



Regular Meeting Agenda
Planning Commission

Malisha Kumar - Chair
Laura Gonzalez-Escoto - Vice-Chair
Joseph Mueller - Planning Commissioner
Wayne Tanda - Planning Commissioner
Liam Downey - Planning Commissioner
Mohammad Habib - Planning Commissioner
Juan Miguel Munoz-Morris - Planning Commissioner

Tuesday, November 9, 2021 7:00 pm

Virtual Meeting

VIRTUAL MEETING GUIDELINES AND PUBLIC COMMENT

In accordance with Executive Order N-25-20 and guidance from the California Department of Public Health on gatherings, remote public participation is allowed. Physical meetings will not be in the City Council Chamber until further notice.

Planning Commission meetings will be live streamed on Channel 17, on the City's website and on the City's Facebook page. Those members of the community that would like to participate in the meetings remotely may do so by join the virtual meeting at: <https://bit.ly/PlanningCommissionMtg> or by calling in to: (669) 900-9128, then enter the webinar ID#: 862 0324 6251.

Public comment may be provided in the following ways:

- Join the virtual Planning Commission meeting via the link above, when public comment is opened, raise your virtual hand and be called upon to speak for up to 3 minutes
- Join the virtual meeting by calling in to the number above, dial *9 to raise your hand and *6 when called upon to speak for up to 3 minutes
- Send public comments in writing to the Minutes Clerk at pcpubliccomment@morganhill.ca.gov

* Please note that comments made on Facebook are not considered public comment.

CALL TO ORDER

ROLL CALL ATTENDANCE

DECLARATION OF POSTING AGENDA

Pursuant to Government Code Section 54954.2

PLEDGE OF ALLEGIANCE

OPEN PUBLIC COMMENT PERIOD

Members of the public are entitled to address the Planning Commission concerning any item within the Morgan Hill Planning Commission's subject matter jurisdiction. Public comments are limited to no more than three minutes. Except for certain specific exceptions, the Planning Commission is prohibited from discussing or taking action on any item not appearing on the posted agenda. (See additional noticing at the end of this agenda)

ORDERS OF THE DAY

PUBLIC HEARINGS

1. **AMENDMENTS TO THE INCLUSIONARY HOUSING ORDINANCE (IHO) AMENDING CHAPTER 14.04 (INCLUSIONARY HOUSING) AND SECTION 14.08.020 (FEE ESTABLISHED) OF CHAPTER 14.08 (IN-LIEU HOUSING FEES) OF TITLE 14 (HOUSING) AND REPEALING DUPLICATIVE AFFORDABLE HOUSING PROVISIONS IN CHAPTER 18.48 (AFFORDABLE HOUSING) OF TITLE 18 (ZONING) OF THE MUNICIPAL CODE OF THE CITY OF MORGAN HILL**

Recommendation:

1. Open/close public hearing; and,
2. Adopt Resolution recommending City Council approval of the Amendments to Chapter 14.04 (Housing) and Section 14.08.020 (Fee Established), and repealing Chapter 18.48 (Affordable Housing).

2. **A MUNICIPAL CODE TEXT AMENDMENT (ZA2021-0005) AMENDING SECTION 18.40.060 (STANDARDS FOR ALL HOUSING TYPES) OF CHAPTER 18.40 (ALTERNATIVE STANDARDS FOR MEDIUM DENSITY RESIDENTIAL DEVELOPMENT) OF TITLE 18 (ZONING) TO REMOVE REFERENCES TO TRASH ENCLOSURE STANDARDS AND ENACTING ADDING SECTION 18.92.125 (REFUSE AND RECYCLING ENCLOSURES) OF TO CHAPTER 18.92 (SUPPLEMENTAL STANDARDS) TO INCLUDE NEW REFUSE AND RECYCLING ENCLOSURE STANDARDS**

Recommendation:

1. Open/close the public hearing; and,
2. Adopt Resolution recommending City Council approval of the Zoning Text Amendment.

3. **ZA2021-0002: MUNICIPAL CODE AMENDMENT AMENDING VARIOUS CODE PROVISIONS WITHIN THE MUNICIPAL CODE OF THE CITY OF MORGAN HILL CORRECTING CROSS-REFERENCES TO VARIOUS CHAPTERS AND SECTIONS OF TITLE 18 (ZONING) AND IMPLEMENTING MINOR AMENDMENTS DUE TO CLERICAL ERRORS AND INCONSISTENCIES WITHIN TITLE 18 (ZONING); AND AMENDING SECTION 18.64.060 (GENERAL LANDSCAPE REQUIREMENT) OF CHAPTER 18.64 (LANDSCAPING) OF TITLE 18 (ZONING) TO ENHANCE WATER EFFICIENCY OF NEW LANDSCAPES**

Recommendation:

1. Open/close the public hearing; and,
2. Adopt Resolution recommending City Council approval of the Zoning Amendment.

LEGAL BRIEFING

4. **PARKING REQUIREMENTS FOR HOUSING PROJECTS**

DIRECTOR'S REPORT/ANNOUNCEMENTS

ADJOURNMENT

NOTICE

All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act that are distributed to a majority of the legislative body less than 72 hours prior to an open session, will be made available for public inspection at the Office of the City Clerk at Morgan Hill City Hall located at 17575 Peak Avenue, Morgan Hill, CA, 95037 at the same time that the public records are distributed or made available to the legislative body. (Pursuant to Government Code 54957.5)

PUBLIC COMMENT

Members of the Public are entitled to directly address the Commission concerning any item that is described in the notice of this meeting, before or during consideration of that item. If you wish to address the Commission on any issue that is on this agenda, please complete a speaker request card located in the foyer of the Commission Chambers, and deliver it to the Minutes Clerk prior to discussion of the item. You are not required to give your name on the speaker card in order to speak to the Commission, but it is very helpful. When you are called, proceed to the podium and the Mayor will recognize you. If you wish to address the Commission on any other item of interest to the public, you may do so during the public comment portion of the meeting following the same procedure described above. Please limit your comments to three (3) minutes or less.

Please submit written correspondence to the Minutes Clerk, who will distribute correspondence to the Commission.

Persons interested in proposing an item for the Commission agenda should contact a member of the Commission who may plan an item on the agenda for a future Commission meeting. Should your comments require Commission action, your request may be placed on the next appropriate agenda. Commission discussion or action may not be taken until your item appears on an agenda. This procedure is in compliance with the California Public Meeting Law (Brown Act) Government Code §54950.

City Council Policies and Procedures (CP 03-01) outlines the procedure for the conduct of public hearings. Notice is given, pursuant to Government Code Section 65009, that any challenge of Public Hearing Agenda items in court, may be limited to raising only those issues raised by you or on your behalf at the Public Hearing described in this notice, or in written correspondence delivered to the Commission at, or prior to the Public Hearing on these matters.

The time within which judicial review must be sought of the action by the Commission, which acted upon any matter appearing on this agenda is governed by the provisions of Section 1094.6 of the California Code of Civil Procedure.

For a copy of Commission Policies and Procedures CP 97-01, please contact the City Clerk's office (408) 779-7259, (408) 779-3117 (fax) or by email cityclerk@morganhill.ca.gov.

AMERICANS WITH DISABILITIES ACT (ADA)

In compliance with the Americans with Disabilities Act, if you are a disabled person and you need a disability-related modification or accommodation to participate in this meeting, please contact the City Clerk's Office at (408)779-7259, (408)779-3117 (fax) or by email cityclerk@morganhill.ca.gov. Requests must be made as early as possible and at least two-full business days before the start of the meeting.



PLANNING COMMISSION STAFF REPORT

MEETING DATE: November 9, 2021

PREPARED BY: Rebecca Garcia, Housing Manager

APPROVED BY: Jennifer Carman, Community Development Director

AMENDMENTS TO THE INCLUSIONARY HOUSING ORDINANCE (IHO) AMENDING CHAPTER 14.04 (INCLUSIONARY HOUSING) AND SECTION 14.08.020 (FEE ESTABLISHED) OF CHAPTER 14.08 (IN-LIEU HOUSING FEES) OF TITLE 14 (HOUSING) AND REPEALING DUPLICATIVE AFFORDABLE HOUSING PROVISIONS IN CHAPTER 18.48 (AFFORDABLE HOUSING) OF TITLE 18 (ZONING) OF THE MUNICIPAL CODE OF THE CITY OF MORGAN HILL

RECOMMENDATION(S)

1. Open/close public hearing; and,
2. Adopt Resolution recommending City Council approval of the Amendments to Chapter 14.04 (Housing) and Section 14.08.020 (Fee Established), and repealing Chapter 18.48 (Affordable Housing).

BACKGROUND

The City Council held a Housing Workshop on December 2, 2020, followed by the regular City Council meeting where the Council received an annual update on the various activities of the City's Housing Program. The Housing Workshop provided an opportunity to discuss policy issues raised by the Planning Commission and City Council in 2020 regarding the community's housing needs. One of the items for discussion was the Inclusionary Housing Ordinance (IHO). Based on that discussion, it was recommended to explore opportunities to amend the Inclusionary Housing Ordinance which currently requires the sale of the BMR homes at the higher end of the moderate-income category - 120% of the Area Median Income (AMI) - to require a less expensive version (*or more deeply affordable*) moderate BMR ownership unit.

With the following objectives discussed by the City Council in December 2020:

1. Broaden the first-time homebuyer pool to include lower income families, and
2. Maintain moderate ownership units that are still considered a "moderate" sales price but a more deeply affordable "moderate" sales price (households whose gross annual income does not exceed 110% of the AMI instead of 120%).

The City retained Keyser Marston & Associates (KMA) and provided direction to conduct an evaluation of the economic implications for lowering the sales prices and options for doing so.

KMA identified opportunities to deepen the overall level of affordability of for-sale inclusionary units, and evaluated the additional financial cost to developers. The attached KMA report summarizes the findings of the evaluation (Attachment 2).

Staff held a workshop with KMA and the development community on May 24, 2021, to discuss the possibility of deepening the overall level of affordability of for-sale inclusionary units. The consensus from the development community was that adding lower income units to the ownership program is not economically feasible due to high construction costs, the uncertainty of the pandemic, and the overall economic implications to a project. KMA did not recommend adding low-income into the ownership Inclusionary Program.

Although the analysis by KMA was significant in helping the team arrive at the final recommendations, the work has continued to evolve. Housing workshops were held with the City Council and community from May through June 2021, resulting in a shift in priorities in the Housing Program. The City Council prioritized meeting the City's Regional Housing Needs Allocation (RHNA) at all affordability levels to help protect the City from being subject to the provisions of Senate Bill No. 35 (Affordable Housing: Streamlined Approval Process).

The City, like all cities and counties, struggle to achieve the very low-income units and extremely low-income units. With the priority set to meet the very low-income goal earlier in this next Housing Element planning cycle (2023-2035), the Housing team is using this opportunity to further amend the Inclusionary Housing Ordinance to address the City Council's goal of finding opportunities to have more local control. To that end, the Inclusionary Housing Ordinance has been modified to create needed flexibility to best use the program to meet the RHNA requirements while at the same time deepen the affordability of the built BMR units.

Currently, the Inclusionary Housing Ordinance requires that residential developments provide 15% of the units (and 10% in Downtown) at 120% of the AMI with a strong preference for built product. There are two main changes to the Inclusionary Housing Ordinance. The most significant change will allow for a up to 50% of the affordable housing requirement to be satisfied with an in-lieu fee. This fee would provide the City with a funding mechanism to support projects that produce units that contribute to meeting the RHNA goals. The second significant change is the deepening of the affordability level of moderate-income units for households whose gross annual income does not exceed from 120% to 110% of AMI. More detailed description is provided below and in Attachment 3.

ORDINANCE CHANGE DESCRIPTION

The City is proposing to amend Chapter 14.04 (Inclusionary Housing) of Title 14 (Housing), changing the inclusionary housing requirements; amending Section 14.08.020 (Fee Established) to add a cost-of-living annual increase to the in-lieu housing fees; and repealing duplicative affordable housing provisions in Chapter 18.48.

The following is a summary of the notable changes:

1. **In-Lieu Fee Election for One-Half of Required Inclusionary Units.** Developers may elect to satisfy the applicable requirements (For-sale in Downtown, For-sale Outside Downtown, Rental Projects in Downtown and Rental Project outside Downtown) by paying an in-lieu fee for up to one-half of the number of required inclusionary units and constructing the remaining required inclusionary units for up to 50% of their affordability requirement (see sections 14.04.040.A.3 and 14.04.070.D.1.b). If the required number of inclusionary units results in a fractional number, the provisions of the preceding paragraph regarding payment of a fee shall apply to the fractional unit.

These funds would provide the City the ability to leverage outside funding sources to build very low-income units.

2. **In-lieu fee schedule.** Fees will be automatically increased for inflation. See sections 14.04.070.D.3 and 14.08.020.G. Previous discussions considered increasing the in-lieu fees, but staff has determined it is not appropriate at this time, acknowledging the fact that we are doing this to be sensitive to several variables, high lumber and construction costs, and the uncertainty of the impacts of the COVID-19 pandemic. Pursuant to State law, an automatic increase for inflation allows the City to apply the higher fee to projects even after the submittal of a preliminary application, whereas otherwise, fees are locked in at the time of the preliminary application submittal.
3. **“Affordable Sales Price” defined.** Moderate-Income units that are built would be priced for households whose gross annual income does not exceed 110% of AMI instead of 120%. See section 14.04.030.3. They would remain moderate units and be counted as such, just slightly more affordable for the consumer, achieving the original objective to deepen affordability.
4. **Accessory Dwelling Units (ADUs).** ADU’s constructed within for-sale projects will not be counted toward satisfaction of the requirement to construct inclusionary units (See Section 14.04.040.G). ADU’s are not deed restricted for affordability and the City cannot require them to be rented out.

Further reasons the City does not recommend deed restricting ADU’s:

- Current law does not allow a city to force a property owner to become a landlord.
- Inclusionary Units must be monitored by city staff or paid administrator annually and must requalify each new applicant anytime occupancy changes.
- The State Housing and Community Development Department (HCD) has advised that an affordability deed restriction may be considered an impediment to ADU creation.

- Based on available data, inclusionary detached homes have been in the range of 1,600 to 1,800 square feet and inclusionary attached townhomes /condominiums have ranged from 1,400 to 1,600 square feet. Inclusionary units are separately owned by income eligible households.
 - Accessory dwelling units (ADUs) range from 500 to 700 square feet, smaller and less costly to build. They are not separately owned by income eligible households; instead, the property owner determines whether to rent out an ADU and at what price.
5. **Alternatives.** For developers who choose an alternative method for complying with the IHO, the City is requiring a deeper level of affordability or a higher number of units built to benefit the City. See Section 14.04.070 in the draft Ordinance.
 6. **Incentives.** Section 14.04.120 related to incentives to building on-site inclusionary housing units is recommended for deletion as these are available automatically through State Density Bonus Law.

All proposed amendments are provided in the draft Ordinance (Attachment 4) (additions in underline, deletions in ~~strikeout~~).

ANALYSIS

The proposed ordinance amendment has been analyzed with respect to consistency with the: 1) General Plan; and 2) California environmental Quality Act.

1. General Plan

The proposed amendments further the City's Housing Element strategy.

Morgan Hill's Housing Element Strategy 2015-2023

- a. Build new housing to meet the full range of future community housing needs, including affordability and accessibility.
- b. Build housing for groups with special needs.
- c. Ensure a range of housing types for all age groups, served by transit, recreational amenities, shopping and health and personal services, that allow residents to age in place.
- d. Preserve and rehabilitate existing affordable housing in the community.

The proposed amendments to the Inclusionary Housing Ordinance will allow for the City to continue to create opportunities for income-based restricted units to be integrated within all housing developments while at the same time create a funding stream for the creation of affordable projects that support the City's needs in meeting our mandated RNHA goals, with the intention of protecting the City from SB 35 and similar legislation.

Shifting the percentage of the level of affordability for households whose gross annual income does not exceed from 120% to 110% of the Area Median Income also supports the goal of deepening affordability in our community.

CEQA (California Environmental Quality Act):

This ordinance is exempt from environmental review pursuant to Section 15061(b)(3) of the California Environmental Quality Act (CEQA) Guidelines, as the proposed text amendments to the Morgan Hill Municipal Code is not a project with potential for causing a significant effect on the environment requiring California Environmental Quality Act (CEQA) analysis.

COMMUNITY ENGAGEMENT

Staff hosted a Development Community Workshop on Monday, May 24, 2021 at 11:00 a.m. and 5:00 p.m. to preview proposed modifications to the City of Morgan Hill's Affordable Housing Inclusionary Housing Ordinance (IHO). Additional information can be found on the [City's Housing Webpage](#), and meeting materials can be found at: [KMA Presentation](#), and [Community Workshop](#). Subsequently staff presented an evaluation of the proposed modifications to the Planning Commission as an informational item at their June 8, 2021 meeting. A notice was published in the Morgan Hill times October 22, 2021, to advise the public the Morgan Hill Planning Commission will conduct a public hearing on the proposal to amend the Inclusionary Housing Ordinance.

LINKS/ATTACHMENTS:

1. Resolution
2. KMA - Affordable Housing Inclusionary Housing Evaluation
3. What is an Inclusionary Housing Ordinance
4. IHO Ordinance November 2021

RESOLUTION NO. 21-16

A RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF MORGAN HILL RECOMMENDING APPROVAL OF AMENDMENTS TO THE INCLUSIONARY HOUSING ORDINANCE (IHO) AMENDING CHAPTER 14.04 (INCLUSIONARY HOUSING) AND SECTION 14.08.020 (FEE ESTABLISHED) OF CHAPTER 14.08 (IN-LIEU HOUSING FEES) OF TITLE 14 (HOUSING) AND REPEALING DUPLICATIVE AFFORDABLE HOUSING PROVISIONS IN CHAPTER 18.48 (AFFORDABLE HOUSING) OF TITLE 18 (ZONING) OF THE MUNICIPAL CODE OF THE CITY OF MORGAN HILL

WHEREAS, this proposed Ordinance was considered by the Planning Commission of the City of Morgan Hill at its regular meeting of November 9, 2021;

WHEREAS, the Planning Commission has reviewed recommendations contained in the November 9, 2021, staff report on this item;

WHEREAS, the amendments proposed by this Ordinance are necessary to achieve the City's Regional Housing Needs Allocation requirements;

WHEREAS, this ordinance is exempt from environmental review pursuant to Section 15061(b)(3) of the California Environmental Quality Act (CEQA) Guidelines, as the proposed text amendments to the Morgan Hill Municipal Code is not a project with potential for causing a significant effect on the environment requiring California Environmental Quality Act (CEQA) analysis; and

WHEREAS, testimony received at a duly noticed public hearing, along with exhibits and other materials have been considered in the review process.

NOW, THEREFORE, THE MORGAN HILL PLANNING COMMISSION DOES RESOLVE AS FOLLOWS:

SECTION 1. The proposed amendment is consistent with the General Plan and furthers the City's Housing Element strategy.

- a. Build new housing to meet the full range of future community housing needs, including affordability and accessibility.
- b. Build housing for groups with special needs.

- c. Ensure a range of housing types for all age groups, served by transit, recreational amenities, shopping and health and personal services, that allow residents to age in place.
- d. Preserve and rehabilitate existing affordable housing in the community.

SECTION 2. The Planning Commission hereby recommends approval of changes to the text of the Morgan Hill Municipal Code amending the Inclusionary Housing Ordinance (IHO) Amending Chapter 14.04 (Inclusionary Housing) and Section 14.08.020 (Fee Established) of Chapter 14.08 (In-Lieu Housing Fees) of Title 14 (Housing) and Repealing Duplicative Affordable Housing Provisions in Chapter 18.48 (Affordable Housing) of Title 18 (Zoning) of the Municipal Code which are shown by strike-out text for deletions and underline text for additions. All text amendments recommended to be made as shown in the draft ordinance.

PASSED AND ADOPTED THIS 9th DAY OF NOVEMBER 2021, AT A REGULAR MEETING OF THE PLANNING COMMISSION BY THE FOLLOWING VOTE:

AYES: COMMISSIONERS:

NOES: COMMISSIONERS:

ABSTAIN: COMMISSIONERS:

ABSENT: COMMISSIONERS:

ATTEST:

JENNA LUNA, Deputy City Clerk

APPROVED:

MALISHA KUMAR, Chair

Date: _____



KEYSER MARSTON ASSOCIATES

DRAFT EVALUATION OF PROPOSED MODIFICATIONS TO AFFORDABLE HOUSING INCLUSIONARY REQUIREMENTS

Prepared for
City of Morgan Hill

Prepared by
Keyser Marston Associates, Inc.

May 7, 2021

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I. INTRODUCTION

The City of Morgan Hill is considering modifying its affordable housing inclusionary program to deepen the overall level of affordability of for-sale inclusionary units. The City's current program requires new for-sale residential projects to either: 1) restrict 10% or 15%¹ of total units at affordable sales prices to Moderate-Income households; or 2) pay a fee in-lieu of providing on-site units. Two alternative program changes are being considered. Under the first alternative, the Moderate-Income category would be stratified into two sub-categories, with 50% of the units available at prices affordable to Median Income households. Under the second alternative, the inclusionary requirement would include a component of Low-income units as well as a lower-price structure for Moderate-income units.

The City's inclusionary requirements are codified in Chapter 14.04 of the City's municipal code.

The City has retained Keyser Marston Associates, Inc. (KMA) to evaluate:

1. The additional financial cost to new for-sale residential projects to provide the proposed deeper levels of on-site affordable units; and
2. Changes to current in-lieu fee levels that would approximate the cost of providing the proposed deeper levels of on-site affordable units.

This report summarizes the preliminary findings of our evaluation.

¹ Projects in Downtown Morgan Hill are required to restrict 10% of their units as Moderate-Income units while projects located outside of the Downtown, are required to restrict 15% of their units as Moderate-Income units.

II. ANALYSIS

A. Summary of the Current Affordable Housing Inclusionary Requirements

The eligibility of households to purchase inclusionary units is based on the annual income of households relative to the income limits that are annually published by the State Department of Housing and Community Development (HCD). Current maximum limits by household size and by level of affordability are provided in the following chart.

HCD Income Limits April 2021								
Household Size	1	2	3	4	5	6	7	8
Extremely Low	\$34,800	\$39,800	\$44,750	\$49,700	\$53,700	\$57,700	\$61,650	\$65,650
Very Low	\$58,000	\$66,300	\$74,600	\$82,850	\$89,500	\$96,150	\$102,750	\$109,400
Low	\$82,450	\$94,200	\$106,000	\$117,750	\$127,200	\$136,600	\$146,050	\$155,450
Median	\$105,900	\$121,050	\$136,150	\$151,300	\$163,400	\$175,500	\$187,600	\$199,700
Moderate	\$127,100	\$145,250	\$163,400	\$181,550	\$196,050	\$210,600	\$225,100	\$239,650

The City's current program serves Moderate-Income households. The maximum annual eligible household income ranges from \$127,100 for a household of one (1) person to \$239,650 for a household with eight (8) people. As shown, a 4-person household can earn up to \$181,550 per year and be eligible for a Moderate-income inclusionary unit.

