHNA Unit Production Plan - Red-lined Version
4. RHNA Unit Production Plan - Clean Version
5. Map of AB 3312 Eligible Properties