The maximum prices that can be charged for inclusionary units are calculated at the upper end of the range permitted for Moderate-income households. Prices are calculated based on:

- household incomes at 120% of the Area Median income adjusted for household size, which is the ceiling for qualifying as Moderate-income;
- permitted expenditures on housing costs equal to 35% of income, and
- an assumed household size equal to the number of bedrooms plus one.

The calculation of allowable current maximum prices is detailed in Appendix Tables A-1 through A-7. The current maximum prices for inclusionary units are as follows:

Maximum Home Prices of Inclusionary Units: Current Program							
			Number of Bedrooms In Unit				
			2	3	4	5	6
% of Units Set Aside							
Projects Located Outside of Downtown							
Upper End of Moderate Income (120% of AMI)	15%		\$581,842	\$651,001	\$704,718	\$758,643	\$820,738
Projects Located in Downtown							
Upper End of Moderate Income (120% of AMI)	10%		\$581,842	\$651,001	\$704,718	\$758,643	\$820,738

Source: City of Morgan Hill

In summary, new for-sale residential projects located within downtown must restrict ten percent (10%) of their units for sale at affordable prices to Moderate -Income households. New projects located outside of downtown are required to restrict fifteen percent (15%) of their units for sale at affordable prices to Moderate-Income households.

The City's ordinance provides for some projects with approval by the City Council to make a payment in-lieu of providing on-site inclusionary units. The current in-lieu fee schedule is \$19.70 per habitable square foot for for-sale projects outside of downtown and \$13.20 per habitable square foot for projects located within downtown.

Current Affordable Housing In-Lieu Fee for Ownership Projects	
Projects Located Outside of Downtown	\$19.70 per square foot
Projects Located in Downtown	\$13.20 per square foot

B. Summary of Proposed Alternative Affordable Inclusionary Requirements

As proposed, the overall inclusionary requirement of 10% for downtown projects and 15% for projects outside of downtown would not change but affordability would be deepened. Under Alternative A, two bands of Moderate Income units would be established. The first band would be priced to be affordable to households that earn up to 100% of the Area Median Income (AMI), adjusted for household size. The second band would be targeted to households that earn between 110% and 120% of the AMI. Projects located outside of the Downtown would be required to set-aside 7.5% of units as "Median Income" units and 7.5% as Moderate-Income units. Projects located within the Downtown, would be required to set-aside 5% of units as Median Income units and 5% as Moderate-Income units. Median-income units would be priced at 90% of the AMI, and Moderate-Income units would be priced at 110% of AMI Under Alternative A, the blended price of Moderate-Income units would decline from the current level of 120% of AMI to 100% of AMI.

Under Alternative B, affordability would be further enhanced by adding a Low-Income component to the inclusionary requirement. Projects outside of Downtown would be required to restrict 5% of their units to Low-income households, 5% to Median-income households and 5% to Moderate-Income households. As shown in the following chart, projects within the downtown would be required to restrict 5% of their units to Low-Income households and 5% of their units to Moderate-Income households. Low-Income units would be priced at 70% of the Area Median Income (AMI), Median-income units would be priced at 90% of the AMI, and Moderate-Income units would be priced at 110% of AMI. The objective of establishing these multiple tiers of affordability is to provide housing that is affordable to Low-income households as well as households that are within the Moderate-Income category, but who earn less than 120% of the Area Median Income. Under Alternative B, the blended average level of affordability of the inclusionary units would deepen from the current program level of 120% of AMI to 90% of AMI.

Both alternatives would significantly reduce the prices of inclusionary units. As shown in the following chart, under Alternative A, the blended average price for 3-bedroom inclusionary units located outside of downtown would be \$521,600, which is approximately \$129,000 less than the current maximum price for a Moderate-income three-bedroom unit. Under Alternative B, the blended price for 3-bedroom inclusionary units located outside of Downtown would approximate \$435,300, which is \$216,000 less than the current maximum price for a Moderate-income three-bedroom unit. Low-income units would range in price from \$232,500 for a two-bedroom unit to \$339,400 for a six-bedroom unit.

Maximum Home Prices of Inclusionary Units: Program Alternatives						
% of Units Set-Aside	Number of Bedrooms In Unit					
	2	3	4	5	6	
	Number of Bedrooms In Unit					
2	3	4	5	6		
Alternative A - Inclusion of Median Priced Units						
Projects Located Outside of Downtown						-
Total % of Inclusionary Units	15%					-
Median Income (90% AMI)	7.5%	\$407,169	\$456,891	\$495,084	\$533,486	\$580,057
Moderate Income (110% AMI)	7.5%	\$523,618	\$586,298	\$634,840	\$683,591	\$740,511
Blended Average (100% AMI)	15%	\$465,394	\$521,595	\$564,962	\$608,539	\$660,284
Projects Located in Downtown						-
Total % of Inclusionary Units	10%					-
Median Income (90% AMI)	5%	\$407,169	\$456,891	\$495,084	\$533,486	\$580,057
Moderate Income (110% AMI)	5%	\$523,618	\$586,298	\$634,840	\$683,591	\$740,511
Blended Average (100% AMI)	10%	\$465,394	\$521,595	\$564,962	\$608,539	\$660,284
Alternative B - Inclusion of Median and Low Income Units						
Projects Located Outside of Downtown						
Low Income (70% AMI)	5%	\$232,495	\$262,781	\$285,450	\$308,328	\$339,375
Median Income (90% AMI)	5%	\$407,169	\$456,891	\$495,084	\$533,486	\$580,057
Moderate Income (110% AMI)	5%	\$523,618	\$586,298	\$634,840	\$683,591	\$740,511
Blended Average (90% AMI)	15%	\$387,761	\$435,323	\$471,791	\$508,468	\$553,314
Projects Located in Downtown						
Low Income (70% AMI)	5%	\$232,495	\$262,781	\$285,450	\$308,328	\$339,375
Moderate Income (110% AMI)	5%	\$523,618	\$586,298	\$634,840	\$683,591	\$740,511
Blended Average (90% AMI)	10%	\$378,057	\$424,540	\$460,145	\$495,960	\$539,943

The income limits for eligible households would change to correspond to the new pricing tiers. As shown in the following chart, the maximum income for households to qualify for Low-income units would range from \$82,450 for a household of one to \$155,450 for a household with eight

people. The income limits for Median price units would range from \$105,900 for a household of one to \$199,700 for a household of eight (8).

HCD Income Limits April 2021								
Household Size	1	2	3	4	5	6	7	8
Low	\$82,450	\$94,200	\$106,000	\$117,750	\$127,200	\$136,600	\$146,050	\$155,450
Median	\$105,900	\$121,050	\$136,150	\$151,300	\$163,400	\$175,500	\$187,600	\$199,700
Moderate	\$127,100	\$145,250	\$163,400	\$181,550	\$196,050	\$210,600	\$225,100	\$239,650

C. Residential Prototypes/Case Studies

To evaluate the economics of providing inclusionary housing, we have examined the profiles of two data bases. The first data base is comprised of seven (7) residential developments that have recently been or are currently marketing units in Morgan Hill. Five of the projects are attached townhome developments and two are detached single family developments. The projects are detailed in Table 3 and summarized in the following chart:

Development	Type	Avg. Unit Size	Units in Marketing Phase ²	Average Home Price
Madison Gate	Townhome	1,783	50	\$779,000
Veneto- Attached	Townhome	1,981	60	\$773,000
The Gables	Townhome	1,718	37	\$7795,990)
Los Colinas	Townhomes	1,906	32	\$961,333)
Valencia	Townhomes	2,036	84	\$934,333
Veneto – Detached	Detached SF	2,791	14	\$1,019,715
Borello Ranch Estates	Detached	4,477	107	\$2,346,852
Average, Townhomes		1,885		\$848,911
Average, Detached		3,364		\$1,683,014
Average, All projects		2,385		\$1,087,226

The second data base consists of all newly constructed market rate residential units in Morgan Hill that have been sold since 2019, using data published by Corelogic. We identified 142 new units that have been sold since 2019. The sales are provided in Table 4 and summarized in the following chart:

² Per Real Estate Economics. The unit count of the marketing phase is generally consistent with the unit count identified on the recorded maps, with the exception of Madrone Plaza II.

Sales of Newly constructed Homes	Number of Units	Avg. Unit Size	Average Bedroom Count	Average Home Price
Single Family	133	3,053	4.16	\$1,474,406
Condominiums	9	1,987	3.75	\$817,438
Total	142	2,986	4.13	\$1,432,767

The two data sets are very consistent with respect to the sizes of traditional detached units. They average over 3,000 square feet and are priced, on average, above \$1.5 million. Many are on very large lots. Despite the large sizes of these homes, the price per square foot ranges from \$455 to \$571 per square foot, which is equal to the price per square foot of smaller units. The townhome units are also relatively large, with all units containing at least 3 bedrooms and the average bedroom count at 3.5 to 3.75 bedrooms per unit. Townhome prices are typically priced in the \$850,000 range, with prices per square foot ranging from \$395 to \$475.

Based on information provided by City staff, many projects are requesting to meet their affordable housing obligations by paying an in-lieu fee. This is to be expected given the large unit sizes of the traditional single-family homes and the price differential between market rate prices that exceed \$1.5 million and Moderate-income prices in the \$650,000 to \$700,000 range (in 2020). The attached townhomes are more likely to provide on-site inclusionary units, which is consistent with expectations given that the unit sizes are smaller and the differential between market rate prices and the deed restricted Moderate-income prices are in the range of \$200,000 to \$300,000 per unit (in 2020).

D. Analysis of Prototypes

Using the case study project data and the sales data on new homes, we have developed hypothetical projects to estimate the sales revenues, development costs, profit margins and impact of providing inclusionary units reflecting the City's current requirements and proposed requirements under both Alternative A and Alternative B. Similar to the methodology that was used to set the current in-lieu fee schedule, the cost to the developer of providing on-site affordable units is calculated as the difference between the net potential profits generated by a 100% market rate project and the estimated profits generated by the project with onsite inclusionary affordable units. The hypothetical projects that have been evaluated consist of the following

	Existing Inclusionary Requirements		Proposed Requirements	
	Within Downtown	Outside of Downtown	Within Downtown	Outside of Downtown
Case Study Townhome Project	✓	✓	✓	✓
Case Study Detached Project	✓	✓	✓	✓
Average of All Case Study Projects	✓	✓	✓	✓
Condominium project reflecting new home sales data	✓	✓	✓	✓
Detached project reflecting new home sales data	✓	✓	✓	✓
Blended project reflecting new home sales data	✓	✓	✓	✓

The analysis of each prototype project is provided in Table 5 through 40. For purposes of this analysis, it has been assumed that the market rate projects achieve, on average, a 10% profit margin, which yields an estimate of market rate unit development costs approximating 90% of unit sales prices. Based on available data, it has been assumed that the average size of inclusionary units within attached product types approximates 90% of the size of market rate units. The average size of inclusionary units within large, detached single family developments have historically approximated 75% of the average size of the market rate units, which has been assumed in this analysis. The per square foot cost of developing the affordable units has been estimated based on the per square foot cost of the market rate units with an adjustment for the smaller size of the affordable units. A 3% transaction fee has been included in the cost of developing/selling inclusionary units.

III. FINDINGS AND RECOMMENDATIONS

A. Downtown Projects

The findings of the analyses for the “Downtown” scenarios are presented in Table 1. As shown, there is a significant cost differential between providing inclusionary attached townhome / condominium units and providing inclusionary large, detached units. This differential is due to the fact that restricted home prices are based on bedroom count and are the same for both townhomes and large detached homes, regardless of square footage. The market rate price of a large, detached home, however, is significantly higher than the price of a smaller townhome with the same bedroom count. As a result, the price differential between a large market rate home and an income-restricted home is much larger than the price differential between a market rate townhome and an income-restricted home with comparable number of bedrooms. The cost of providing the deeper levels of affordable housing under the proposed inclusionary alternatives is also significantly higher than the cost of meeting the current Moderate-income requirements.

Per Square Foot Cost of Providing Inclusionary Units: Within the Downtown		
	<i>Detached Units</i>	<i>Attached Townhomes and Condos</i>
Cost of Current Inclusionary Requirements	\$16.57 to \$19.33	\$4.00 to \$7.00
Cost of Alternative A Inclusionary Requirements (Blended Avg. Affordable Price at 100% of AMI)	\$21.07 to \$22.97	\$10.82 to \$13.50
Cost of Alternative B Inclusionary Requirements (Blended Avg. Affordable Price at 90% of AMI)	\$24.44 to \$25.69	\$15.84 to \$18.69

B. Projects Located Outside of Downtown

The findings of the analyses for the “Outside of Downtown” scenarios are presented in Table 2. Similar to the findings of the “Downtown Scenarios”, there is a significant cost differential between providing inclusionary attached townhome / condominium units and providing inclusionary large, detached units. The cost of providing the deeper levels of affordable housing under the proposed inclusionary alternatives is also significantly higher than the cost of meeting the current Moderate-income requirements. Given that projects outside of downtown have a 15% inclusionary requirement compared with a 10% requirement for projects within downtown, the cost of meeting the inclusionary requirements for projects outside of downtown is significantly higher than the cost for projects within downtown.

Per Square Foot Cost of Providing Inclusionary Units: Outside of Downtown		
	<i>Detached Units</i>	<i>Attached Townhomes and Condos</i>
Cost of Current Inclusionary Requirements	\$24.86 to \$29.00	\$6.00 to \$10.00
Cost of Alternative A Inclusionary Requirements (Blended Avg. Affordable Price at 100% of AMI)	\$31.60 to \$34.45	\$16.23 to \$20.25
Cost of Alternative B Inclusionary Requirements (Blended Avg. Affordable Price at 90% of AMI)	\$36.09 to \$38.08	\$22.92 to \$27.17

C. Accessory Dwelling Units Are Not Comparable to Inclusionary Units

The City's current program permits inclusionary units to be smaller, on average, than the blended average of all market rate units within a specific project, but not less than the size of the smallest market rate unit of the same product type and bedroom count. Based on available data, inclusionary detached homes have been in the range of 1,600 to 1,800 square feet and inclusionary attached townhomes / condominiums have ranged from 1,400 to 1,600 square feet. Inclusionary units are separately owned by income eligible households. In contrast, accessory dwelling units (ADUs) typically range from 500 to 700 square feet, which makes them much smaller and less costly to build than inclusionary units. They are also not separately owned by income eligible households. Because of these differences, ADUs are not comparable to inclusionary units and cannot count toward the inclusionary unit requirement.

D. Other Jurisdictions' Inclusionary Requirements and In-lieu Fee Provisions

As shown on the following chart, the on-site inclusionary requirements of neighboring communities range from 12.5% to 15% of on-site units. Most of the programs require only Moderate-income inclusionary units. Only two jurisdictions have Low-income components. The in-lieu fee provisions are typically levied per square foot of livable area. Fees range from \$17.82 per square foot to \$125 per square foot.

City	Inclusionary Percent	Affordability Level	In-Lieu Fee**
Campbell	15%	Low and Moderate	\$34.50
Los Altos	15%	Majority Mod and some Low	TBD
Santa Clara	15%	Average 100% AMI	Detached: \$30 psf; Townhome \$25 psf; Condo: \$20 per sf
Cupertino	15%	50% Moderate, 50% Median	\$17.82 psf for detached; \$19.60 psf for small lot
San Jose*	15%	Moderate	Transitioning to \$25 per sf
Mountain View	15% general 15% to 20% for townhomes	Median for 15%; Moderate for 20%	\$54.50 per sf; \$125 per sf for townhomes
Sunnyvale	12.5%	Moderate	7% of sales price****
Palo Alto	15% < 5 acres; 20% > 5 acres	2/3 Median; 1/3 Moderate	\$77.62 psf; \$51.75 psf for attached and condos

E. Recommendations

Based on our review of the case study projects and the analysis described above, we offer the following recommendations:

1. Select Alternative A if the City Desires to Deepen the Level of Affordability of the Inclusionary Program

The City's current inclusionary program creates homes that are affordable to households earning 120% of AMI. If the City desires to serve a broader range of households and deepen the level of affordability of affordable units, we recommend that the City adopt Alternative A. Under Alternative A, inclusionary homes would be offered at prices based on 90% of the AMI (which would be affordable to households earning up to 100% of the AMI) and 110% of the AMI (which would be affordable to households earning up to 120% of the AMI). The blended average level of affordability would average 100% of the AMI.

Under Alternative B, the blended average level of affordability would approximate 90% of the AMI. To our knowledge, the inclusionary programs of other jurisdictions do not average less than 100% of AMI. If the proposed changes are adopted, Morgan Hill could have the deepest inclusionary requirement within the County, which could have an adverse impact on the level of housing construction in the City.

2. Consider Establishing Two In-Lieu Fee Rates: One Rate for Townhomes / Condominiums and One Rate for Large Single Family Detached Homes

Given the significant difference in unit size and corresponding price between the traditional single family detached homes and the attached condominiums and townhomes, we recommend that the City consider modifying the fee schedule so that the large single family detached projects are subject to a different in-lieu fee schedule than attached townhomes and condominiums. The in-lieu fees for large single family detached homes should be higher than the in-lieu fees charged for attached townhomes and condominiums.

3. Fee Levels to Encourage Inclusionary Units Rather than Payment of In-Lieu Fees

It is our understanding that the City would like to encourage developers to build on-site affordable units rather than request to pay an in-lieu fee. Charging somewhat higher fees than the cost of providing on-site units is one approach to incentivizing the construction of units. To achieve that objective, we would recommend that the in-lieu fees be at the upper end of the ranges established by the analysis, as follows:

Desired Level of Inclusionary Requirement	Detached Units	Attached Townhomes and Condos
<i>Downtown Project In-lieu Fee Schedule, Per SF</i>		
Current Program (Prices at 120% AMI)	\$19.30	\$7.00
Alternative A (Avg. Blended Price at 100% AMI)	\$23.00	\$13.50
Alternative B Avg. Blended Price at 90% AMI)	Not Recommended	
<i>Outside of Downtown Project In-Lieu Fee Schedule</i>		
Current Program (Prices at 120% AMI)	\$29.00	\$10.00
Alternative A (Avg. Blended Price at 100% AMI)	\$34.50	\$20.30
Alternative B Avg. Blended Price at 90% AMI)	Not Recommended	

Table 1

Summary of Cost of Providing 10% Affordable Inclusionary Units: Projects Located in Downtown Morgan Hill
City of Morgan Hill

	Case Study Indicators					
	Newly Built Units in Morgan Hill, Sold from 2019 -2021			Sample of Seven (7) Current Projects		
	All Units	Non Condo Units	Condo Units	All Units	Detached Units	Attached Townhomes
Average Size of Market Rate Unit	2,986	3,053	1,987	2,385	3,634	1,885
Average Bedroom Count	4.13	4.16	3.75	3.61	3.64	3.5
Average Market Rate Price	\$1,432,767	\$1,474,406	\$817,438	\$1,087,226	\$1,683,014	\$848,911
Price Per SF	\$480	\$483	\$411	\$456	\$463	\$450
Assumed Size of Inclusionary Unit	2,269	2,290	1,788	2,051	2,726	1,697
Current Inclusionary Requirement: 10% Moderate (120% of AMI)						
Avg. Price of Affordable Units	\$711,728	\$713,346	\$691,289	\$683,768	\$685,380	\$677,860
On-Site Cost (Foregone Profit)						
Per Affordable Unit	\$490,000	\$506,000	\$80,000	\$340,000	\$703,000	\$120,000
Per SF, all Units	\$16.34	\$16.57	\$4.00	\$14.19	\$19.33	\$7.00
Alternative A Inclusionary Requirement: 5% Median (90% AMI) and 5% Moderate (110% AMI)						
Avg. Price of Affordable Units	\$570,627	\$571,934	\$554,120	\$548,049	\$549,350	\$543,278
On-Site Cost (Foregone Profit)						
Per Affordable Unit	\$620,000	\$640,000	\$210,000	\$470,000	\$830,000	\$250,000
Per SF, all Units	\$20.92	\$21.07	\$10.82	\$19.71	\$22.97	\$13.50
Alternative B Inclusionary Requirement: 5% Low (70% AMI) and 5% Moderate (110% AMI)						
Avg. Price of Affordable Units	\$464,801	\$465,875	\$451,244	\$446,259	\$447,327	\$442,342
On-Site Cost (Foregone Profit)						
Per Affordable Unit	\$730,000	\$750,000	\$310,000	\$570,000	\$930,000	\$350,000
Per SF, all Units	\$24.36	\$24.44	\$15.84	\$23.85	\$25.69	\$18.69

Table 2

Summary of Cost of Providing 15% Affordable Inclusionary Units: Projects Located Outside of the Downtown
City of Morgan Hill

	Case Study Indicators					
	Newly Built Units in Morgan Hill, Sold from 2019 -2021			Sample of Seven (7) Current Projects		
	All Units	Non Condo Units	Condo Units	All Units	Detached Units	Attached Townhomes
Average Size of Market Rate Unit	2,986	3,053	1,987	2,385	3,634	1,885
Average Bedroom Count	4.13	4.16	3.75	3.61	3.64	3.5
Average Market Rate Unit Price	\$1,432,767	\$1,474,406	\$817,438	\$1,087,226	\$1,683,014	\$848,911
Price Per SF	\$480	\$483	\$411	\$456	\$463	\$450
Assumed Size of Inclusionary Unit	2,269	2,290	1,788	2,051	2,726	1,697
Current Inclusionary Requirement: 15% Moderate (120% of AMI)						
Avg. Price of Affordable Units	\$711,728	\$713,346	\$691,289	\$683,768	\$685,380	\$677,860
On-Site Cost (Foregone Profit)						
Per Affordable Unit	\$490,000	\$506,000	\$80,000	\$340,000	\$703,000	\$120,000
Per SF, all Units	\$24.51	\$24.86	\$6.00	\$21.29	\$29.00	\$10.00
Alternative A Requirement: 0% Low (70% AMI), 7.5% Median (90% AMI), and 7.5% Moderate (110% AMI)						
Avg. Price of Affordable Units	\$570,627	\$571,934	\$554,120	\$548,049	\$549,350	\$543,278
On-Site Cost (Foregone Profit)						
Per Affordable Unit	\$620,000	\$640,000	\$210,000	\$470,000	\$830,000	\$250,000
Per SF, all Units	\$31.39	\$31.60	\$16.23	\$29.57	\$34.45	\$20.25
Alternative B Requirement: 5% Low (70% AMI), 5% Median (90% AMI), and 5% Moderate (110% AMI)						
Avg. Price of Affordable Units	\$476,559	\$477,660	\$462,674	\$457,569	\$458,663	\$453,557
On-Site Cost (Foregone Profit)						
Per Affordable Unit	\$720,000	\$730,000	\$300,000	\$560,000	\$920,000	\$340,000
Per SF, all Units	\$35.97	\$36.09	\$22.92	\$35.09	\$38.08	\$27.17

Table 3
Morgan Hill Residential Projects Marketed in 2020

Name	Developer	Product Type	Avg. Price	Avg. SF	Bedroom Count	Homes offered	Price Per SF
Madison Gate	Tri Pointe Homes	Attached Townhome	\$779,900	1,783	3	50	\$437
	Plan A		\$749,900	1,639	3		\$458
	Plan B		\$749,900	1,771	3		\$423
	Plan C		\$834,900	1,941	3		\$430
Veneto - Detached	Van Daele Homes	Detached	\$1,019,175	2,791	3	14	\$365
	Plan A		\$1,028,350	2,742	3		\$375
	Plan B		\$1,010,000	2,841	3		\$356
Veneto - Attached	Van Daele Homes	Attached Townhome	\$773,000	1,981	3.7	60	\$390
	Plan A		\$683,000	1,559	3		\$438
	Plan B		\$785,000	1,986	4		\$395
	Plan C		\$851,000	2,398	4		\$355
The Gables	Van Daele Homes	Attached Townhome	\$795,990	1,718	3.3	37	\$463
	Plan A		\$729,990	1,409	3		\$518
	Plan B		\$808,990	1,647	3		\$491
	Plan C		\$849,990	2,100	4		\$405
Borello Ranch Estates	Toll Brothers	Detached	\$2,346,852	4,477	4.3	107	\$524
	Plan A		\$1,975,995	3,401	4		\$581
	Plan B		\$2,031,995	3,595	4		\$565
	Plan C		\$2,340,995	4,057	4		\$577
	Plan D		\$2,159,995	4,167	3		\$518
	Plan E		\$2,395,995	4,266	4		\$562
	Plan F		\$2,765,995	5,921	6		\$467
	Plan G		\$2,756,995	5,932	5		\$465
Los Colinas	ividend Home	Attached Townhome	\$961,333	1,906	4	32	\$504
	Plan A		\$869,000	1,795	4		\$484
	Plan B		\$895,000	1,872	4		\$478
	Plan C		\$1,120,000	2,052	4		\$546
Valencia	ividend Home	Attached Townhome	\$934,333	2,036	4	84	\$459
	Plan A		\$903,000	1,802	4		\$501
	Plan B		\$935,000	1,870	4		\$500
	Plan C		\$965,000	2,438	4		\$396
Average							
	All Projects		\$1,087,226	2,385	3.61		\$456
	3 Beds		\$972,781	2,191	3		\$444
	4 Beds		\$1,301,382	2,587	4		\$503
	5 Beds		\$2,756,995	5,932	5		\$465
	6 Beds		\$2,765,995	5,921	6		\$467
	Attached Units		\$848,911	1,885	3.50		\$450
	3 Beds		\$824,379	1,944	3		\$424
	4 Beds		\$908,110	2,035	4		\$446
	Detached Units		\$1,683,014	3,634	3.64		\$463
	3 Beds		\$1,459,782	3,213	3		\$454
	4 Beds		\$2,186,245	3,830	4		\$571
	5 Beds		\$2,756,995	5,932	5		\$465
	6 Beds		\$2,765,995	5,921	6		\$467

Table 4
Sales of New Homes in Morgan Hill in 2019 through 2021

source: Corelogic

Address	Zip	Sale Date	Sale Price	Type	# Bed	SF	Lot SF	Year Built	Price Per SF
17065 Saint Brendan Loop	95037	01/14/2021	\$1,265,000	Sfr	3	1877	5,647	2018	\$674
1300 Red Bird Ln	95037	03/09/2021	\$1,342,500	Sfr	3	2383	5,862	2018	\$563
1304 Rainbow Crow Ln	95037	02/23/2021	\$1,335,000	Sfr	3	2383	6,481	2018	\$560
85 Via Ravenna	95037	03/01/2021	\$831,000	Sfr	3	1409	1,417	2019	\$590
17089 Saint Brendan Loop	95037	06/27/2019	\$694,500	Sfr	3	1877	4484	2018	\$370
17105 Saint Brendan Loop	95037	10/29/2019	\$964,500	Sfr	3	1877	4490	2018	\$514
16815 Murphy Ave	95037	08/02/2019	\$1,160,000	Sfr	3	2841	6088	2018	\$408
18730 Corte Paterna	95037	02/01/2019	\$1,962,000	Sfr	3	4168	12338	2019	\$471
51 Hencken Oaks Ln	95037	09/04/2020	\$785,000	Sfr	3	1562	2180	2019	\$503
47 Hencken Oaks Ln	95037	09/04/2020	\$766,000	Sfr	3	1562	1726	2019	\$490
43 Hencken Oaks Ln	95037	10/14/2020	\$759,000	Sfr	3	1562	1701	2019	\$486
39 Hencken Oaks Ln	95037	10/01/2020	\$779,000	Sfr	3	1562	2189	2019	\$499
35 Hencken Oaks Ln	95037	12/17/2020	\$728,000	Sfr	3	1562	2193	2019	\$466
31 Hencken Oaks Ln	95037	10/09/2020	\$760,000	Sfr	3	1562	1709	2019	\$487
27 Hencken Oaks Ln	95037	10/23/2020	\$760,000	Sfr	3	1562	1730	2019	\$487
23 Hencken Oaks Ln	95037	09/28/2020	\$779,000	Sfr	3	1562	2076	2019	\$499
41 W Dunne Ave	95037	09/28/2020	\$699,000	Sfr	3	1223	1890	2019	\$572
45 W Dunne Ave	95037	09/16/2020	\$699,000	Sfr	3	1223	1597	2019	\$572
15513 Monterey St	95037	03/09/2020	\$836,000	Sfr	3	1649	2365	2019	\$507
65 Via Ravenna	95037	11/20/2019	\$690,500	Sfr	3	1409	1412	2019	\$490
64 Via Ravenna	95037	01/02/2020	\$677,500	Sfr	3	1409	1413	2019	\$481
84 Via Ravenna	95037	12/21/2019	\$772,000	Sfr	3	1649	2164	2019	\$468
15531 Salerno Ln	95037	10/14/2020	\$850,000	Sfr	3	1649	2495	2019	\$515
1295 Bloom Ln	95037	11/24/2020	\$789,000	Condominium	3	1559	2545	2020	\$506
1235 Canopy Ln	95037	08/21/2019	\$689,500	Condominium	3	1559	2545	2020	\$442
225 Valencia Ave	95037	03/09/2021	\$888,000	Condominium	4	2000		2018	\$444
17073 Saint Brendan Loop	95037	01/07/2019	\$1,150,000	Sfr	4	2500	7900	2018	\$460
17097 Saint Brendan Loop	95037	02/14/2019	\$1,032,500	Sfr	4	1952	4869	2018	\$529
17113 Saint Brendan Loop	95037	10/15/2019	\$975,000	Sfr	4	1952	4876	2018	\$499
17121 Saint Brendan Loop	95037	11/26/2019	\$1,051,500	Sfr	4	2500	5712	2018	\$421
335 Calle Del Rey	95037	04/08/2019	\$935,000	Sfr	4	1870	4288	2018	\$500
295 Calle Del Rey	95037	04/08/2019	\$929,000	Sfr	4	2051	3669	2018	\$453
275 Calle Del Rey	95037	04/08/2019	\$919,500	Sfr	4	2054	3677	2018	\$448
221 Vereda La Paz	95037	04/08/2019	\$939,500	Sfr	4	1870	4146	2018	\$502
201 Vereda La Paz	95037	04/08/2019	\$898,000	Sfr	4	1870	3995	2018	\$480
161 Vereda La Paz	95037	06/10/2019	\$925,000	Sfr	4	1870	5201	2018	\$495
270 Calle Del Rey	95037	04/08/2019	\$1,150,000	Sfr	4	2438	6071	2018	\$472
260 Calle Del Rey	95037	04/08/2019	\$959,000	Sfr	4	2051	4631	2018	\$468
240 Calle Del Rey	95037	04/08/2019	\$920,000	Sfr	4	1870	4165	2018	\$492
15625 Rome Ave	95037	08/06/2019	\$790,000	Condominium	4	2009	1333	2018	\$393
215 Valencia Ave	95037	03/25/2019	\$695,000	Condominium	4	2199	1333	2018	\$316
225 Valencia Ave	95037	03/26/2019	\$631,000	Condominium	4	2000	1333	2018	\$316
235 Valencia Ave	95037	09/27/2019	\$840,000	Condominium	4	2199	1333	2018	\$382
265 Valencia Ave	95037	03/13/2020	\$795,000	Condominium	4	2009	1333	2018	\$396
15600 Santorini Ln	95037	03/26/2019	\$734,500	Condominium	4	2426	1371	2018	\$303
15610 Santorini Ln	95037	07/30/2019	\$715,500	Condominium	4	2199	1333	2018	\$325
15640 Santorini Ln	95037	03/29/2019	\$850,000	Condominium	4	2000	1333	2018	\$425
15660 Santorini Ln	95037	10/14/2019	\$774,500	Condominium	4	2426	1374	2018	\$319
15521 Monterey St	95037	11/02/2020	\$899,000	Sfr	4	2099	2354	2018	\$428
15509 Monterey St	95037	01/30/2020	\$805,500	Sfr	4	2106	2405	2018	\$382
110 Lucca Ave	95037	12/02/2020	\$920,000	Sfr	4	2099	2279	2018	\$438
17900 Calle Granada	95037	04/08/2019	\$1,190,000	Sfr	4	2438	5930	2019	\$488
205 Calle Del Rey	95037	04/08/2019	\$1,215,000	Sfr	4	2438	7221	2019	\$498

Table 4
Sales of New Homes in Morgan Hill in 2019 through 2021

source: Corelogic

Address	Zip	Sale Date	Sale Price	Type	# Bed	SF	Lot SF	Year Built	Price Per SF
17810 Calle Granada	95037	04/08/2020	\$938,000	Sfr	4	2054	4013	2019	\$457
17800 Calle Granada	95037	04/08/2019	\$918,000	Sfr	4	1796	4232	2019	\$511
17895 Calle Granada	95037	04/08/2019	\$1,217,500	Sfr	4	2438	6068	2019	\$499
17865 Calle Granada	95037	04/08/2019	\$1,085,000	Sfr	4	1796	4110	2019	\$604
17855 Calle Granada	95037	04/08/2019	\$1,195,000	Sfr	4	2438	5600	2019	\$490
1350 Golden Eagle Ln	95037	04/22/2019	\$1,325,000	Sfr	4	2424	8845	2019	\$547
1340 Golden Eagle Ln	95037	05/29/2019	\$1,480,000	Sfr	4	3091	9209	2019	\$479
18740 Corte Paterna	95037	03/28/2019	\$1,884,500	Sfr	4	3402	16750	2019	\$554
18720 Corte Paterna	95037	01/02/2019	\$1,788,500	Sfr	4	3402	13090	2019	\$526
2290 Via Orista	95037	02/04/2019	\$2,273,000	Sfr	4	4270	23143	2019	\$532
2270 Via Orista	95037	03/25/2019	\$2,211,000	Sfr	4	4057	20036	2019	\$545
18640 Corte Arcangel	95037	07/02/2019	\$1,797,500	Sfr	4	3595	11027	2019	\$500
18680 Corte Arcangel	95037	06/13/2019	\$2,177,500	Sfr	4	4057	19298	2019	\$537
18675 Corte Arcangel	95037	07/30/2019	\$2,027,000	Sfr	4	3402	11927	2019	\$596
18655 Corte Arcangel	95037	04/01/2019	\$2,051,500	Sfr	4	3402	13319	2019	\$603
18645 Corte Arcangel	95037	05/02/2019	\$2,219,500	Sfr	4	4057	18206	2019	\$547
37 W Dunne Ave	95037	02/08/2021	\$895,000	Sfr	4	1724		2019	\$519
33 W Dunne Ave	95037	01/22/2021	\$890,000	Sfr	4	1724		2019	\$516
16733 Murphy Ave	95037	01/14/2021	\$1,199,000	Sfr	4	2831		2019	\$424
18605 Corte Arcangel	95037	05/07/2019	\$1,936,000	Sfr	4	3402	16089	2019	\$569
2255 Via Orista	95037	01/15/2020	\$1,945,000	Sfr	4	4651	13563	2019	\$418
18530 Corte Catalina	95037	08/21/2019	\$2,120,000	Sfr	4	3402	15576	2019	\$623
18520 Corte Catalina	95037	12/12/2019	\$2,229,500	Sfr	4	4477	14441	2019	\$498
18510 Corte Catalina	95037	08/21/2019	\$2,080,000	Sfr	4	3402	13188	2019	\$611
18440 Corte Anacapi	95037	01/21/2020	\$2,263,500	Sfr	4	3402	17121	2019	\$665
29 W Dunne Ave	95037	09/16/2020	\$879,000	Sfr	4	1724	3872	2019	\$510
16827 Murphy Ave	95037	07/29/2019	\$1,033,000	Sfr	4	2841	4735	2019	\$364
16821 Murphy Ave	95037	07/29/2019	\$1,051,000	Sfr	4	2820	4660	2019	\$373
16775 Murphy Ave	95037	07/31/2019	\$1,059,500	Sfr	4	2820	4470	2019	\$376
16769 Murphy Ave	95037	07/29/2019	\$1,046,000	Sfr	4	2831	4230	2019	\$369
16763 Murphy Ave	95037	07/29/2019	\$1,046,000	Sfr	4	2841	4159	2019	\$368
16757 Murphy Ave	95037	08/12/2019	\$991,500	Sfr	4	2820	4154	2019	\$352
16751 Murphy Ave	95037	08/12/2019	\$1,051,409	Sfr	4	2831	4150	2019	\$371
16745 Murphy Ave	95037	08/12/2019	\$1,069,500	Sfr	4	2841	4145	2019	\$376
16739 Murphy Ave	95037	08/12/2019	\$1,028,500	Sfr	4	2820	4140	2019	\$365
16727 Murphy Ave	95037	08/12/2019	\$1,052,000	Sfr	4	2841	4131	2019	\$370
16721 Murphy Ave	95037	08/12/2019	\$1,043,000	Sfr	4	2831	4126	2019	\$368
16715 Murphy Ave	95037	08/12/2019	\$1,108,000	Sfr	4	2820	4637	2019	\$393
1346 Bloom Ln	95037	08/12/2019	\$939,000	Condominium	4	2398	2545	2019	\$392
1342 Bloom Ln	95037	08/12/2019	\$880,000	Condominium	4	1986	2545	2019	\$443
2210 Via Orista	95037	01/29/2020	\$2,389,000	Sfr	4	4360	18996	2020	\$548
2170 Via Orista	95037	02/24/2020	\$2,196,500	Sfr	4	4057	16136	2020	\$541
18410 Corte Anacapi	95037	06/01/2020	\$2,049,000	Sfr	4	3402	14820	2020	\$602
2110 Via Orista	95037	06/01/2020	\$2,270,000	Sfr	4	4270	20347	2020	\$532
2070 Via Orista	95037	07/20/2020	\$2,820,500	Sfr	4	4360	20573	2020	\$647
1995 Via Tolentino	95037	05/18/2020	\$2,108,500	Sfr	4	4477	12302	2020	\$471
2135 Via Orista	95037	04/07/2020	\$2,410,000	Sfr	4	4057	19430	2020	\$594
1206 Canopy Ln	95037	08/14/2019	\$838,500	Condominium	4	2410	2545	2020	\$348
1262 Canopy Ln	95037	08/14/2019	\$805,500	Condominium	4	1986	2545	2020	\$406
1237 Canopy Ln	95037	08/14/2019	\$832,500	Condominium	4	1986	2545	2020	\$419
1233 Canopy Ln	95037	08/14/2019	\$816,500	Condominium	4	2410	2545	2020	\$339
645 Price Dr 1	95037	12/07/2020	\$1,950,000	Sfr	5	3353	31932	2018	\$582
215 Calle Del Rey	95037	04/08/2019	\$1,315,000	Sfr	5	2695	6941	2019	\$488
17890 Calle Granada	95037	04/08/2019	\$1,315,000	Sfr	5	2728	7252	2019	\$482
290 Calle Del Rey	95037	04/08/2019	\$1,239,000	Sfr	5	2695	6395	2019	\$460

Attachment: KMA - Affordable Housing Inclusionary Housing Evaluation (3212 : Amendments to the Inclusionary Housing Ordinance (IHO))

Table 4
Sales of New Homes in Morgan Hill in 2019 through 2021

source: Corelogic

Address	Zip	Sale Date	Sale Price	Type	# Bed	SF	Lot SF	Year Built	Price Per SF
280 Calle Del Rey	95037	04/08/2019	\$1,225,000	Sfr	5	2695	6250	2019	\$455
17850 Calle Granada	95037	04/08/2019	\$1,275,000	Sfr	5	2695	7929	2019	\$473
17885 Calle Granada	95037	04/08/2019	\$1,315,000	Sfr	5	2695	5030	2019	\$488
17845 Calle Granada	95037	04/08/2019	\$1,290,000	Sfr	5	2728	6919	2019	\$473
1400 Golden Eagle Ln	95037	09/15/2019	\$1,752,500	Sfr	5	3930	14528	2019	\$446
1390 Golden Eagle Ln	95037	04/23/2019	\$1,610,000	Sfr	5	3418	10572	2019	\$471
1380 Golden Eagle Ln	95037	07/12/2019	\$1,625,000	Sfr	5	3875	10921	2019	\$419
2250 Via Orista	95037	03/12/2019	\$2,232,500	Sfr	5	4477	16955	2019	\$499
2230 Via Orista	95037	03/01/2019	\$2,727,500	Sfr	5	5932	16636	2019	\$460
18600 Corte Arcangel	95037	07/02/2019	\$2,758,500	Sfr	5	5932	14223	2019	\$465
18685 Corte Arcangel	95037	06/18/2019	\$2,716,500	Sfr	5	6260	18734	2019	\$434
18665 Corte Arcangel	95037	05/07/2019	\$2,115,000	Sfr	5	4477	14343	2019	\$472
18625 Corte Arcangel	95037	06/13/2019	\$2,720,000	Sfr	5	4753	25849	2019	\$572
18615 Corte Arcangel	95037	04/01/2019	\$1,919,000	Sfr	5	4141	11220	2019	\$463
2245 Via Orista	95037	05/07/2019	\$2,901,000	Sfr	5	5932	19810	2019	\$489
2265 Via Orista	95037	05/17/2019	\$1,977,000	Sfr	5	3885	15719	2019	\$509
2275 Via Orista	95037	03/12/2019	\$2,308,500	Sfr	5	4540	20684	2019	\$508
18500 Corte Catalina	95037	12/13/2019	\$3,017,000	Sfr	5	6260	24798	2019	\$482
2050 Via Orista	95037	09/08/2020	\$1,943,000	Sfr	5	4141	13680	2019	\$469
515 Cipres Ln	95037	01/21/2020	\$1,270,000	Sfr	5	2764	5762	2020	\$459
525 Cipres Ln	95037	01/21/2020	\$1,250,000	Sfr	5	2764	5706	2020	\$452
535 Cipres Ln	95037	01/21/2020	\$1,245,000	Sfr	5	2764	5643	2020	\$450
545 Cipres Ln	95037	01/21/2020	\$1,285,000	Sfr	5	2753	6589	2020	\$467
17030 Abeto Ln	95037	01/21/2020	\$1,259,000	Sfr	5	2753	5704	2020	\$457
2205 Via Orista	95037	01/14/2020	\$2,212,500	Sfr	5	4141	10025	2020	\$534
18430 Corte Anacapi	95037	09/08/2020	\$1,989,500	Sfr	5	4141	12955	2020	\$480
18420 Corte Anacapi	95037	10/19/2020	\$3,341,000	Sfr	5	6260	17358	2020	\$534
18400 Corte Anacapi	95037	06/22/2020	\$1,945,500	Sfr	5	4141	14674	2020	\$470
18735 Corte Paterna	95037	07/15/2019	\$3,294,500	Sfr	6	5928	27647	2019	\$556
18710 Corte Paterna	95037	03/12/2019	\$2,503,500	Sfr	6	5932	17593	2019	\$422
18450 Corte Anacapi	95037	12/12/2019	\$2,783,500	Sfr	6	6260	16769	2019	\$445
2095 Via Orista	95037	11/06/2020	\$3,402,000	Sfr	6	6260	19056	2019	\$543
2115 Via Orista	95037	11/23/2020	\$2,872,000	Sfr	6	5928	20323	2019	\$484
18540 Corte Catalina	95037	03/06/2020	\$2,692,500	Sfr	6	6260	21023	2020	\$430

	<u>Units</u>	<u>Price</u>	<u>Beds</u>	<u>SF</u>	<u>Lot size</u>	<u>Yr Built</u>	<u>Price per SF</u>
Units built in 2018 - 20, sold 2019 - 2021	142	\$1,432,767	4.13	2,986	8,570	2,019	\$479.89
3 beds	25	\$894,920	3.00	1,786	3,229	2,019	\$501.19
4 beds	79	\$1,297,309	4.00	2,735	7,571	2,019	\$474.41
5 beds	32	\$1,907,641	5.00	3,960	12,867	2,019	\$481.74
6 beds	6	\$2,924,667	6.00	6,095	20,402	2,019	\$479.87
Condominiums	9	\$817,438	3.75	1,987	2,545	2,020	\$411.39
3 beds	2	\$739,250	3.00	1,559	2,545	2,020	\$474.18
4 beds	7	\$857,143	4.00	2,168	2,545	2,019	\$395.36
SF	133	\$1,474,406	4.16	3,053	8,978	2,019	\$482.91
3 beds	23	\$908,457	3.00	1,805	3,289	2,019	\$503.22
4 beds	72	\$1,340,103	4.00	2,790	8,059	2,019	\$480.38
5 beds	32	\$1,907,641	5.00	3,960	12,867	2,019	\$481.74
6 beds	6	\$2,924,667	6.00	6,095	20,402	2,019	\$479.87

Table 5

All Units Sold 2019-2021, built since 2018

Current Inclusionary Requirements, Downtown

Avg. unit size 2986 4.13 bedrooms; mix of 3, 4, 5, 6 beds

All Units built 2018-2020; Sold 2019 - 2021; Affordable Size = 76% of Market

-----On-site Affordable Units-----				
Total Units	100	Affordable size,	76%	
Inclusionary Rqmt	10%			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	90	10	100	
SF	2,986	2,269		76%
Price Per Du	\$1,432,767	\$711,728	120%	
Sales transaction	\$42,983	\$21,352		
Cost per DU, ex. Trans	\$1,289,490	\$1,078,014		
Price Per sf	\$479.83	\$313.63		
Cost per sf	\$432	\$475		110%
Revenues	\$125,080,559	\$6,903,764	\$131,984,323	
Costs	\$116,054,127	\$10,780,139	\$126,834,266	
Fractional fee		\$0	\$0	
Profit	\$9,026,432	-\$3,876,375	\$5,150,057	
-----All Market Rate Units-----				
Total Units	100			
Inclusionary Rqmt	0			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	100	0	100	
SF	2,986	2,269	298,600	
Price Per Du	\$1,432,767	\$711,728		
Sales Transaction	\$42,983	\$21,352		
Cost per DU	\$1,289,490	\$1,078,014		
Price Per sf	\$480	\$314		
Cost per sf	\$432	\$475		
Revenues	\$138,978,399	\$0	\$138,978,399	
Costs	\$128,949,030	\$0	\$128,949,030	
Profit	\$10,029,369	\$0	\$10,029,369	
-----On-site Compliance Cost-----				
	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>	
100% Mkt. Rate Profit	\$100,294	\$33.59	\$10,029,369	
Profit W/ Affordable	<u>\$51,500.57</u>	\$17.25	\$5,150,057	
Difference	\$48,793	\$16.34	\$4,879,312	
	Per Affordable		\$490,000	
	Per SF, all units		\$16.34	
	Per unit, all units		\$48,800	
	% of Price		3.41%	

Table 6

All Non-Condo Sales; Built 2018-2020; Sold 2019-2021

Current Inclusionary Requirements, Downtown

Avg. Unit Size 3,053 sf

Affordables = 75% of Market Rate Avg. Bed count 4.16

-----On-site Affordable Units-----

Total Units	100			
Inclusionary Rqmt	10%			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	90	10	100	
SF	3,053	2,290		75%
Price Per Du	\$1,474,406	\$713,346	120%	
Transaction costs (3%)	\$44,232	\$21,400		
Cost per DU	\$1,326,965	\$1,094,746		
Price Per sf	\$483	\$312		
Cost per sf	\$435	\$478		110%
Revenues	\$128,715,644	\$6,919,456	\$135,635,100	
Costs	\$119,426,886	\$10,947,465	\$130,374,351	
Fractional fee		\$0	\$0	
Profit	\$9,288,758	-\$4,028,008	\$5,260,749	

-----All Market Rate Units-----

Total Units	100			
Inclusionary Rqmt	0			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	100	0	100	
SF	3,053	2,290	305,300	
Price Per Du	\$1,474,406	\$713,346		
Transaction costs (3%)	\$44,232	\$21,400		
Cost per DU	\$1,326,965	\$1,094,746		
Price Per sf	\$483	\$312		
Cost per sf	\$435	\$478		
Revenues	\$143,017,382	\$0	\$143,017,382	
Costs	\$132,696,540	\$0	\$132,696,540	
Profit	\$10,320,842	\$0	\$10,320,842	

-----On-site Compliance Cost-----

	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>	
100% Mkt. Rate Profit	\$103,208	\$33.81	\$10,320,842	
Profit W/ Affordable	<u>\$52,607</u>	\$17.23	\$5,260,749	
Difference	\$50,601	\$16.57	\$5,060,093	
	Per Affordable		\$506,000	
	Per SF, all units		\$16.57	
	Per unit, all units		\$50,600	
	% of Price		3.43%	

Table 7

All Condominium Units Built 2018-2020; Sold 2019

Current Inclusionary Requirements, Downtown

Affordable Size = 90% of Market

Avg. Size	1,987	Avg. Beds	3.75
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-----On-site Affordable Units-----				
Total Units	100			
Inclusionary Rqmt	10%			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	90	10	100	
SF	1,987	1,788		90%
Price Per Du	\$817,438	\$691,289	0	
Sales Transaction (3%)	\$24,523	\$20,739		
Cost per DU, ex. Trans	\$735,694	\$695,231		
Price Per sf	\$411	\$386.56		
Cost per sf	\$370	\$389		105%
Revenues	\$71,362,337	\$6,705,501	\$78,067,838	
Costs	\$66,212,478	\$6,952,310	\$73,164,788	
Fractional Fee		\$0	\$0	
Profit	\$5,149,859	-\$246,809	\$4,903,050	\$4,903,050

-----All Market Rate Units-----				
Total Units	100			
Inclusionary Rqmt	0			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	100	0	100	
SF	1,987	1788.3	198,700	
Price Per Du	\$817,438	\$691,289		
Sales transaction	\$24,523	\$20,739		
Cost per DU	\$735,694	\$695,231		
Price Per sf	\$411	\$387		
Cost per sf	\$370	\$389		
Revenues	\$79,291,486	\$0	\$79,291,486	
Costs	\$73,569,420	\$0	\$73,569,420	
Profit	\$5,722,066	\$0	\$5,722,066	

-----On-site Compliance Cost-----			
	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>
100% Mkt. Rate Profit	\$57,221	\$28.80	\$5,722,066
Profit W/ Affordable	<u>\$49,031</u>	\$24.68	\$4,903,050
Difference	\$8,190	\$4.12	\$819,016
	Per Affordable		\$80,000
	Per SF, all units		\$4.00
	Per unit, all unit		\$8,200
	% of Price		1.00%

Table 8

All Units Sold 2019-2021, built since 2018

Current Inclusionary Requirements, Outside of Downtown

Avg. unit size 2,986 4.13 bedrooms; mix of 3, 4, 5, 6 beds

All Units built 2018-2020; Sold 2019 - 2021; Affordable Size = 75% of Market

-----On-site Affordable Units-----			
Total Units	100	Affordable size,	0.76
Inclusionary Rqmt	15%		
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>
Units	85	15	100
SF	2,986	2,269	76%
Price Per Du	\$1,432,767	\$711,728	120%
Sales transaction	\$42,983	\$21,352	
Cost per DU, ex. Trans	\$1,289,490	\$1,078,014	
Price Per sf	\$479.83	\$313.63	
Cost per sf	\$432	\$475	110%
Revenues	\$118,131,639	\$10,355,646	\$128,487,285
Costs	\$109,606,676	\$16,170,208	\$125,776,884
Fractional fee		\$0	\$0
Profit	\$8,524,964	-\$5,814,562	\$2,710,401
-----All Market Rate Units-----			
Total Units	100		
Inclusionary Rqmt	0		
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>
Units	100	0	100
SF	2,986	2269.36	298,600
Price Per Du	\$1,432,767	\$711,728	
Sales Transaction	\$42,983	\$21,352	
Cost per DU	\$1,289,490	\$1,078,014	
Price Per sf	\$480	\$314	
Cost per sf	\$432	\$475	
Revenues	\$138,978,399	\$0	\$138,978,399
Costs	\$128,949,030	\$0	\$128,949,030
Profit	\$10,029,369	\$0	\$10,029,369
-----On-site Compliance Cost-----			
	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>
100% Mkt. Rate Profit	\$100,294	\$33.59	\$10,029,369
Profit W/ Affordable	<u>\$27,104.01</u>	\$9.08	\$2,710,401
Difference	\$73,190	\$24.51	\$7,318,968
	Per Affordable		\$490,000
	Per SF, all units		\$24.51
	Per unit, all units		\$73,200
	% of Price		5.11%

Table 9

All Non-Condo Sales; Built 2018-2020; Sold 2019-2021
Current Inclusionary Requirements, Outside of Downtown

Avg. Unit Size 3,053 sf

Affordables = 75% of Market Rate Avg. Bed count 4.16

-----On-site Affordable Units-----

Total Units	100			
Inclusionary Rqmt	15%			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	85	15	100	
SF	3,053	2,290		75%
Price Per Du	\$1,474,406	\$713,346	120%	
Transaction costs (3%)	\$44,232	\$21,400		
Cost per DU	\$1,326,965	\$1,094,746		
Price Per sf	\$483	\$312		
Cost per sf	\$435	\$478		110%
Revenues	\$121,564,775	\$10,379,184	\$131,943,959	
Costs	\$112,792,059	\$16,421,197	\$129,213,256	
Fractional fee		\$0	\$0	
Profit	\$8,772,716	-\$6,042,013	\$2,730,703	

-----All Market Rate Units-----

Total Units	100			
Inclusionary Rqmt	0			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	100	0	100	
SF	3,053	2,290	305,300	
Price Per Du	\$1,474,406	\$713,346		
Transaction costs (3%)	\$44,232	\$21,400		
Cost per DU	\$1,326,965	\$1,094,746		
Price Per sf	\$483	\$312		
Cost per sf	\$435	\$478		
Revenues	\$143,017,382	\$0	\$143,017,382	
Costs	\$132,696,540	\$0	\$132,696,540	
Profit	\$10,320,842	\$0	\$10,320,842	

-----On-site Compliance Cost-----

	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>	
100% Mkt. Rate Profit	\$103,208	\$33.81	\$10,320,842	
Profit W/ Affordable	<u>\$27,307</u>	\$8.94	\$2,730,703	
Difference	\$75,901	\$24.86	\$7,590,139	
	Per Affordable		\$506,000	
	Per SF, all units		\$24.86	
	Per unit, all units		\$75,900	
	% of Price		5.15%	

Table 10
All Condominium Units Built 2018-2020; Sold 2019
Current Inclusionary Requirements, Outside of Downtown
Affordable Size = 90% of Market

Avg. Size	1,987	Avg. Beds	3.75
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-----On-site Affordable Units-----				
Total Units	100			
Inclusionary Rqmt	15%			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	85	15	100	
SF	1,987	1,788		90%
Price Per Du	\$817,438	\$691,289	0	
Sales Transaction (3%)	\$24,523	\$20,739		
Cost per DU, ex. Trans	\$735,694	\$695,231		
Price Per sf	\$411	\$386.56		
Cost per sf	\$370	\$389		105%
Revenues	\$67,397,763	\$10,058,251	\$77,456,014	
Costs	\$62,534,007	\$10,428,465	\$72,962,472	
Fractional Fee		\$0	\$0	
Profit	\$4,863,756	-\$370,214	\$4,493,542	\$4,493,542

-----All Market Rate Units-----				
Total Units	100			
Inclusionary Rqmt	0			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	100	0	100	
SF	1,987	1788.3	198,700	
Price Per Du	\$817,438	\$691,289		
Sales transaction	\$24,523	\$20,739		
Cost per DU	\$735,694	\$695,231		
Price Per sf	\$411	\$387		
Cost per sf	\$370	\$389		
Revenues	\$79,291,486	\$0	\$79,291,486	
Costs	\$73,569,420	\$0	\$73,569,420	
Profit	\$5,722,066	\$0	\$5,722,066	

-----On-site Compliance Cost-----				
	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>	
100% Mkt. Rate Profit	\$57,221	\$28.80	\$5,722,066	
Profit W/ Affordable	<u>\$44,935</u>	\$22.61	\$4,493,542	
Difference	\$12,285	\$6.18	\$1,228,524	
	Per Affordable		\$80,000	
	Per SF, all units		\$6.00	
	Per unit, all unit		\$12,300	
	% of Price		1.50%	

Table 11

All Units Sold 2019-2021, built since 2018

Alternative A Inclusionary Requirements, Downtown

Avg. unit size 2,986 4.13 bedrooms; mix of 3, 4, 5, 6 beds

All Units built 2018-2020; Sold 2019 - 2021; Affordable Size = 76% of Market

-----On-site Affordable Units-----				
Total Units	100			
Inclusionary Rqmt	10%			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	90	10	100	
SF	2,986	2,269		76%
Price Per Du	\$1,432,767	\$570,627		
Transaction costs (3%)	\$42,983	\$17,119		
Cost per DU	\$1,289,490	\$1,078,014		
Price Per sf	\$480	\$251		
Cost per sf	\$432	\$475		110%
Revenues	\$125,080,559	\$5,535,081	\$130,615,640	
Costs	\$116,054,127	\$10,780,139	\$126,834,266	
Fractional Fee		\$0	\$0	
Profit	\$9,026,432	-\$5,245,058	\$3,781,375	
-----All Market Rate Units-----				
Total Units	100			
Inclusionary Rqmt	0			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	100	0	100	
SF	2,986	2,269	298,600	
Price Per Du	\$1,432,767	\$570,627		
Transaction costs (3%)	\$42,983	\$17,119		
Cost per DU	\$1,289,490	\$1,078,014		
Price Per sf	\$480	\$251		
Cost per sf	\$432	\$475		
Revenues	\$138,978,399	\$0	\$138,978,399	
Costs	\$128,949,030	\$0	\$128,949,030	
Profit	\$10,029,369	\$0	\$10,029,369	
-----On-site Compliance Cost-----				
	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>	
100% Mkt. Rate Profit	\$100,294	\$33.59	\$10,029,369	
Profit W/ Affordable	<u>\$37,814</u>	\$12.66	\$3,781,375	
Difference	\$62,480	\$20.92	\$6,247,994	
	Per Affordable		\$620,000	
	Per SF, all units		\$20.92	
	Per unit, all units		\$62,000	
	% of Price		4.33%	

Table 12

All Non-Condo Sales; Built 2018-2020; Sold 2019-2021

Alternative A Inclusionary Requirements, Downtown

Avg. Unit Size 3,053 sf

Affordables = 75% of Market Rate Avg. Bed count 4.16

-----On-site Affordable Units-----				
Total Units	100			
Inclusionary Rqmt	10%			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	90	10	100	
SF	3053	2,290		75%
Price Per Du	\$1,474,406	\$571,934		
Transaction costs (3%)	\$44,232	\$17,158		
Cost per DU	\$1,326,965	\$1,094,746		
Price Per sf	\$483	\$250		
Cost per sf	\$435	\$478		110%
Revenues	\$128,715,644	\$5,547,762	\$134,263,406	
Costs	\$119,426,886	\$10,947,465	\$130,374,351	
Fractional Fee		\$0	\$0	
Profit	\$9,288,758	-\$5,399,702	\$3,889,055	

-----All Market Rate Units-----				
Total Units	100			
Inclusionary Rqmt	0			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	100	0	100	
SF	3,053	2,290	305,300	
Price Per Du	\$1,474,406	\$571,934		
Transaction costs (3%)	\$44,232	\$17,158		
Cost per DU	\$1,326,965	\$1,094,746		
Price Per sf	\$483	\$250		
Cost per sf	\$435	\$478		
Revenues	\$143,017,382	\$0	\$143,017,382	
Costs	\$132,696,540	\$0	\$132,696,540	
Profit	\$10,320,842	\$0	\$10,320,842	

-----On-site Compliance Cost-----				
	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>	
100% Mkt. Rate Profit	\$103,208	\$33.81	\$10,320,842	
Profit W/ Affordable	<u>\$38,891</u>	\$12.74	\$3,889,055	
Difference	\$64,318	\$21.07	\$6,431,787	
	Per Affordable		\$640,000	
	Per SF, all units		\$21.07	
	Per unit, all units		\$64,000	
	% of Price		4.34%	

Table 13

All Condominium Units Built 2018-2020; Sold 2019

Alternative A Inclusionary Requirements, Downtown

Affordable Size = 90% of Market

Avg. Size	1,987	Avg. Beds	3.75
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-----On-site Affordable Units-----

Total Units	100		
Inclusionary Rqmt	10%		
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>
Units	90	10	100
SF	1,987	1,788	90%
Price Per Du	\$817,438	\$554,120	
Transaction costs (3%)	\$24,523	\$16,624	
Cost per DU	\$735,694	\$695,231	
Price Per sf	\$411	\$310	
Cost per sf	\$370	\$389	105%
Revenues	\$71,362,337	\$5,374,965	\$76,737,303
Costs	\$66,212,478	\$6,952,310	\$73,164,788
Fractional Fee		\$0	\$0
Profit	\$5,149,859	-\$1,577,345	\$3,572,514

-----All Market Rate Units-----

Total Units	100		
Inclusionary Rqmt	0		
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>
Units	100	0	100
SF	1,987	1,788	198,700
Price Per Du	\$817,438	\$554,120	
Transaction costs (3%)	\$24,523	\$16,624	
Cost per DU	\$735,694	\$695,231	
Price Per sf	\$411	\$310	
Cost per sf	\$370	\$389	
Revenues	\$79,291,486	\$0	\$79,291,486
Costs	\$73,569,420	\$0	\$73,569,420
Profit	\$5,722,066	\$0	\$5,722,066

-----On-site Compliance Cost-----

	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>
100% Mkt. Rate Profit	\$57,221	\$28.80	\$5,722,066
Profit W/ Affordable	<u>\$35,725</u>	<u>\$17.98</u>	<u>\$3,572,514</u>
Difference	\$21,496	\$10.82	\$2,149,552
	Per Affordable		\$210,000
	Per SF, all units		\$10.82
	Per unit, all units		\$21,500
	% of Price		2.63%

Table 14

All Units Sold 2019-2021, built since 2018

Alternative A Inclusionary Requirements, Outside of Downtown

Avg. unit size 2,986 4.13 bedrooms; mix of 3, 4, 5, 6 beds

All Units built 2018-2020; Sold 2019 - 2021; Affordable Size = 76% of Market

-----On-site Affordable Units-----				
Total Units	100			
Inclusionary Rqmt	15%			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	85	15	100	
SF	2,986	2,269		76%
Price Per Du	\$1,432,767	\$570,627		
Transaction costs (3%)	\$42,983	\$17,119		
Cost per DU	\$1,289,490	\$1,078,014		
Price Per sf	\$480	\$251		
Cost per sf	\$432	\$475		110%
Revenues	\$118,131,639	\$8,302,622	\$126,434,261	
Costs	\$109,606,676	\$16,170,208	\$125,776,884	
Fractional Fee		\$0	\$0	
Profit	\$8,524,964	-\$7,867,586	\$657,377	
-----All Market Rate Units-----				
Total Units	100			
Inclusionary Rqmt	0			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	100	0	100	
SF	2,986	2,269	298,600	
Price Per Du	\$1,432,767	\$570,627		
Transaction costs (3%)	\$42,983	\$17,119		
Cost per DU	\$1,289,490	\$1,078,014		
Price Per sf	\$480	\$251		
Cost per sf	\$432	\$475		
Revenues	\$138,978,399	\$0	\$138,978,399	
Costs	\$128,949,030	\$0	\$128,949,030	
Profit	\$10,029,369	\$0	\$10,029,369	
-----On-site Compliance Cost-----				
	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>	
100% Mkt. Rate Profit	\$100,294	\$33.59	\$10,029,369	
Profit W/ Affordable	\$6,574	\$2.20	\$657,377	
Difference	\$93,720	\$31.39	\$9,371,992	
	Per Affordable		\$620,000	
	Per SF, all units		\$31.39	
	Per unit, all units		\$94,000	
	% of Price		6.56%	

Table 15

All Non-Condo Sales; Built 2018-2020; Sold 2019-2021

Alternative A Inclusionary Requirements, Outside of Downtown

Avg. Unit Size 3,053 sf

Affordables = 75% of Market Rate Avg. Bed count 4.16

-----On-site Affordable Units-----				
Total Units	100			
Inclusionary Rqmt	15%			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	85	15	100	
SF	3053	2,290		75%
Price Per Du	\$1,474,406	\$571,934		
Transaction costs (3%)	\$44,232	\$17,158		
Cost per DU	\$1,326,965	\$1,094,746		
Price Per sf	\$483	\$250		
Cost per sf	\$435	\$478		110%
Revenues	\$121,564,775	\$8,321,643	\$129,886,418	
Costs	\$112,792,059	\$16,421,197	\$129,213,256	
Fractional Fee		\$0	\$0	
Profit	\$8,772,716	-\$8,099,554	\$673,162	

-----All Market Rate Units-----				
Total Units	100			
Inclusionary Rqmt	0			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	100	0	100	
SF	3,053	2,290	305,300	
Price Per Du	\$1,474,406	\$571,934		
Transaction costs (3%)	\$44,232	\$17,158		
Cost per DU	\$1,326,965	\$1,094,746		
Price Per sf	\$483	\$250		
Cost per sf	\$435	\$478		
Revenues	\$143,017,382	\$0	\$143,017,382	
Costs	\$132,696,540	\$0	\$132,696,540	
Profit	\$10,320,842	\$0	\$10,320,842	

-----On-site Compliance Cost-----				
	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>	
100% Mkt. Rate Profit	\$103,208	\$33.81	\$10,320,842	
Profit W/ Affordable	<u>\$6,732</u>	\$2.20	\$673,162	
Difference	\$96,477	\$31.60	\$9,647,680	
	Per Affordable		\$640,000	
	Per SF, all units		\$31.60	
	Per unit, all units		\$96,000	
	% of Price		6.51%	

Table 16
All Condominium Units Built 2018-2020; Sold 2019
Alternative A Inclusionary Requirements, Outside of Downtown
Affordable Size = 90% of Market

Avg. Size	1,987	Avg. Beds	3.75
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-----On-site Affordable Units-----				
Total Units	100			
Inclusionary Rqmt	15%			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	85	15	100	
SF	1,987	1,788		90%
Price Per Du	\$817,438	\$554,120		
Transaction costs (3%)	\$24,523	\$16,624		
Cost per DU	\$735,694	\$695,231		
Price Per sf	\$411	\$310		
Cost per sf	\$370	\$389		105%
Revenues	\$67,397,763	\$8,062,448	\$75,460,211	
Costs	\$62,534,007	\$10,428,465	\$72,962,472	
Fractional Fee		\$0	\$0	
Profit	\$4,863,756	-\$2,366,017	\$2,497,739	

-----All Market Rate Units-----				
Total Units	100			
Inclusionary Rqmt	0			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	100	0	100	
SF	1,987	1,788	198,700	
Price Per Du	\$817,438	\$554,120		
Transaction costs (3%)	\$24,523	\$16,624		
Cost per DU	\$735,694	\$695,231		
Price Per sf	\$411	\$310		
Cost per sf	\$370	\$389		
Revenues	\$79,291,486	\$0	\$79,291,486	
Costs	\$73,569,420	\$0	\$73,569,420	
Profit	\$5,722,066	\$0	\$5,722,066	

-----On-site Compliance Cost-----				
	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>	
100% Mkt. Rate Profit	\$57,221	\$28.80	\$5,722,066	
Profit W/ Affordable	<u>\$24,977</u>	<u>\$12.57</u>	<u>\$2,497,739</u>	
Difference	\$32,243	\$16.23	\$3,224,327	
	Per Affordable		\$210,000	
	Per SF, all units		\$16.23	
	Per unit, all units		\$32,200	
	% of Price		3.94%	

Table 17

All Units Sold 2019-2021, built since 2018

Alternative B Inclusionary Requirements, Downtown

Avg. unit size 2986 4.13 bedrooms; mix of 3, 4, 5, 6 beds

All Units built 2018-2020; Sold 2019 - 2021; Affordable Size = 76% of Market

-----On-site Affordable Units-----				
Total Units	100			
Inclusionary Rqmt	10%			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	90	10	100	
SF	2,986	2,269		76%
Price Per Du	\$1,432,767	\$464,801		
Transaction costs (3%)	\$42,983	\$13,944		
Cost per DU	\$1,289,490	\$1,078,014		
Price Per sf	\$480	\$205		
Cost per sf	\$432	\$475		110%
Revenues	\$125,080,559	\$4,508,569	\$129,589,128	
Costs	\$116,054,127	\$10,780,139	\$126,834,266	
Fractional Fee		\$0	\$0	
Profit	\$9,026,432	-\$6,271,570	\$2,754,862	
-----All Market Rate Units-----				
Total Units	100			
Inclusionary Rqmt	0			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	100	0	100	
SF	2,986	2,269	298,600	
Price Per Du	\$1,432,767	\$464,801		
Transaction costs (3%)	\$42,983	\$13,944		
Cost per DU	\$1,289,490	\$1,078,014		
Price Per sf	\$480	\$205		
Cost per sf	\$432	\$475		
Revenues	\$138,978,399	\$0	\$138,978,399	
Costs	\$128,949,030	\$0	\$128,949,030	
Profit	\$10,029,369	\$0	\$10,029,369	
-----On-site Compliance Cost-----				
	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>	
100% Mkt. Rate Profit	\$100,294	\$33.59	\$10,029,369	
Profit W/ Affordable	<u>\$27,549</u>	\$9.23	\$2,754,862	
Difference	\$72,745	\$24.36	\$7,274,507	
	Per Affordable		\$730,000	
	Per SF, all units		\$24.36	
	Per unit, all units		\$73,000	
	% of Price		5.10%	

Table 18

All Non-Condo Sales; Built 2018-2020; Sold 2019-2021

Alternative B Inclusionary Requirements, Downtown

Avg. Unit Size 3,053 sf

Affordables = 75% of Market Rate Avg. Bed count 4.16

-----On-site Affordable Units-----

Total Units	100		
Inclusionary Rqmt	10%		
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>
Units	90	10	100
SF	3,053	2,290	75%
Price Per Du	\$1,474,406	\$465,875	
Transaction costs (3%)	\$44,232	\$13,976	
Cost per DU	\$1,326,965	\$1,094,746	
Price Per sf	\$483	\$203	
Cost per sf	\$435	\$478	110%
Revenues	\$128,715,644	\$4,518,991	\$133,234,634
Costs	\$119,426,886	\$10,947,465	\$130,374,351
Fractional Fee		\$0	\$0
Profit	\$9,288,758	-\$6,428,474	\$2,860,284

-----All Market Rate Units-----

Total Units	100		
Inclusionary Rqmt	0		
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>
Units	100	0	100
SF	3,053	2,290	305,300
Price Per Du	\$1,474,406	\$465,875	
Transaction costs (3%)	\$44,232	\$13,976	
Cost per DU	\$1,326,965	\$1,094,746	
Price Per sf	\$483	\$203	
Cost per sf	\$435	\$478	
Revenues	\$143,017,382	\$0	\$143,017,382
Costs	\$132,696,540	\$0	\$132,696,540
Profit	\$10,320,842	\$0	\$10,320,842

-----On-site Compliance Cost-----

	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>
100% Mkt. Rate Profit	\$103,208	\$33.81	\$10,320,842
Profit W/ Affordable	<u>\$28,603</u>	\$9.37	\$2,860,284
Difference	\$74,606	\$24.44	\$7,460,558
	Per Affordable		\$750,000
	Per SF, all units		\$24.44
	Per unit, all units		\$75,000
	% of Price		5.09%

Table 19

All Condominium Units Built 2018-2020; Sold 2019

Alternative B Inclusionary Requirements, Downtown

Affordable Size = 90% of Market

Avg. Size	1,987	Avg. Beds	3.75
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-----On-site Affordable Units-----

Total Units	100		
Inclusionary Rqmt	10%		
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>
Units	90	10	100
SF	1,987	1,788	90%
Price Per Du	\$817,438	\$451,244	
Transaction costs (3%)	\$24,523	\$13,537	
Cost per DU	\$735,694	\$695,231	
Price Per sf	\$411	\$252	
Cost per sf	\$370	\$389	105%
Revenues	\$71,362,337	\$4,377,063	\$75,739,401
Costs	\$66,212,478	\$6,952,310	\$73,164,788
Fractional Fee		\$0	\$0
Profit	\$5,149,859	-\$2,575,247	\$2,574,612

-----All Market Rate Units-----

Total Units	100		
Inclusionary Rqmt	0		
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>
Units	100	0	100
SF	1,987	1,788	198,700
Price Per Du	\$817,438	\$451,244	
Transaction costs (3%)	\$24,523	\$13,537	
Cost per DU	\$735,694	\$695,231	
Price Per sf	\$411	\$252	
Cost per sf	\$370	\$389	
Revenues	\$79,291,486	\$0	\$79,291,486
Costs	\$73,569,420	\$0	\$73,569,420
Profit	\$5,722,066	\$0	\$5,722,066

-----On-site Compliance Cost-----

	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>
100% Mkt. Rate Profit	\$57,221	\$28.80	\$5,722,066
Profit W/ Affordable	<u>\$25,746</u>	<u>\$12.96</u>	<u>\$2,574,612</u>
Difference	\$31,475	\$15.84	\$3,147,454
	Per Affordable		\$310,000
	Per SF, all units		\$15.84
	Per unit, all units		\$31,500
	% of Price		3.85%

Table 20

All Units Sold 2019-2021, built since 2018

Alternative B Inclusionary Requirements, Outside of Downtown

Avg. unit size 2986 4.13 bedrooms; mix of 3, 4, 5, 6 beds

All Units built 2018-2020; Sold 2019 - 2021; Affordable Size = 76% of Market

-----On-site Affordable Units-----				
Total Units	100			
Inclusionary Rqmt	15%			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	85	15	100	
SF	2,986	2,269		76%
Price Per Du	\$1,432,767	\$476,559		
Transaction costs (3%)	\$42,983	\$14,297		
Cost per DU	\$1,289,490	\$1,078,014		
Price Per sf	\$480	\$210		
Cost per sf	\$432	\$475		110%
Revenues	\$118,131,639	\$6,933,938	\$125,065,578	
Costs	\$109,606,676	\$16,170,208	\$125,776,884	
Fractional Fee		\$0	\$0	
Profit	\$8,524,964	-\$9,236,270	-\$711,306	
-----All Market Rate Units-----				
Total Units	100			
Inclusionary Rqmt	0			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	100	0	100	
SF	2,986	2,269	298,600	
Price Per Du	\$1,432,767	\$476,559		
Transaction costs (3%)	\$42,983	\$14,297		
Cost per DU	\$1,289,490	\$1,078,014		
Price Per sf	\$480	\$210		
Cost per sf	\$432	\$475		
Revenues	\$138,978,399	\$0	\$138,978,399	
Costs	\$128,949,030	\$0	\$128,949,030	
Profit	\$10,029,369	\$0	\$10,029,369	
-----On-site Compliance Cost-----				
	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>	
100% Mkt. Rate Profit	\$100,294	\$33.59	\$10,029,369	
Profit W/ Affordable	<u>-\$7,113</u>	-\$2.38	-\$711,306	
Difference	\$107,407	\$35.97	\$10,740,675	
	Per Affordable		\$720,000	
	Per SF, all units		\$35.97	
	Per unit, all units		\$107,000	
	% of Price		7.47%	

Table 21

All Non-Condo Sales; Built 2018-2020; Sold 2019-2021

Alternative B Inclusionary Requirements, Outside of Downtown

Avg. Unit Size 3,053 sf

Affordables = 75% of Market Rate Avg. Bed count 4.16

-----On-site Affordable Units-----

Total Units	100		
Inclusionary Rqmt	15%		
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>
Units	85	15	100
SF	3,053	2,290	75%
Price Per Du	\$1,474,406	\$477,660	
Transaction costs (3%)	\$44,232	\$14,330	
Cost per DU	\$1,326,965	\$1,094,746	
Price Per sf	\$483	\$209	
Cost per sf	\$435	\$478	110%
Revenues	\$121,564,775	\$6,949,948	\$128,514,723
Costs	\$112,792,059	\$16,421,197	\$129,213,256
Fractional Fee		\$0	\$0
Profit	\$8,772,716	-\$9,471,249	-\$698,533

-----All Market Rate Units-----

Total Units	100		
Inclusionary Rqmt	0		
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>
Units	100	0	100
SF	3,053	2,290	305,300
Price Per Du	\$1,474,406	\$477,660	
Transaction costs (3%)	\$44,232	\$14,330	
Cost per DU	\$1,326,965	\$1,094,746	
Price Per sf	\$483	\$209	
Cost per sf	\$435	\$478	
Revenues	\$143,017,382	\$0	\$143,017,382
Costs	\$132,696,540	\$0	\$132,696,540
Profit	\$10,320,842	\$0	\$10,320,842

-----On-site Compliance Cost-----

	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>
100% Mkt. Rate Profit	\$103,208	\$33.81	\$10,320,842
Profit W/ Affordable	<u>-\$6,985</u>	-\$2.29	-\$698,533
Difference	\$110,194	\$36.09	\$11,019,375
	Per Affordable		\$730,000
	Per SF, all units		\$36.09
	Per unit, all units		\$110,000
	% of Price		7.46%

Table 22

All Condominium Units Built 2018-2020; Sold 2019

Alternative B Inclusionary Requirements, Outside of Downtown

Affordable Size = 90% of Market

Avg. Size	1,987	Avg. Beds	3.75
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-----On-site Affordable Units-----

Total Units	100		
Inclusionary Rqmt	15%		
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>
Units	85	15	100
SF	1,987	1,788	90%
Price Per Du	\$817,438	\$462,674	
Transaction costs (3%)	\$24,523	\$13,880	
Cost per DU	\$735,694	\$695,231	
Price Per sf	\$411	\$259	
Cost per sf	\$370	\$389	105%
Revenues	\$67,397,763	\$6,731,912	\$74,129,675
Costs	\$62,534,007	\$10,428,465	\$72,962,472
Fractional Fee		\$0	\$0
Profit	\$4,863,756	-\$3,696,554	\$1,167,202

-----All Market Rate Units-----

Total Units	100		
Inclusionary Rqmt	0		
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>
Units	100	0	100
SF	1,987	1,788	198,700
Price Per Du	\$817,438	\$462,674	
Transaction costs (3%)	\$24,523	\$13,880	
Cost per DU	\$735,694	\$695,231	
Price Per sf	\$411	\$259	
Cost per sf	\$370	\$389	
Revenues	\$79,291,486	\$0	\$79,291,486
Costs	\$73,569,420	\$0	\$73,569,420
Profit	\$5,722,066	\$0	\$5,722,066

-----On-site Compliance Cost-----

	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>
100% Mkt. Rate Profit	\$57,221	\$28.80	\$5,722,066
Profit W/ Affordable	<u>\$11,672</u>	<u>\$5.87</u>	<u>\$1,167,202</u>
Difference	\$45,549	\$22.92	\$4,554,864
	Per Affordable		\$300,000
	Per SF, all units		\$22.92
	Per unit, all units		\$45,500
	% of Price		5.57%

Table 23

Summary of Seven (7) Sample Projects

Current Inclusionary Requirements, Downtown

Avg. unit size 2385 3.61 Bedrooms

Seven Current Projects

-----On-site Affordable Units-----				
Total Units	100	Affordable size,	0.86	
Inclusionary Rqmt	10%			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	90	10	100	
SF	2,385	2,051		86%
Price Per Du	\$1,087,226	\$683,768	120%	
Sales transaction	\$32,617	\$20,513		
Cost per DU, ex. Trans	\$978,503	\$925,664		
Price Per sf	\$455.86	\$333.37		
Cost per sf	\$410	\$451		110%
Revenues	\$94,914,830	\$6,632,553	\$101,547,383	
Costs	\$88,065,306	\$9,256,642	\$97,321,948	
Fractional fee		\$0	\$0	
Profit	\$6,849,524	-\$2,624,089	\$4,225,435	
-----All Market Rate Units-----				
Total Units	100			
Inclusionary Rqmt	0			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	100	0	100	
SF	2,385	2051.1	238,500	
Price Per Du	\$1,087,226	\$683,768		
Sales Transaction	\$32,617	\$20,513		
Cost per DU	\$978,503	\$925,664		
Price Per sf	\$456	\$333		
Cost per sf	\$410	\$451		
Revenues	\$105,460,922	\$0	\$105,460,922	
Costs	\$97,850,340	\$0	\$97,850,340	
Profit	\$7,610,582	\$0	\$7,610,582	
-----On-site Compliance Cost-----				
	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>	
100% Mkt. Rate Profit	\$76,106	\$31.91	\$7,610,582	
Profit W/ Affordable	<u>\$42,254.35</u>	\$17.72	\$4,225,435	
Difference	\$33,851	\$14.19	\$3,385,147	
	Per Affordable		\$340,000	
	Per SF, all units		\$14.19	
	Per unit, all units		\$33,900	
	% of Price		3.12%	

Table 24

Summary of Two (2) Detached SF Projects

Current Inclusionary Requirements, Downtown

Avg. Unit Size 3,634 sf

Affordables = 75% of Market Rate Avg. Bed count 3.64

-----On-site Affordable Units-----				
Total Units	100			
Inclusionary Rqmt	10%			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	90	10	100	
SF	3,634	2,726		75%
Price Per Du	\$1,683,014	\$685,380	120%	
Transaction costs (3%)	\$50,490	\$20,561		
Cost per DU	\$1,514,713	\$1,249,638		
Price Per sf	\$463	\$251		
Cost per sf	\$417	\$458		110%
Revenues	\$146,927,122	\$6,648,185	\$153,575,307	
Costs	\$136,324,134	\$12,496,379	\$148,820,513	
Fractional fee		\$0	\$0	
Profit	\$10,602,988	-\$5,848,194	\$4,754,794	
-----All Market Rate Units-----				
Total Units	100			
Inclusionary Rqmt	0			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	100	0	100	
SF	3,634	2,726	363,400	
Price Per Du	\$1,683,014	\$685,380		
Transaction costs (3%)	\$50,490	\$20,561		
Cost per DU	\$1,514,713	\$1,249,638		
Price Per sf	\$463	\$251		
Cost per sf	\$417	\$458		
Revenues	\$163,252,358	\$0	\$163,252,358	
Costs	\$151,471,260	\$0	\$151,471,260	
Profit	\$11,781,098	\$0	\$11,781,098	
-----On-site Compliance Cost-----				
	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>	
100% Mkt. Rate Profit	\$117,811	\$32.42	\$11,781,098	
Profit W/ Affordable	<u>\$47,548</u>	\$13.08	\$4,754,794	
Difference	\$70,263	\$19.33	\$7,026,304	
	Per Affordable		\$703,000	
	Per SF, all units		\$19.33	
	Per unit, all units		\$70,300	
	% of Price		4.18%	

Table 25
Summary of Five (5) Attached Townhome Projects
Current Inclusionary Requirements, Downtown
Affordable Size = 90% of Market

Avg. Size	1,885	Avg. Beds	3.5
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-----On-site Affordable Units-----				
Total Units	100			
Inclusionary Rqmt	10%			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	90	10	100	
SF	1,885	1,697		90%
Price Per Du	\$848,911	\$677,860	0	
Sales Transaction (3%)	\$25,467	\$20,336		
Cost per DU, ex. Trans	\$764,020	\$721,999		
Price Per sf	\$450	\$399.56		
Cost per sf	\$405	\$426		105%
Revenues	\$74,109,930	\$6,575,237	\$80,685,167	
Costs	\$68,761,791	\$7,219,988	\$75,981,779	
Fractional Fee		\$0	\$0	
Profit	\$5,348,139	-\$644,751	\$4,703,388	\$4,703,388

-----All Market Rate Units-----				
Total Units	100			
Inclusionary Rqmt	0			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	100	0	100	
SF	1,885	1696.5	188,500	
Price Per Du	\$848,911	\$677,860		
Sales transaction	\$25,467	\$20,336		
Cost per DU	\$764,020	\$721,999		
Price Per sf	\$450	\$400		
Cost per sf	\$405	\$426		
Revenues	\$82,344,367	\$0	\$82,344,367	
Costs	\$76,401,990	\$0	\$76,401,990	
Profit	\$5,942,377	\$0	\$5,942,377	

-----On-site Compliance Cost-----			
	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>
100% Mkt. Rate Profit	\$59,424	\$31.52	\$5,942,377
Profit W/ Affordable	<u>\$47,034</u>	\$24.95	\$4,703,388
Difference	\$12,390	\$6.57	\$1,238,989
	Per Affordable		\$120,000
	Per SF, all units		\$7.00
	Per unit, all unit		\$12,400
	% of Price		1.46%

Table 26

Summary of Seven (7) Sample Projects

Current Inclusionary Requirements, Outside of Downtown

Avg. unit size 2385 3.61 Bedrooms

Seven Current Projects

-----On-site Affordable Units-----				
Total Units	100	Affordable size,	0.86	
Inclusionary Rqmt	15%			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	85	15	100	
SF	2,385	2,051		86%
Price Per Du	\$1,087,226	\$683,768	120%	
Sales transaction	\$32,617	\$20,513		
Cost per DU, ex. Trans	\$978,503	\$925,664		
Price Per sf	\$455.86	\$333.37		
Cost per sf	\$410	\$451		110%
Revenues	\$89,641,784	\$9,948,830	\$99,590,613	
Costs	\$83,172,789	\$13,884,963	\$97,057,752	
Fractional fee		\$0	\$0	
Profit	\$6,468,995	-\$3,936,133	\$2,532,861	
-----All Market Rate Units-----				
Total Units	100			
Inclusionary Rqmt	0			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	100	0	100	
SF	2,385	2051.1	238,500	
Price Per Du	\$1,087,226	\$683,768		
Sales Transaction	\$32,617	\$20,513		
Cost per DU	\$978,503	\$925,664		
Price Per sf	\$456	\$333		
Cost per sf	\$410	\$451		
Revenues	\$105,460,922	\$0	\$105,460,922	
Costs	\$97,850,340	\$0	\$97,850,340	
Profit	\$7,610,582	\$0	\$7,610,582	
-----On-site Compliance Cost-----				
	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>	
100% Mkt. Rate Profit	\$76,106	\$31.91	\$7,610,582	
Profit W/ Affordable	<u>\$25,328.61</u>	\$10.62	\$2,532,861	
Difference	\$50,777	\$21.29	\$5,077,721	
	Per Affordable	\$340,000		
	Per SF, all units	\$21.29		
	Per unit, all units	\$50,800		
	% of Price	4.67%		

Table 27

Summary of Two (2) Detached SF Projects

Current Inclusionary Requirements, Outside of Downtown

Avg. Unit Size 3,634 sf

Affordables = 75% of Market Rate Avg. Bed count 3.64

-----On-site Affordable Units-----

Total Units	100			
Inclusionary Rqmt	15%			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	85	15	100	
SF	3,634	2,726		75%
Price Per Du	\$1,683,014	\$685,380	120%	
Transaction costs (3%)	\$50,490	\$20,561		
Cost per DU	\$1,514,713	\$1,249,638		
Price Per sf	\$463	\$251		
Cost per sf	\$417	\$458		110%
Revenues	\$138,764,504	\$9,972,277	\$148,736,782	
Costs	\$128,750,571	\$18,744,568	\$147,495,139	
Fractional fee		\$0	\$0	
Profit	\$10,013,933	-\$8,772,291	\$1,241,642	

-----All Market Rate Units-----

Total Units	100			
Inclusionary Rqmt	0			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	100	0	100	
SF	3,634	2,726	363,400	
Price Per Du	\$1,683,014	\$685,380		
Transaction costs (3%)	\$50,490	\$20,561		
Cost per DU	\$1,514,713	\$1,249,638		
Price Per sf	\$463	\$251		
Cost per sf	\$417	\$458		
Revenues	\$163,252,358	\$0	\$163,252,358	
Costs	\$151,471,260	\$0	\$151,471,260	
Profit	\$11,781,098	\$0	\$11,781,098	

-----On-site Compliance Cost-----

	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>
100% Mkt. Rate Profit	\$117,811	\$32.42	\$11,781,098
Profit W/ Affordable	<u>\$12,416</u>	\$3.42	\$1,241,642
Difference	\$105,395	\$29.00	\$10,539,456
	Per Affordable		\$703,000
	Per SF, all units		\$29.00
	Per unit, all units		\$105,400
	% of Price		6.26%

Table 28
Summary of Five (5) Attached Townhome Projects
Current Inclusionary Requirements, Outside of Downtown
Affordable Size = 90% of Market

Avg. Size	1,885	Avg. Beds	3.5
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-----On-site Affordable Units-----				
Total Units	100			
Inclusionary Rqmt	15%			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	85	15	100	
SF	1,885	1,697		90%
Price Per Du	\$848,911	\$677,860	0	
Sales Transaction (3%)	\$25,467	\$20,336		
Cost per DU, ex. Trans	\$764,020	\$721,999		
Price Per sf	\$450	\$399.56		
Cost per sf	\$405	\$426		105%
Revenues	\$69,992,712	\$9,862,856	\$79,855,568	
Costs	\$64,941,692	\$10,829,982	\$75,771,674	
Fractional Fee		\$0	\$0	
Profit	\$5,051,020	-\$967,126	\$4,083,894	\$4,083,894

-----All Market Rate Units-----				
Total Units	100			
Inclusionary Rqmt	0			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	100	0	100	
SF	1,885	1696.5	188,500	
Price Per Du	\$848,911	\$677,860		
Sales transaction	\$25,467	\$20,336		
Cost per DU	\$764,020	\$721,999		
Price Per sf	\$450	\$400		
Cost per sf	\$405	\$426		
Revenues	\$82,344,367	\$0	\$82,344,367	
Costs	\$76,401,990	\$0	\$76,401,990	
Profit	\$5,942,377	\$0	\$5,942,377	

-----On-site Compliance Cost-----			
	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>
100% Mkt. Rate Profit	\$59,424	\$31.52	\$5,942,377
Profit W/ Affordable	<u>\$40,839</u>	\$21.67	\$4,083,894
Difference	\$18,585	\$9.86	\$1,858,483
	Per Affordable		\$120,000
	Per SF, all units		\$10.00
	Per unit, all unit		\$18,600
	% of Price		2.19%

Table 29

Summary of All Seven (7) Projects

Alternative A Inclusionary Requirements, Downtown

Avg. unit size 2,385 3.61 Beds

-----On-site Affordable Units-----				
Total Units	100			
Inclusionary Rqmt	10%			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	90	10	100	
SF	2,385	2,051		86%
Price Per Du	\$1,087,226	\$548,049		
Transaction costs (3%)	\$32,617	\$16,441		
Cost per DU	\$978,503	\$925,664		
Price Per sf	\$456	\$267		
Cost per sf	\$410	\$451		110%
Revenues	\$94,914,830	\$5,316,072	\$100,230,902	
Costs	\$88,065,306	\$9,256,642	\$97,321,948	
Fractional Fee		\$0	\$0	
Profit	\$6,849,524	-\$3,940,570	\$2,908,954	
-----All Market Rate Units-----				
Total Units	100			
Inclusionary Rqmt	0			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	100	0	100	
SF	2,385	2,051	238,500	
Price Per Du	\$1,087,226	\$548,049		
Transaction costs (3%)	\$32,617	\$16,441		
Cost per DU	\$978,503	\$925,664		
Price Per sf	\$456	\$267		
Cost per sf	\$410	\$451		
Revenues	\$105,460,922	\$0	\$105,460,922	
Costs	\$97,850,340	\$0	\$97,850,340	
Profit	\$7,610,582	\$0	\$7,610,582	
-----On-site Compliance Cost-----				
	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>	
100% Mkt. Rate Profit	\$76,106	\$31.91	\$7,610,582	
Profit W/ Affordable	<u>\$29,090</u>	\$12.20	\$2,908,954	
Difference	\$47,016	\$19.71	\$4,701,628	
	Per Affordable		\$470,000	
	Per SF, all units		\$19.71	
	Per unit, all units		\$47,000	
	% of Price		4.32%	

Table 30

Summary of Two (2) Detached SF Projects

Alternative A Inclusionary Requirements, Downtown

Avg. Unit Size 3,634 sf

Affordables = 75% of Market Rate Avg. Bed count 3.64

-----On-site Affordable Units-----

Total Units	100			
Inclusionary Rqmt	10%			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	90	10	100	
SF	3,634	2,726		75%
Price Per Du	\$1,683,014	\$549,350		
Transaction costs (3%)	\$50,490	\$16,480		
Cost per DU	\$1,514,713	\$1,249,638		
Price Per sf	\$463	\$202		
Cost per sf	\$417	\$458		110%
Revenues	\$146,927,122	\$5,328,692	\$152,255,814	
Costs	\$136,324,134	\$12,496,379	\$148,820,513	
Fractional Fee		\$0	\$0	
Profit	\$10,602,988	-\$7,167,687	\$3,435,301	

-----All Market Rate Units-----

Total Units	100			
Inclusionary Rqmt	0			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	100	0	100	
SF	3,634	2,726	363,400	
Price Per Du	\$1,683,014	\$549,350		
Transaction costs (3%)	\$50,490	\$16,480		
Cost per DU	\$1,514,713	\$1,249,638		
Price Per sf	\$463	\$202		
Cost per sf	\$417	\$458		
Revenues	\$163,252,358	\$0	\$163,252,358	
Costs	\$151,471,260	\$0	\$151,471,260	
Profit	\$11,781,098	\$0	\$11,781,098	

-----On-site Compliance Cost-----

	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>
100% Mkt. Rate Profit	\$117,811	\$32.42	\$11,781,098
Profit W/ Affordable	<u>\$34,353</u>	\$9.45	\$3,435,301
Difference	\$83,458	\$22.97	\$8,345,797
	Per Affordable		\$830,000
	Per SF, all units		\$22.97
	Per unit, all units		\$83,000
	% of Price		4.93%

Table 31
Summary of Five (5) Attached Unit Projects
Alternative A Inclusionary Requirements, Downtown
Affordable Size = 90% of Market

Avg. Size	1,885	Avg. Beds	3.5
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-----On-site Affordable Units-----				
Total Units	100			
Inclusionary Rqmt	10%			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	90	10	100	
SF	1,885	1,697		90%
Price Per Du	\$848,911	\$543,278		
Transaction costs (3%)	\$25,467	\$16,298		
Cost per DU	\$764,020	\$721,999		
Price Per sf	\$450	\$320		
Cost per sf	\$405	\$426		105%
Revenues	\$74,109,930	\$5,269,799	\$79,379,729	
Costs	\$68,761,791	\$7,219,988	\$75,981,779	
Fractional Fee		\$0	\$0	
Profit	\$5,348,139	-\$1,950,189	\$3,397,950	

-----All Market Rate Units-----				
Total Units	100			
Inclusionary Rqmt	0			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	100	0	100	
SF	1,885	1,697	188,500	
Price Per Du	\$848,911	\$543,278		
Transaction costs (3%)	\$25,467	\$16,298		
Cost per DU	\$764,020	\$721,999		
Price Per sf	\$450	\$320		
Cost per sf	\$405	\$426		
Revenues	\$82,344,367	\$0	\$82,344,367	
Costs	\$76,401,990	\$0	\$76,401,990	
Profit	\$5,942,377	\$0	\$5,942,377	

-----On-site Compliance Cost-----				
	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>	
100% Mkt. Rate Profit	\$59,424	\$31.52	\$5,942,377	
Profit W/ Affordable	<u>\$33,980</u>	<u>\$18.03</u>	<u>\$3,397,950</u>	
Difference	\$25,444	\$13.50	\$2,544,427	
	Per Affordable		\$250,000	
	Per SF, all units		\$13.50	
	Per unit, all units		\$25,400	
	% of Price		2.99%	

Table 32**Summary of All Seven (7) Projects****Alternative A Inclusionary Requirements, Outside of Downtown****Avg. unit size****2,385****3.61 Beds****-----On-site Affordable Units-----**

Total Units	100		
Inclusionary Rqmt	15%		
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>
Units	85	15	100
SF	2,385	2,051	86%
Price Per Du	\$1,087,226	\$548,049	
Transaction costs (3%)	\$32,617	\$16,441	
Cost per DU	\$978,503	\$925,664	
Price Per sf	\$456	\$267	
Cost per sf	\$410	\$451	110%
Revenues	\$89,641,784	\$7,974,108	\$97,615,892
Costs	\$83,172,789	\$13,884,963	\$97,057,752
Fractional Fee		\$0	\$0
Profit	\$6,468,995	-\$5,910,855	\$558,140

-----All Market Rate Units-----

Total Units	100		
Inclusionary Rqmt	0		
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>
Units	100	0	100
SF	2,385	2,051	238,500
Price Per Du	\$1,087,226	\$548,049	
Transaction costs (3%)	\$32,617	\$16,441	
Cost per DU	\$978,503	\$925,664	
Price Per sf	\$456	\$267	
Cost per sf	\$410	\$451	
Revenues	\$105,460,922	\$0	\$105,460,922
Costs	\$97,850,340	\$0	\$97,850,340
Profit	\$7,610,582	\$0	\$7,610,582

-----On-site Compliance Cost-----

	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>
100% Mkt. Rate Profit	\$76,106	\$31.91	\$7,610,582
Profit W/ Affordable	<u>\$5,581</u>	\$2.34	\$558,140
Difference	\$70,524	\$29.57	\$7,052,442
	Per Affordable		\$470,000
	Per SF, all units		\$29.57
	Per unit, all units		\$71,000
	% of Price		6.53%

Table 33

Summary of Two (2) Detached SF Projects

Alternative A Inclusionary Requirements, Outside of Downtown

Avg. Unit Size 3,634 sf

Affordables = 75% of Market Rate Avg. Bed count 3.64

-----On-site Affordable Units-----

Total Units	100			
Inclusionary Rqmt	15%			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	85	15	100	
SF	3,634	2,726		75%
Price Per Du	\$1,683,014	\$549,350		
Transaction costs (3%)	\$50,490	\$16,480		
Cost per DU	\$1,514,713	\$1,249,638		
Price Per sf	\$463	\$202		
Cost per sf	\$417	\$458		110%
Revenues	\$138,764,504	\$7,993,038	\$146,757,542	
Costs	\$128,750,571	\$18,744,568	\$147,495,139	
Fractional Fee		\$0	\$0	
Profit	\$10,013,933	-\$10,751,530	-\$737,597	

-----All Market Rate Units-----

Total Units	100			
Inclusionary Rqmt	0			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	100	0	100	
SF	3,634	2,726	363,400	
Price Per Du	\$1,683,014	\$549,350		
Transaction costs (3%)	\$50,490	\$16,480		
Cost per DU	\$1,514,713	\$1,249,638		
Price Per sf	\$463	\$202		
Cost per sf	\$417	\$458		
Revenues	\$163,252,358	\$0	\$163,252,358	
Costs	\$151,471,260	\$0	\$151,471,260	
Profit	\$11,781,098	\$0	\$11,781,098	

-----On-site Compliance Cost-----

	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>	
100% Mkt. Rate Profit	\$117,811	\$32.42	\$11,781,098	
Profit W/ Affordable	<u>-\$7,376</u>	-\$2.03	-\$737,597	
Difference	\$125,187	\$34.45	\$12,518,695	
	Per Affordable		\$830,000	
	Per SF, all units		\$34.45	
	Per unit, all units		\$125,000	
	% of Price		7.43%	

Table 34
Summary of Five (5) Attached Unit Projects
Alternative A Inclusionary Requirements, Outside of Downtown
Affordable Size = 90% of Market

Avg. Size	1,885	Avg. Beds	3.5
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-----On-site Affordable Units-----

Total Units	100			
Inclusionary Rqmt	15%			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	85	15	100	
SF	1,885	1,697		90%
Price Per Du	\$848,911	\$543,278		
Transaction costs (3%)	\$25,467	\$16,298		
Cost per DU	\$764,020	\$721,999		
Price Per sf	\$450	\$320		
Cost per sf	\$405	\$426		105%
Revenues	\$69,992,712	\$7,904,699	\$77,897,410	
Costs	\$64,941,692	\$10,829,982	\$75,771,674	
Fractional Fee		\$0	\$0	
Profit	\$5,051,020	-\$2,925,284	\$2,125,737	

-----All Market Rate Units-----

Total Units	100			
Inclusionary Rqmt	0			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	100	0	100	
SF	1,885	1,697	188,500	
Price Per Du	\$848,911	\$543,278		
Transaction costs (3%)	\$25,467	\$16,298		
Cost per DU	\$764,020	\$721,999		
Price Per sf	\$450	\$320		
Cost per sf	\$405	\$426		
Revenues	\$82,344,367	\$0	\$82,344,367	
Costs	\$76,401,990	\$0	\$76,401,990	
Profit	\$5,942,377	\$0	\$5,942,377	

-----On-site Compliance Cost-----

	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>
100% Mkt. Rate Profit	\$59,424	\$31.52	\$5,942,377
Profit W/ Affordable	<u>\$21,257</u>	<u>\$11.28</u>	<u>\$2,125,737</u>
Difference	\$38,166	\$20.25	\$3,816,640
	Per Affordable		\$250,000
	Per SF, all units		\$20.25
	Per unit, all units		\$38,200
	% of Price		4.50%

Table 35

Summary of All Seven (7) Projects

Alternative B Inclusionary Requirements, Downtown

Avg. unit size 2385 3.61 Beds

-----On-site Affordable Units-----				
Total Units	100			
Inclusionary Rqmt	10%			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	90	10	100	
SF	2,385	2,051		86%
Price Per Du	\$1,087,226	\$446,259		
Transaction costs (3%)	\$32,617	\$13,388		
Cost per DU	\$978,503	\$925,664		
Price Per sf	\$456	\$218		
Cost per sf	\$410	\$451		110%
Revenues	\$94,914,830	\$4,328,711	\$99,243,541	
Costs	\$88,065,306	\$9,256,642	\$97,321,948	
Fractional Fee		\$0	\$0	
Profit	\$6,849,524	-\$4,927,931	\$1,921,593	
-----All Market Rate Units-----				
Total Units	100			
Inclusionary Rqmt	0			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	100	0	100	
SF	2,385	2,051	238,500	
Price Per Du	\$1,087,226	\$446,259		
Transaction costs (3%)	\$32,617	\$13,388		
Cost per DU	\$978,503	\$925,664		
Price Per sf	\$456	\$218		
Cost per sf	\$410	\$451		
Revenues	\$105,460,922	\$0	\$105,460,922	
Costs	\$97,850,340	\$0	\$97,850,340	
Profit	\$7,610,582	\$0	\$7,610,582	
-----On-site Compliance Cost-----				
	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>	
100% Mkt. Rate Profit	\$76,106	\$31.91	\$7,610,582	
Profit W/ Affordable	<u>\$19,216</u>	\$8.06	\$1,921,593	
Difference	\$56,890	\$23.85	\$5,688,989	
	Per Affordable		\$570,000	
	Per SF, all units		\$23.85	
	Per unit, all units		\$57,000	
	% of Price		5.24%	

Table 36

Summary of Two (2) Detached SF Projects

Alternative B Inclusionary Requirements, Downtown

Avg. Unit Size 3,634 sf

Affordables = 75% of Market Rate Avg. Bed count 3.64

-----On-site Affordable Units-----

Total Units	100		
Inclusionary Rqmt	10%		
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>
Units	90	10	100
SF	3,634	2,726	75%
Price Per Du	\$1,683,014	\$447,327	
Transaction costs (3%)	\$50,490	\$13,420	
Cost per DU	\$1,514,713	\$1,249,638	
Price Per sf	\$463	\$164	
Cost per sf	\$417	\$458	110%
Revenues	\$146,927,122	\$4,339,072	\$151,266,194
Costs	\$136,324,134	\$12,496,379	\$148,820,513
Fractional Fee		\$0	\$0
Profit	\$10,602,988	-\$8,157,307	\$2,445,681

-----All Market Rate Units-----

Total Units	100		
Inclusionary Rqmt	0		
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>
Units	100	0	100
SF	3,634	2,726	363,400
Price Per Du	\$1,683,014	\$447,327	
Transaction costs (3%)	\$50,490	\$13,420	
Cost per DU	\$1,514,713	\$1,249,638	
Price Per sf	\$463	\$164	
Cost per sf	\$417	\$458	
Revenues	\$163,252,358	\$0	\$163,252,358
Costs	\$151,471,260	\$0	\$151,471,260
Profit	\$11,781,098	\$0	\$11,781,098

-----On-site Compliance Cost-----

	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>
100% Mkt. Rate Profit	\$117,811	\$32.42	\$11,781,098
Profit W/ Affordable	<u>\$24,457</u>	\$6.73	\$2,445,681
Difference	\$93,354	\$25.69	\$9,335,417
	Per Affordable		\$930,000
	Per SF, all units		\$25.69
	Per unit, all units		\$93,000
	% of Price		5.53%

Table 37
Summary of Five (5) Attached Unit Projects
Alternative B Inclusionary Requirements, Downtown
Affordable Size = 90% of Market

Avg. Size	1,885	Avg. Beds	3.5
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-----On-site Affordable Units-----

Total Units	100		
Inclusionary Rqmt	10%		
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>
Units	90	10	100
SF	1,885	1,697	90%
Price Per Du	\$848,911	\$442,342	
Transaction costs (3%)	\$25,467	\$13,270	
Cost per DU	\$764,020	\$721,999	
Price Per sf	\$450	\$261	
Cost per sf	\$405	\$426	105%
Revenues	\$74,109,930	\$4,290,720	\$78,400,650
Costs	\$68,761,791	\$7,219,988	\$75,981,779
Fractional Fee		\$0	\$0
Profit	\$5,348,139	-\$2,929,268	\$2,418,871

-----All Market Rate Units-----

Total Units	100		
Inclusionary Rqmt	0		
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>
Units	100	0	100
SF	1,885	1,697	188,500
Price Per Du	\$848,911	\$442,342	
Transaction costs (3%)	\$25,467	\$13,270	
Cost per DU	\$764,020	\$721,999	
Price Per sf	\$450	\$261	
Cost per sf	\$405	\$426	
Revenues	\$82,344,367	\$0	\$82,344,367
Costs	\$76,401,990	\$0	\$76,401,990
Profit	\$5,942,377	\$0	\$5,942,377

-----On-site Compliance Cost-----

	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>
100% Mkt. Rate Profit	\$59,424	\$31.52	\$5,942,377
Profit W/ Affordable	<u>\$24,189</u>	<u>\$12.83</u>	<u>\$2,418,871</u>
Difference	\$35,235	\$18.69	\$3,523,506
	Per Affordable		\$350,000
	Per SF, all units		\$18.69
	Per unit, all units		\$35,200
	% of Price		4.15%

Table 38
Summary of All Seven (7) Projects
Alternative B Inclusionary Requirements, Outside of Downtown
Avg. unit size 2385 3.61 Beds

-----On-site Affordable Units-----				
Total Units	100			
Inclusionary Rqmt	15%			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	85	15	100	
SF	2,385	2,051		86%
Price Per Du	\$1,087,226	\$457,569		
Transaction costs (3%)	\$32,617	\$13,727		
Cost per DU	\$978,503	\$925,664		
Price Per sf	\$456	\$223		
Cost per sf	\$410	\$451		110%
Revenues	\$89,641,784	\$6,657,626	\$96,299,410	
Costs	\$83,172,789	\$13,884,963	\$97,057,752	
Fractional Fee		\$0	\$0	
Profit	\$6,468,995	-\$7,227,337	-\$758,342	
-----All Market Rate Units-----				
Total Units	100			
Inclusionary Rqmt	0			
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>	
Units	100	0	100	
SF	2,385	2,051	238,500	
Price Per Du	\$1,087,226	\$457,569		
Transaction costs (3%)	\$32,617	\$13,727		
Cost per DU	\$978,503	\$925,664		
Price Per sf	\$456	\$223		
Cost per sf	\$410	\$451		
Revenues	\$105,460,922	\$0	\$105,460,922	
Costs	\$97,850,340	\$0	\$97,850,340	
Profit	\$7,610,582	\$0	\$7,610,582	
-----On-site Compliance Cost-----				
	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>	
100% Mkt. Rate Profit	\$76,106	\$31.91	\$7,610,582	
Profit W/ Affordable	<u>-\$7,583</u>	-\$3.18	-\$758,342	
Difference	\$83,689	\$35.09	\$8,368,924	
	Per Affordable		\$560,000	
	Per SF, all units		\$35.09	
	Per unit, all units		\$84,000	
	% of Price		7.73%	

Table 39

Summary of Two (2) Detached SF Projects

Alternative B Inclusionary Requirements, Outside of Downtown

Avg. Unit Size 3,634 sf

Affordables = 75% of Market Rate Avg. Bed count 3.64

-----On-site Affordable Units-----

Total Units	100		
Inclusionary Rqmt	15%		
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>
Units	85	15	100
SF	3,634	2,726	75%
Price Per Du	\$1,683,014	\$458,663	
Transaction costs (3%)	\$50,490	\$13,760	
Cost per DU	\$1,514,713	\$1,249,638	
Price Per sf	\$463	\$168	
Cost per sf	\$417	\$458	110%
Revenues	\$138,764,504	\$6,673,545	\$145,438,049
Costs	\$128,750,571	\$18,744,568	\$147,495,139
Fractional Fee		\$0	\$0
Profit	\$10,013,933	-\$12,071,024	-\$2,057,091

-----All Market Rate Units-----

Total Units	100		
Inclusionary Rqmt	0		
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>
Units	100	0	100
SF	3,634	2,726	363,400
Price Per Du	\$1,683,014	\$458,663	
Transaction costs (3%)	\$50,490	\$13,760	
Cost per DU	\$1,514,713	\$1,249,638	
Price Per sf	\$463	\$168	
Cost per sf	\$417	\$458	
Revenues	\$163,252,358	\$0	\$163,252,358
Costs	\$151,471,260	\$0	\$151,471,260
Profit	\$11,781,098	\$0	\$11,781,098

-----On-site Compliance Cost-----

	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>
100% Mkt. Rate Profit	\$117,811	\$32.42	\$11,781,098
Profit W/ Affordable	<u>-\$20,571</u>	-\$5.66	-\$2,057,091
Difference	\$138,382	\$38.08	\$13,838,189
	Per Affordable		\$920,000
	Per SF, all units		\$38.08
	Per unit, all units		\$138,000
	% of Price		8.20%

Table 40
Summary of Five (5) Attached Unit Projects
Alternative B Inclusionary Requirements, Outside of Downtown
Affordable Size = 90% of Market

Avg. Size	1,885	Avg. Beds	3.5
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-----On-site Affordable Units-----			
Total Units	100		
Inclusionary Rqmt	15%		
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>
Units	85	15	100
SF	1,885	1,697	90%
Price Per Du	\$848,911	\$453,557	
Transaction costs (3%)	\$25,467	\$13,607	
Cost per DU	\$764,020	\$721,999	
Price Per sf	\$450	\$267	
Cost per sf	\$405	\$426	105%
Revenues	\$69,992,712	\$6,599,259	\$76,591,971
Costs	\$64,941,692	\$10,829,982	\$75,771,674
Fractional Fee		\$0	\$0
Profit	\$5,051,020	-\$4,230,723	\$820,298

-----All Market Rate Units-----			
Total Units	100		
Inclusionary Rqmt	0		
	<u>Market Rate</u>	<u>Affordable</u>	<u>Total</u>
Units	100	0	100
SF	1,885	1,697	188,500
Price Per Du	\$848,911	\$453,557	
Transaction costs (3%)	\$25,467	\$13,607	
Cost per DU	\$764,020	\$721,999	
Price Per sf	\$450	\$267	
Cost per sf	\$405	\$426	
Revenues	\$82,344,367	\$0	\$82,344,367
Costs	\$76,401,990	\$0	\$76,401,990
Profit	\$5,942,377	\$0	\$5,942,377

-----On-site Compliance Cost-----			
	<u>Per unit</u>	<u>Per SF</u>	<u>Total</u>
100% Mkt. Rate Profit	\$59,424	\$31.52	\$5,942,377
Profit W/ Affordable	<u>\$8,203</u>	<u>\$4.35</u>	<u>\$820,298</u>
Difference	\$51,221	\$27.17	\$5,122,079
	Per Affordable		\$340,000
	Per SF, all units		\$27.17
	Per unit, all units		\$51,200
	% of Price		6.03%

APPENDIX A

Appendix A Table 1

Morgan Hill 0 Bedroom

Maximum Affordable Homeownership Unit Sales Price

Calculator

2021 HCD Chart

Income Limits as of April 26, 2021

[Federal: HUD Limits Here \(See HUD Income Chart\)](#)[State: California HCD Limits Here \(See HCD Income Chart\)](#)[County: See Utility Allowance Schedules](#)

	A	B	C	D
Interest Rate	4.000	4.000	4.000	4.000
Term	360	360	360	360
Number of Bedrooms	0	0	0	0
Household Size	1	1	1	1
Income Category	Low	Lower Moderate	Moderate	Moderate
A Median Income for Household Size	\$ 105,900.00	\$ 105,900.00	\$ 105,900.00	\$ 105,900.00
B Affordable Income Percentage	70%	90%	110%	120%
C Affordability Percentage (i.e. 30% for Very Low Income)	30%	35%	35%	35%
D Amount of Income Available for Housing Payment (A x B)	\$ 22,239.00	\$ 33,358.50	\$ 40,771.50	\$ 44,478.00
E Affordable Housing Payment (D / 12)	\$ 1,853.25	\$ 2,779.88	\$ 3,397.63	\$ 3,706.50
F Taxes				
G Insurance				
H Non Mortgage Percentage of Affordable Payment % Assigned to Project	30%	30%	30%	30%
I Sub Total of Non Mortgage Expense (E x H)	\$ 555.98	\$ 833.96	\$ 1,019.29	\$ 1,111.95
J Utility Allowance (assuming electric heating, water heating, and cooking from Annual Schedule)	\$ 223.00	\$ 223.00	\$ 223.00	\$ 223.00
K HOA Fee for 2020 (updated annually based on prior 3-year closing costs study)	\$ 284.87	\$ 284.87	\$ 284.87	\$ 284.87
L Total Non Mortgage Expense (I + J + K)	\$ 1,063.85	\$ 1,341.83	\$ 1,527.16	\$ 1,619.82
M Remaining Available for Mortgage (E - L)	\$ 789.41	\$ 1,438.04	\$ 1,870.47	\$ 2,086.68
Interest Rate - Convert Interest Rate Whole Number into Payment Decimal	0.003333	0.003333	0.003333	0.003333
Interest Rate - Use Term to Create Compounding Interest Rate	3.313498	3.313498	3.313498	3.313498
Interest Rate - Create a Mortgage Payment Multiplier	0.004774	0.004774	0.004774	0.004774
Max Mortgage Amount	\$ 165,349.75	\$ 301,214.17	\$ 391,790.44	\$ 437,078.58
Sales Price w/ 0% Down and 4% Interest	165,349.75	301,214.17	391,790.44	437,078.58
Sales Price v1 without Transaction Fee (Rounded Up)	165,350.00	301,214.00	391,790.00	437,079.00
Transaction Fee	4,960.50	9,036.42	11,753.70	13,112.37
Total Sales Price (rounded up and including Transaction Fee)	170,310.50	310,250.42	403,543.70	450,191.37
Sales Price v2 (including Transaction Fee)	170,311.00	310,250.00	403,544.00	450,191.00

Instructions: Complete highlighted sections.

Version Date: 3/17/2021

Appendix A Table 2

Morgan Hill 1 Bedroom

Maximum Affordable Homeownership Unit Sales Price

Calculator

2021 HCD Chart

Income Limits as of April 26, 2021

[Federal: HUD Limits Here \(See HUD Income Chart\)](#)[State: California HCD Limits Here \(See HCD Income Chart\)](#)[County: See Utility Allowance Schedules](#)

		A	B	C	D
	Interest Rate	4.000	4.000	4.000	4.000
	Term	360	360	360	360
	Number of Bedrooms	1	1	1	1
	Household Size	2	2	2	2
	Income Category	Low	Lower Moderate	Moderate	Moderate
A	Median Income for Household Size	\$ 121,050.00	\$ 121,050.00	\$ 121,050.00	\$ 121,050.00
B	Affordable Income Percentage	70%	90%	110%	120%
C	Affordability Percentage (i.e. 30% for Very Low Income)	30%	35%	35%	35%
D	Amount of Income Available for Housing Payment (A x B)	\$ 25,420.50	\$ 38,130.75	\$ 46,604.25	\$ 50,841.00
E	Affordable Housing Payment (D / 12)	\$ 2,118.38	\$ 3,177.56	\$ 3,883.69	\$ 4,236.75
F	Taxes				
G	Insurance				
H	Non Mortgage Percentage of Affordable Payment % Assigned to Project	30%	30%	30%	30%
I	Sub Total of Non Mortgage Expense (E x H)	\$ 635.51	\$ 953.27	\$ 1,165.11	\$ 1,271.03
J	Utility Allowance (assuming electric heating, water heating, and cooking from Annual Schedule)	\$ 236.00	\$ 236.00	\$ 236.00	\$ 236.00
K	HOA Fee for 2020 (updated annually based on prior 3-year closing costs study)	\$ 284.87	\$ 284.87	\$ 284.87	\$ 284.87
L	Total Non Mortgage Expense (I + J + K)	\$ 1,156.38	\$ 1,474.14	\$ 1,685.98	\$ 1,791.90
M	Remaining Available for Mortgage (E - L)	\$ 961.99	\$ 1,703.42	\$ 2,197.71	\$ 2,444.86
	Interest Rate - Convert Interest Rate Whole Number into Payment Decimal	0.003333	0.003333	0.003333	0.003333
	Interest Rate - Use Term to Create Compounding Interest Rate	3.313498	3.313498	3.313498	3.313498
	Interest Rate - Create a Mortgage Payment Multiplier	0.004774	0.004774	0.004774	0.004774
	Max Mortgage Amount	\$ 201,500.14	\$ 356,801.25	\$ 460,335.32	\$ 512,102.36
	Sales Price w/ 0% Down and 4% Interest	201,500.14	356,801.25	460,335.32	512,102.36
	Sales Price v1 without Transaction Fee (Rounded Up)	201,500.00	356,801.00	460,335.00	512,102.00
	Transaction Fee	6,045.00	10,704.03	13,810.05	15,363.06
	Total Sales Price (rounded up and including Transaction Fee)	207,545.00	367,505.03	474,145.05	527,465.06
	Sales Price v2 (including Transaction Fee)	207,545.00	367,505.00	474,145.00	527,465.00

Instructions: Complete highlighted sections.

Version Date: 3/17/2021

Appendix A Table 3

Morgan Hill 2 Bedroom

Maximum Affordable Homeownership Unit Sales Price

Calculator

2021 HCD Chart

Income Limits as of April 26, 2021

[Federal: HUD Limits Here \(See HUD Income Chart\)](#)[State: California HCD Limits Here \(See HCD Income Chart\)](#)[County: See Utility Allowance Schedules](#)

	A	B	C	D
Interest Rate	4.000	4.000	4.000	4.000
Term	360	360	360	360
Number of Bedrooms	2	2	2	2
Household Size	3	3	3	3
Income Category	Low	Lower Moderate	Moderate	Moderate
A Median Income for Household Size	\$ 136,150.00	\$ 136,150.00	\$ 136,150.00	\$ 136,150.00
B Affordable Income Percentage	70%	90%	110%	120%
C Affordability Percentage (i.e. 30% for Very Low Income)	30%	35%	35%	35%
D Amount of Income Available for Housing Payment (A x B)	\$ 28,591.50	\$ 42,887.25	\$ 52,417.75	\$ 57,183.00
E Affordable Housing Payment (D / 12)	\$ 2,382.63	\$ 3,573.94	\$ 4,368.15	\$ 4,765.25
F Taxes				
G Insurance				
H Non Mortgage Percentage of Affordable Payment % Assigned to Project	30%	30%	30%	30%
I Sub Total of Non Mortgage Expense (E x H)	\$ 714.79	\$ 1,072.18	\$ 1,310.44	\$ 1,429.58
J Utility Allowance (assuming electric heating, water heating, and cooking from Annual Schedule)	\$ 273.00	\$ 273.00	\$ 273.00	\$ 273.00
K HOA Fee for 2020 (updated annually based on prior 3-year closing costs study)	\$ 284.87	\$ 284.87	\$ 284.87	\$ 284.87
L Total Non Mortgage Expense (I + J + K)	\$ 1,272.66	\$ 1,630.05	\$ 1,868.31	\$ 1,987.45
M Remaining Available for Mortgage (E - L)	\$ 1,109.97	\$ 1,943.89	\$ 2,499.83	\$ 2,777.81
Interest Rate - Convert Interest Rate Whole Number into Payment Decimal	0.003333	0.003333	0.003333	0.003333
Interest Rate - Use Term to Create Compounding Interest Rate	3.313498	3.313498	3.313498	3.313498
Interest Rate - Create a Mortgage Payment Multiplier	0.004774	0.004774	0.004774	0.004774
Max Mortgage Amount	\$ 232,495.17	\$ 407,168.83	\$ 523,617.93	\$ 581,842.48
Sales Price w/ 0% Down and 4% Interest	232,495.17	407,168.83	523,617.93	581,842.48
Sales Price v1 without Transaction Fee (Rounded Up)	232,495.00	407,169.00	523,618.00	581,842.00
Transaction Fee	6,974.85	12,215.07	15,708.54	17,455.26
Total Sales Price (rounded up and including Transaction Fee)	239,469.85	419,384.07	539,326.54	599,297.26
Sales Price v2 (including Transaction Fee)	239,470.00	419,384.00	539,327.00	599,297.00

Instructions: Complete highlighted sections.

Version Date: 3/17/2021

Appendix A Table 4

Morgan Hill 3 Bedroom

Maximum Affordable Homeownership Unit Sales Price

Calculator

2021 HCD Chart

Income Limits as of April 26, 2021

[Federal: HUD Limits Here \(See HUD Income Chart\)](#)[State: California HCD Limits Here \(See HCD Income Chart\)](#)[County: See Utility Allowance Schedules](#)

	A	B	C	D
Interest Rate	4.000	4.000	4.000	4.000
Term	360	360	360	360
Number of Bedrooms	3	3	3	3
Household Size	4	4	4	4
Income Category	Low	Lower Moderate	Moderate	Moderate
A Median Income for Household Size	\$ 151,300.00	\$ 151,300.00	\$ 151,300.00	\$ 151,300.00
B Affordable Income Percentage	70%	90%	110%	120%
C Affordability Percentage (i.e. 30% for Very Low Income)	30%	35%	35%	35%
D Amount of Income Available for Housing Payment (A x B)	\$ 31,773.00	\$ 47,659.50	\$ 58,250.50	\$ 63,546.00
E Affordable Housing Payment (D / 12)	\$ 2,647.75	\$ 3,971.63	\$ 4,854.21	\$ 5,295.50
F Taxes				
G Insurance				
H Non Mortgage Percentage of Affordable Payment % Assigned to Project	30%	30%	30%	30%
I Sub Total of Non Mortgage Expense (E x H)	\$ 794.33	\$ 1,191.49	\$ 1,456.26	\$ 1,588.65
J Utility Allowance (assuming electric heating, water heating, and cooking from Annual Schedule)	\$ 314.00	\$ 314.00	\$ 314.00	\$ 314.00
K HOA Fee for 2020 (updated annually based on prior 3-year closing costs study)	\$ 284.87	\$ 284.87	\$ 284.87	\$ 284.87
L Total Non Mortgage Expense (I + J + K)	\$ 1,393.20	\$ 1,790.36	\$ 2,055.13	\$ 2,187.52
M Remaining Available for Mortgage (E - L)	\$ 1,254.56	\$ 2,181.27	\$ 2,799.08	\$ 3,107.98
Interest Rate - Convert Interest Rate Whole Number into Payment Decimal	0.003333	0.003333	0.003333	0.003333
Interest Rate - Use Term to Create Compounding Interest Rate	3.313498	3.313498	3.313498	3.313498
Interest Rate - Create a Mortgage Payment Multiplier	0.004774	0.004774	0.004774	0.004774
Max Mortgage Amount	\$ 262,780.65	\$ 456,891.00	\$ 586,297.90	\$ 651,001.35
Sales Price w/ 0% Down and 4% Interest	262,780.65	456,891.00	586,297.90	651,001.35
Sales Price v1 without Transaction Fee (Rounded Up)	262,781.00	456,891.00	586,298.00	651,001.00
Transaction Fee	7,883.43	13,706.73	17,588.94	19,530.03
Total Sales Price (rounded up and including Transaction Fee)	270,664.43	470,597.73	603,886.94	670,531.03
Sales Price v2 (including Transaction Fee)	270,664.00	470,598.00	603,887.00	670,531.00

Instructions: Complete highlighted sections.

Version Date: 3/17/2021

Appendix A Table 5

Morgan Hill 4 Bedroom

Maximum Affordable Homeownership Unit Sales Price

Calculator

2021 HCD Chart

Income Limits as of April 26, 2021

[Federal: HUD Limits Here \(See HUD Income Chart\)](#)[State: California HCD Limits Here \(See HCD Income Chart\)](#)[County: See Utility Allowance Schedules](#)

		A	B	C	D
Interest Rate		4.000	4.000	4.000	4.000
Term		360	360	360	360
Number of Bedrooms		4	4	4	4
Household Size		5	5	5	5
Income Category		Low	Lower Moderate	Moderate	Moderate
A Median Income for Household Size		\$ 163,400.00	\$ 163,400.00	\$ 163,400.00	\$ 163,400.00
B Affordable Income Percentage		70%	90%	110%	120%
C Affordability Percentage (i.e. 30% for Very Low Income)		30%	35%	35%	35%
D Amount of Income Available for Housing Payment (A x B)		\$ 34,314.00	\$ 51,471.00	\$ 62,909.00	\$ 68,628.00
E Affordable Housing Payment (D / 12)		\$ 2,859.50	\$ 4,289.25	\$ 5,242.42	\$ 5,719.00
F Taxes					
G Insurance					
H Non Mortgage Percentage of Affordable Payment % Assigned to Project		30%	30%	30%	30%
I Sub Total of Non Mortgage Expense (E x H)		\$ 857.85	\$ 1,286.78	\$ 1,572.73	\$ 1,715.70
J Utility Allowance (assuming electric heating, water heating, and cooking from Annual Schedule)		\$ 354.00	\$ 354.00	\$ 354.00	\$ 354.00
K HOA Fee for 2020 (updated annually based on prior 3-year closing costs study)		\$ 284.87	\$ 284.87	\$ 284.87	\$ 284.87
L Total Non Mortgage Expense (I + J + K)		\$ 1,496.72	\$ 1,925.65	\$ 2,211.60	\$ 2,354.57
M Remaining Available for Mortgage (E - L)		\$ 1,362.78	\$ 2,363.61	\$ 3,030.82	\$ 3,364.43
Interest Rate - Convert Interest Rate Whole Number into Payment Decimal		0.003333	0.003333	0.003333	0.003333
Interest Rate - Use Term to Create Compounding Interest Rate		3.313498	3.313498	3.313498	3.313498
Interest Rate - Create a Mortgage Payment Multiplier		0.004774	0.004774	0.004774	0.004774
Max Mortgage Amount		\$ 285,449.59	\$ 495,083.64	\$ 634,839.67	\$ 704,717.68
Sales Price w/ 0% Down and 4% Interest		285,449.59	495,083.64	634,839.67	704,717.68
Sales Price v1 without Transaction Fee (Rounded Up)		285,450.00	495,084.00	634,840.00	704,718.00
Transaction Fee		8,563.50	14,852.52	19,045.20	21,141.54
Total Sales Price (rounded up and including Transaction Fee)		294,013.50	509,936.52	653,885.20	725,859.54
Sales Price v2 (including Transaction Fee)		294,014.00	509,937.00	653,885.00	725,860.00

Instructions: Complete highlighted sections.

Version Date: 3/17/2021

Appendix A Table 6

Morgan Hill 5 Bedroom

Maximum Affordable Homeownership Unit Sales Price

Calculator

2021 HCD Chart

Income Limits as of April 26, 2021

Federal: [HUD Limits Here \(See HUD Income Chart\)](#)

State: [California HCD Limits Here \(See HCD Income Chart\)](#)

County: [See Utility Allowance Schedules](#)

	A	B	C	D
Interest Rate	4.000	4.000	4.000	4.000
Term	360	360	360	360
Number of Bedrooms	5	5	5	5
Household Size	6	6	6	6
Income Category	Low	Lower Moderate	Moderate	Moderate
A Median Income for Household Size	\$ 175,500.00	\$ 175,500.00	\$ 175,500.00	\$ 175,500.00
B Affordable Income Percentage	70%	90%	110%	120%
C Affordability Percentage (i.e. 30% for Very Low Income)	30%	35%	35%	35%
D Amount of Income Available for Housing Payment (A x B)	\$ 36,855.00	\$ 55,282.50	\$ 67,567.50	\$ 73,710.00
E Affordable Housing Payment (D / 12)	\$ 3,071.25	\$ 4,606.88	\$ 5,630.63	\$ 6,142.50
F Taxes				
G Insurance				
H Non Mortgage Percentage of Affordable Payment % Assigned to Project	30%	30%	30%	30%
I Sub Total of Non Mortgage Expense (E x H)	\$ 921.38	\$ 1,382.06	\$ 1,689.19	\$ 1,842.75
J Utility Allowance (assuming electric heating, water heating, and cooking from Annual Schedule)	\$ 393.00	\$ 393.00	\$ 393.00	\$ 393.00
K HOA Fee for 2020 (updated annually based on prior 3-year closing costs study)	\$ 284.87	\$ 284.87	\$ 284.87	\$ 284.87
L Total Non Mortgage Expense (I + J + K)	\$ 1,599.25	\$ 2,059.93	\$ 2,367.06	\$ 2,520.62
M Remaining Available for Mortgage (E - L)	\$ 1,472.01	\$ 2,546.94	\$ 3,263.57	\$ 3,621.88
Interest Rate - Convert Interest Rate Whole Number into Payment Decimal	0.003333	0.003333	0.003333	0.003333
Interest Rate - Use Term to Create Compounding Interest Rate	3.313498	3.313498	3.313498	3.313498
Interest Rate - Create a Mortgage Payment Multiplier	0.004774	0.004774	0.004774	0.004774
Max Mortgage Amount	\$ 308,327.99	\$ 533,485.74	\$ 683,590.90	\$ 758,643.48
Sales Price w/ 0% Down and 4% Interest	308,327.99	533,485.74	683,590.90	758,643.48
Sales Price v1 without Transaction Fee (Rounded Up)	308,328.00	533,486.00	683,591.00	758,643.00
Transaction Fee	9,249.84	16,004.58	20,507.73	22,759.29
Total Sales Price (rounded up and including Transaction Fee)	317,577.84	549,490.58	704,098.73	781,402.29
Sales Price v2 (including Transaction Fee)	317,578.00	549,491.00	704,099.00	781,402.00

Instructions: Complete highlighted sections.

Version Date: 3/17/2021

Appendix A Table 7

Morgan Hill 6 Bedroom

Maximum Affordable Homeownership Unit Sales Price

Calculator

2021 HCD Chart

Income Limits as of April 26, 2021

State: [California HCD Limits Here \(See HCD Income Chart\)](#)

County: [See Utility Allowance Schedules](#)

		A	B	C	D
	Interest Rate	4.000	4.000	4.000	4.000
	Term	360	360	360	360
	Number of Bedrooms	6	6	6	6
	Household Size	7	7	7	7
	Income Category	Low	Lower Moderate	Moderate	Moderate
A	Median Income for Household Size	\$ 187,600.00	\$ 187,600.00	\$ 187,600.00	\$ 187,600.00
B	Affordable Income Percentage	70%	90%	110%	120%
C	Affordability Percentage (i.e. 30% for Very Low Income)	30%	35%	35%	35%
D	Amount of Income Available for Housing Payment (A x B)	\$ 39,396.00	\$ 59,094.00	\$ 72,226.00	\$ 78,792.00
E	Affordable Housing Payment (D / 12)	\$ 3,283.00	\$ 4,924.50	\$ 6,018.83	\$ 6,566.00
F	Taxes				
G	Insurance				
H	Non Mortgage Percentage of Affordable Payment % Assigned to Project	30%	30%	30%	30%
I	Sub Total of Non Mortgage Expense (E x H)	\$ 984.90	\$ 1,477.35	\$ 1,805.65	\$ 1,969.80
J	Utility Allowance (assuming electric heating, water heating, and cooking from Annual Schedule)	\$ 393.00	\$ 393.00	\$ 393.00	\$ 393.00
K	HOA Fee for 2020 (updated annually based on prior 3-year closing costs study)	\$ 284.87	\$ 284.87	\$ 284.87	\$ 284.87
L	Total Non Mortgage Expense (I + J + K)	\$ 1,662.77	\$ 2,155.22	\$ 2,483.52	\$ 2,647.67
M	Remaining Available for Mortgage (E - L)	\$ 1,620.23	\$ 2,769.28	\$ 3,535.31	\$ 3,918.33
	Interest Rate - Convert Interest Rate Whole Number into Payment Decimal	0.003333	0.003333	0.003333	0.003333
	Interest Rate - Use Term to Create Compounding Interest Rate	3.313498	3.313498	3.313498	3.313498
	Interest Rate - Create a Mortgage Payment Multiplier	0.004774	0.004774	0.004774	0.004774
	Max Mortgage Amount	\$ 339,375.39	\$ 580,056.82	\$ 740,511.12	\$ 820,738.26
	Sales Price w/ 0% Down and 4% Interest	339,375.39	580,056.82	740,511.12	820,738.26
	Sales Price v1 without Transaction Fee (Rounded Up)	339,375.00	580,057.00	740,511.00	820,738.00
	Transaction Fee	10,181.25	17,401.71	22,215.33	24,622.14
	Total Sales Price (rounded up and including Transaction Fee)	349,556.25	597,458.71	762,726.33	845,360.14
	Sales Price v2 (including Transaction Fee)	349,556.00	597,459.00	762,726.00	845,360.00

Instructions: Complete highlighted sections.

Version Date: 3/17/2021

WHAT IS AN INCLUSIONARY HOUSING ORDINANCE?

November 9, 2021

What is an Inclusionary Housing Ordinance (IHO)? IHO policies require or encourage developers to set aside a certain percentage of housing units in newly constructed or rehabilitated projects for low- and moderate-income residents. By creating mixed-income developments, people from different socio-economic backgrounds are given the opportunity to access the same services and amenities, addressing federal fair housing obligations. For a number of years, inclusionary housing was only legal for for-sale housing in California due to the *Palmer Sixth Street Properties, LP. v. City of Los Angeles* (2009) court case. This changed on January 1, 2018, when a new law created by AB 1505 went into effect. This law recognizes the authority of local jurisdictions to require that new rental developments offer a proportion of their units at affordable rates. The law also requires that the City provide at least one alternative to building inclusionary units on-site.

Who is using Inclusionary Housing?

There are more than 880 inclusionary housing programs in 25 states. They serve large central cities and smaller suburban communities wherever housing prices are high. In Santa Clara County, Gilroy, Los Altos Hills, Monte Sereno, and Saratoga have not adopted traditional IHOs; however, given the new state requirements more cities are exploring IHOs. All ten of the other cities in the County have established inclusionary housing policies ranging from 5% to 15%, with 15% being the most common policy.

What impact is it having?

Inclusionary housing will not solve the housing crisis alone, however, inclusionary housing is one of several important sources of new affordable housing opportunities. Key components of a successful inclusionary housing ordinance include:

- A minimum of 15% of the units in approved projects restricted to lower-income households at 80% of Area Median Income (AMI) in rental and a minimum of 15% of the units in approved for-sale developments restricted to moderate-income households at 100% of AMI or 120% and below.
- Affordable homes that contain the same amenities as market rate units and are integrated into the development.
- Alternative compliance options that may include enabling developers to partner with nonprofit developers, pay an in-lieu fee, and/or build a standalone affordable development, allowing flexibility to achieve its RHNA goals.

The City of Morgan Hill's Inclusionary Housing Ordinance: On July 25, 2018, the City Council adopted an Inclusionary Housing Ordinance. Prior to this, the City had administered affordable housing objectives through its Residential Development Control System (RDCS). The Morgan Hill Municipal Code (MHMC) Chapter 14.04 (Inclusionary Housing) currently requires developers to set-aside a certain percentage of housing units in newly constructed projects for low and moderate-income buyers and renters. These

units are made available at affordable rents or sales prices and are deed-restricted for a term.

General Requirements of the IHO

Provided is a general summary of the most significant provisions of the Inclusionary housing ordinance. For more information, please review Chapter 14.04– Inclusionary Housing.

- a. **Percentage Requirement.** Except as indicated below in Downtown projects or an alternative option, at least fifteen percent (15%) of all units in Residential Projects shall be Inclusionary Units that shall be made available at Affordable Rents or Affordable Sales Prices. Whenever a fractional number of required Inclusionary Units is 0.50 or greater, construction of the next higher whole number of Inclusionary Units shall be required, and where the fraction is 0.49 or less, payment of the applicable housing fee adopted by City Council shall be required for the fractional unit, as prescribed in Chapter 14.04, unless an alternative option is approved.
- b. **For-Sale Projects in Downtown.** All new for-sale Residential Projects consisting of two (2) or more Dwelling Units located within downtown are required to restrict ten percent (10%) of the Dwelling Units for sale at Affordable Sales Prices to Moderate-Income Households. Such Dwelling Units must be sold to Eligible Households, and shall be subject to a recorded deed restriction that will impose resale price restrictions for a period of forty-five (45) years. The corresponding Housing In-lieu fee is \$13.20 per habitable square foot of the residential building area of market-rate housing.
- c. **For-Sale Projects Outside of the Downtown.** All new for-sale Residential Projects consisting of two (2) or more Dwelling Units located within the City but outside of downtown are required to restrict fifteen percent (15%) of the Dwelling Units for sale at Affordable Sales Prices to Moderate-Income Households. Such Dwelling Units must be sold to Eligible Households, and shall be subject to a recorded deed restriction that will impose resale price restrictions for a period of forty-five (45) years. The corresponding Housing In-lieu fee is \$19.70 per habitable square foot of the residential building area of market-rate housing.
- d. **Rental Projects in Downtown.** All new rental Residential Projects consisting of two (2) or more Dwelling Units located within the downtown are required to restrict ten percent (10%) of the Dwelling Units for rent at Affordable Rents and occupancy by Low-Income and Very Low-Income Households. Such Dwelling Units must be occupied by, or if vacant, available for occupancy by Eligible Households, and such restrictions shall be documented in a recorded Inclusionary Affordable Housing Agreement with a term of fifty-five (55) years. At least one-half of the required Inclusionary Units shall be offered at Affordable Rents exclusively to Very Low-Income Households. The corresponding Housing In-lieu fee is \$14.50 per

habitable square foot of the residential building area of market-rate housing.

- e. **Rental Projects Outside of the Downtown area.** All new rental Residential Projects consisting of two (2) or more Dwelling Units located within the City but outside of downtown are required to restrict fifteen percent (15%) of the Dwelling Units for rent at Affordable Rents and occupancy by Low-Income and Very Low-Income Households. Such Dwelling Units must be occupied by, or if vacant, available for occupancy by Eligible Households, and such restrictions shall be documented in a recorded Inclusionary Affordable Housing Agreement with a term of fifty-five (55) years. At least one-half of the required Inclusionary Units shall be offered at Affordable Rents exclusively to Very Low-Income Households. The corresponding Housing In-lieu fee is \$29.00 per habitable square foot of the residential building area of market-rate housing.

Location and design of affordable units. All affordable units shall be dispersed throughout the project and shall be comparable to the design of the market-rate units in terms of distribution of model types, geographically and proportionally disbursed, number of bedrooms, appearance, materials and finished quality of the market-rate units in the project. There shall not be significant identifiable differences between affordable units and market-rate dwelling units. Affordable units shall have the same access to project amenities and recreational facilities as market rate units.

Although most BMR units are required to be built, the ordinance does currently permit alternative modes of compliance *with City Council approval*, such as Rental units in for-sale projects, Off-site construction, Land dedication, and an in-lieu housing fee in specified circumstances. These fees are critical to better align with some specific projects by allowing the City to provide local match dollars to leverage 100% affordable projects and obtain deeper affordability in homes. The current payment of in-lieu fees can be considered under the following guiding principles:

1. Whether the production of the proposed Inclusionary Units will fill a need in an affordable housing category, or some other prioritized housing need area.
2. Whether the proposed Inclusionary Units are in a category for which the City has already met its RHNA goal and therefore payment of a fee may be preferred.
3. Whether there is a specific identifiable project that the City can provide local match dollars and/or leveraged financing support with the fees, thereby producing more affordable units.
4. Whether affordable units are appropriate in the specific project.

The eligibility of households to purchase inclusionary units is based on the annual income of households *relative to the income limits that are annually published by the State Department of Housing and Community Development (HCD)*.

Current maximum limits by household size and by level of affordability are provided in the following chart.

HCD Income Limits April 2021								
<i>Household Size</i>	1	2	3	4	5	6	7	8
Extremely Low	\$34,800	\$39,800	\$44,750	\$49,700	\$53,700	\$57,700	\$61,650	\$65,650
Very Low	\$58,000	\$66,300	\$74,600	\$82,850	\$89,500	\$96,150	\$102,750	\$109,400
Low	\$82,450	\$94,200	\$106,000	\$117,750	\$127,200	\$136,600	\$146,050	\$155,450
Median	\$105,900	\$121,050	\$136,150	\$151,300	\$163,400	\$175,500	\$187,600	\$199,700
Moderate	\$127,100	\$145,250	\$163,400	\$181,550	\$196,050	\$210,600	\$225,100	\$239,650

The City's current ownership program serves Moderate-Income households. The maximum annual eligible household income ranges from \$127,100 for a household of one (1) person to \$239,650 for a household with eight (8) people. As shown, a 4-person household can earn up to \$181,550 per year and be eligible for a Moderate-income ownership inclusionary unit. Currently, the maximum prices that can be charged for inclusionary units are calculated at the upper end of the range permitted for Moderate-income households. Prices are calculated based on:

1. Household incomes at 120% of the Area Median income adjusted for household size, which is the ceiling for qualifying as Moderate-income
2. Permitted expenditures on housing costs equal to 35% of income
3. An assumed household size equal to the number of bedrooms plus one
4. The calculation of allowable current maximum prices is detailed in Appendix Tables A-1 through A-7 of the Attached Keyser Marston & Associates (KMA) report. The current maximum prices for inclusionary units are as follows:

Maximum Home Prices of Inclusionary Units: Current Program						
		Number of Bedrooms In Unit				
		2	3	4	5	6
% of Units Set Aside						
Projects Located Outside of Downtown						-
Upper End of Moderate Income (120% of AMI)	15%	\$581,842	\$651,001	\$704,718	\$758,643	\$820,738
Projects Located in Downtown						
Upper End of Moderate Income (120% of AMI)	10%	\$581,842	\$651,001	\$704,718	\$758,643	\$820,738

ORDINANCE NO. , NEW SERIES

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AMENDING CHAPTER 14.04 (INCLUSIONARY HOUSING) OF TITLE 14 (HOUSING) CHANGING INCLUSIONARY HOUSING REQUIREMENTS; AMENDING SECTION 14.08.020 (FEE ESTABLISHED) OF CHAPTER 14.08 (IN-LIEU HOUSING FEES) OF TITLE 14 (HOUSING) TO ADD A COST OF LIVING ANNUAL INCREASE TO IN-LIEU HOUSING FEES; AND REPEALING DUPLICATIVE AFFORDABLE HOUSING PROVISIONS IN CHAPTER 18.48 (AFFORDABLE HOUSING) OF TITLE 18 (ZONING) OF THE MUNICIPAL CODE OF THE CITY OF MORGAN HILL

THE CITY COUNCIL OF THE CITY OF MORGAN HILL DOES ORDAIN AS FOLLOWS:

Section 1. Chapter 14.04 (Inclusionary Housing) of Title 14 (Housing) is hereby amended to read as follows (additions in underline, deletions in ~~strikeout~~):

14.04.010 Findings.

The City Council finds that:

- A. Housing prices and rents in the ~~city~~ City of Morgan Hill have increased at a significantly higher rate than general wages. There is a need for affordable housing subject to income-based occupancy requirements and rent and sale price restrictions. The lack of affordable housing forces many residents to pay a very high percentage of their income for housing or to commute considerable distances, adding to air pollution and traffic congestion throughout Santa Clara County. The lack of affordable housing has made it more difficult to recruit workers, potentially affecting the economic vitality of the city. New housing developments do not provide an adequate supply of housing affordable to extremely low- low- and moderate-income households.
- B. Rental and ~~owner-occupied-for-sale~~ housing in Morgan Hill has become steadily more expensive. Although Morgan Hill has historically met its ~~regional housing needs allocation~~ Regional Housing Needs Allocation (RHNA) goals, in recent years, housing costs have escalated sharply, increasing faster than incomes. As a result, there is a severe shortage of adequate, affordable housing for extremely low-, very low-, low-, and moderate-income households.
- C. In order to meet the needs of Morgan Hill households, residential developments will need to provide housing for a variety of household types ~~of,~~ a range of incomes ~~-,~~ and ages. The inclusionary housing ordinance codified in this title will substantially advance the city's interest in providing additional rental and ownership housing that is subject to income-based occupancy

- requirements and rent, and sale price restrictions; thus, affordable to all income levels and dispersed throughout the city.
- D. Continued new housing development that does not include housing for very-low, low- and moderate-income households will further contribute to the current shortage of affordable housing by reducing the small remaining supply of undeveloped land.
 - E. On February 18, 2015, the city council approved the city's housing element, a chapter of the ~~general plan~~ General Plan which includes strategies to build new housing to meet the full range of future community housing needs, including affordable and accessible housing.
 - F. Implementation of the inclusionary housing ordinance is a necessary part of the city's efforts to meet its ~~regional housing needs allocation~~ Regional Housing Needs Allocation (RHNA) goals and obligations. Pursuant to the ordinance, at least ~~fifteen-ten~~ percent (10%) of the units in a new housing development of two or more units to be developed in the downtown, and at least fifteen percent (15%) of the units in a new housing development of two or more units to be located outside of downtown, will be required to be price or rent-restricted and available for occupancy by very low-, low-, and moderate-income households. ~~In some circumstances~~ Under certain conditions, developers will have an option to provide inclusionary units off-site ~~or to pay,~~ and payment of an in-lieu housing fee is permitted under certain circumstances.

14.04.020 Purpose.

The purpose of this chapter is to further the city's efforts to require housing available to extremely low-income, very low-income, low-income, and moderate-income households. The housing element of the city's ~~general plan~~ General Plan implements the established policy of the ~~state~~ State of California that each community should foster an adequate supply of housing for persons at all economic levels.

Providing the inclusionary units required by this chapter will help to ensure that part of Morgan Hill's remaining developable land is used to provide rent and sale price restricted affordable housing to encourage an economically balanced and inclusive community. Requiring builders of new market-rate housing to include some housing affordable to households at a range of incomes is consistent with the goal of fostering an adequate supply of housing for persons at all income levels and serves the goal of mixed-income housing. Furthermore, the production of inclusionary units is intended to assist the city in meeting its ~~regional housing need allocation~~ Regional Housing Needs Allocation.

The inclusionary housing ordinance is required in order to promote and protect the public health, safety, and general welfare while preserving and enhancing economic diversity and inclusiveness within the city.

14.04.030 Definitions.

When used in this chapter, the following terms shall have the meaning set forth below:

1. "Affordable ~~ownership cost~~Ownership Cost" means ~~average the projected~~ monthly housing ~~costs cost~~ during the first calendar year of a household's occupancy, ~~as determined by the city~~, including mortgage principal and interest payments, mortgage insurance fees, if any, property taxes, reasonable allowances for utilities and property maintenance and repairs, ~~homeowners~~ homeowner's insurance, and homeowners' association dues, ~~if applicable~~, that in the aggregate ~~do does~~ not exceed thirty five percent (35%) of the applicable income limit for ~~eligible households for a particular~~ for-sale inclusionary unit ~~that is a for-sale unit~~. In calculating Affordable Ownership Cost, mortgage payments will be calculated using a thirty (30) year term, an interest rate equal to the Freddie Mac ten (10) year average interest rate as published in the Freddie Mac Primary Mortgage Market Survey or equivalent source and will assume a three percent (3%) downpayment.
- ~~2.2.~~ "Affordable ~~rent~~Rent" means a monthly rent and utility allowance that does not exceed the ~~limits as defined~~ applicable limit based upon assumed household size, as set forth in Section 50053 of the California Health and Safety Code, as may be amended from time-to-time.
- ~~3.~~ ~~"Affordable sales price" means a sales price that will result in an affordable ownership cost for an eligible household of the applicable income limit for an inclusionary unit that is a for-sale unit, and that does not exceed the limits as defined in Section 50052.5 of the California Health and Safety Code, as may be amended from time to time.~~
3. "Affordable Sales Price" means for inclusionary units that are restricted for sale to moderate-income households, a sales price that will result in an Affordable Ownership Cost, as defined, for a household whose gross annual household income does not exceed one hundred ten percent (110%) of area median income-based upon assumed household size.
4. "Applicant" means a person or entity who applies for approvals for a residential project, and if the applicant does not own the property on which the residential project is proposed, also means the owner or owners of the property.
5. "Area median income" or "AMI" means the median household income ~~of~~ households in for Santa Clara County, adjusted for actual household size, as determined and published from time to time by the California Department of Housing and Community Development ~~Department (HCD)~~ in Section 6932 of Title 25 of the California Code of Regulations or successor provision published pursuant to Section 50093(c) of the California Health and Safety Code.
6. "Assumed household size" means, for the purpose of establishing affordable sales prices and ~~affordable rent~~Affordable Rent, a household with a total number of members equal to the number of bedrooms in the dwelling unit, plus one, consistent with Section 50052.5(h) of the California Health and Safety

Code and subject to applicable federal rules (if any). For example, the assumed household size for a three-bedroom home is a four-person household.

7. "Building permit" means full structural building permits as well as partial permits such as foundation-only permits.
8. "Certificate of occupancy" means that construction is complete and the city building official or his or her designee has signed off the "residential dwelling occupancy approval" on the backside of the city of Morgan Hill building permit card.
9. "City ~~manager~~Manager" means the ~~city manager~~City Manager of Morgan Hill or his or her designee.
10. "Contiguous" means any parcel of land that is:
 - a. Touching another parcel at any point;
 - b. Separated from another parcel at any point only by a public right-of-way, private street or way, or public or private utility, service, or access easement; or
 - c. Separated from another parcel only by other real property of the applicant which is not subject to the requirements of this chapter at the time of the planning permit application by the applicant.
11. "Density bonus" means an increase ~~in over~~ the number of units ~~otherwise~~ permitted in a proposed residential project provided pursuant to ~~the state~~State density bonus law ~~as set forth in Section 65915 et seq.~~
~~of the 12.~~ "Density bonus law" means California Government Code Section 65915 et seq., as amended.
- ~~1213.~~ "Downtown" means the geographical area as depicted in Figure CNF-2 of the ~~general plan~~General Plan.
- ~~1314.~~ "Dwelling unit" means a residential unit consisting of one or more rooms designed, occupied, or intended for occupancy as separate living quarters, with cooking, sleeping, and bathroom facilities.
- ~~1415.~~ "Eligible household" means a household whose gross annual household income does not exceed the applicable maximum for a given inclusionary ~~Unit~~unit.
- ~~1516.~~ "Extremely low-income household" means a household with a gross annual household income that does not exceed thirty percent of AMI for Santa Clara County. ~~This definition corresponds to the definition of extremely low-income household used for state- and federally-assisted housing programs. Extremely low-income households are a subset of very low-income households.~~ based upon actual household size.
- ~~1617.~~ "First approval" means the first of the following approvals to be issued with respect to a residential project: building permit, planned development permit,

tentative parcel map, tentative subdivision map, conditional use permit, ~~site and architectural design~~ review permit, or other discretionary city land use approval.

- ~~17~~18. "For-sale project" means a residential project, or portion thereof, that is intended to be sold to owner-occupants upon completion.
19. "For-sale unit" means an inclusionary unit that is required to be sold for owner-occupancy to an eligible household at an affordable sales price pursuant to this chapter.
- ~~18~~20. "Gross annual household income" means the combined adjusted gross (pre-tax) income of all adult persons in a household ~~who is an applicant for an inclusionary unit, or who are residing in an inclusionary unit,~~ as calculated pursuant to the Section 8 Program under the United States Housing Act of 1937, as amended, or its successor.
- ~~19~~21. "Inclusionary affordable housing agreement" means an agreement between the city and an applicant, governing how the applicant will comply with this chapter.
- ~~20~~22. "Inclusionary unit" means a dwelling unit that pursuant to this chapter is required to be rented at an ~~affordable rent~~ Affordable Rent or sold at an affordable sales price to extremely low-, very low-, low-, or moderate-income households, ~~as applicable.~~
- ~~21~~23. "In-lieu fee" means the fee payable pursuant to Section 14.04.040.A of this chapter as a fractional fee and/or in lieu of development of up to one-half of the required number of inclusionary units, and the fee payable pursuant to Section 14.04.070 of this chapter as an alternative to the construction of on-site inclusionary units.
24. "Income-based housing" or "Income-adjusted housing" means housing that is restricted for occupancy at affordable rents by eligible low-, extremely low-, very low-, and moderate-income households, or that is restricted for sale at affordable sales prices to eligible low- and moderate-income households.
- ~~22~~25. "Low-income household" means a household with a gross annual household income between fifty-one percent and eighty percent of AMI for Santa Clara County. ~~This definition corresponds to the definition of lower income household used for state- and federally-assisted housing programs based upon actual household size.~~
- ~~23~~26. "Market-rate unit" means a dwelling unit offered on the open market at the prevailing market-rate for purchase or rental.
- ~~24~~27. "Moderate-income household" means a household with a gross annual household income between eighty-one percent and one hundred twenty percent of AMI for Santa Clara County. ~~This definition corresponds to the definition of moderate-income based upon actual household for state-assisted housing program size.~~

~~252~~8. "Regional housing ~~need-needs~~ allocation" (RHNA) means the ~~state~~ State of California mandated process that identifies the total number of housing units by affordability level that each jurisdiction must accommodate in its housing element.

~~262~~9. "Rental project" means a residential project, or portion thereof, that is intended to be rented to tenants upon completion.

~~273~~0. "Residential project" means a project undertaken for the purpose of development of land for residential purposes that requires the issuance of a discretionary or ministerial approval or permit, including a subdivision map or a permit for construction, and that will include two or more dwelling units. "Residential project" also includes developments on contiguous lots for which applications are filed by the same property owner or applicant and that will include two or more dwelling units.

~~283~~1. "Very low-income household" means a household with a gross annual household income that does not exceed fifty percent of AMI for Santa Clara County. ~~This definition corresponds to the definition of very low-income household used for state- and federally-assisted housing programs. Very low-income households are a subset of low-income households. based upon actual household size.~~

14.04.040 General requirements.

A. Percentage Requirement; In Lieu Fee.

A. Percentage 1. Requirement. Except as provided in this paragraph A or in paragraphs B and D of this section, or section 14.04.070 (Alternatives) at least fifteen percent of all units in residential projects shall be inclusionary units that shall be made available at ~~affordable rents~~ Affordable Rents or affordable sales prices as prescribed in this section. The inclusionary units shall be approved, and construction of the inclusionary units shall be completed not later than the times prescribed in Section 14.04.050 of this chapter, unless an alternative requirement is approved pursuant to Section 14.04.070 of this chapter.

2. Fractional Number. Whenever application of the requirements of this chapter results in a fractional number of required inclusionary units, if the fraction is 0.50 or greater, construction of the next higher whole number of inclusionary Units shall be required, and where the fraction is 0.49 or less, payment of the applicable housing fee adopted by city council shall be required for the fractional unit.

3. In-Lieu Fee Election for One-Half of Required Inclusionary Units. Developers may elect to satisfy the applicable requirements set forth in paragraphs B, C, D, and E of this section by paying an in-lieu fee for up to one-half of the number of required inclusionary units and constructing the remaining required inclusionary units. If the required number of inclusionary units results in a fractional number, the provisions of the preceding paragraph regarding payment of a fee shall apply to the fractional unit.

- B. For-Sale Projects in Downtown. All new for-sale residential projects consisting of two or more dwelling units located within downtown are required to restrict ten percent of the dwelling units for sale at affordable sales prices to moderate-income households. Such dwelling units must be sold to eligible households, and shall be subject to a recorded deed restriction that will impose resale price restrictions for a period of forty-five years.
- C. For-Sale Projects Outside of Downtown. All new for-sale residential projects consisting of two or more dwelling units located within the city but outside of downtown are required to restrict fifteen percent of the dwelling units for sale at affordable sales prices to moderate-income households. Such dwelling units must be sold to eligible households, and shall be subject to a recorded deed restriction that will impose resale price restrictions for a period of forty-five years.
- D. Rental Projects in Downtown. All new rental residential projects consisting of two or more dwelling units located within downtown are required to restrict ten percent of the dwelling units for rent at ~~affordable rents~~ Affordable Rents and occupancy by low-income and very low-income households. Such dwelling units must be occupied by, or if vacant, available for occupancy by eligible households, and such restrictions shall be documented in a recorded inclusionary affordable housing agreement with a term of fifty-five years. At least one-half of the required inclusionary units shall be ~~offered at affordable rents exclusively occupied by, or if vacant, available for occupancy at Affordable Rents~~ to very low-income households.
- E. Rental Projects Outside of Downtown. All new rental residential projects consisting of two or more dwelling units located within the city but outside of downtown are required to restrict fifteen percent of the dwelling units for rent at ~~affordable rents~~ Affordable Rents and occupancy by low-income and very low-income households. Such dwelling units must be occupied by, or if vacant, available for occupancy by eligible Households, and such restrictions shall be documented in a recorded inclusionary affordable housing agreement with a term of fifty-five years. At least one-half of the required inclusionary units shall be ~~offered at affordable rents exclusively occupied by, or if vacant, available for occupancy at Affordable Rents~~ to very low-income households.
- F. Inclusionary Housing Development Standards, Location and Design of Inclusionary Units. Residential projects that include inclusionary units shall conform to the following development standards. These incorporate the standards formerly known as the "Below Market-Rate (BMR) Program Development Standards" adopted by the City Council on September 26, 2018, as such may be amended from time to time.
1. All inclusionary units shall be geographically and proportionally dispersed throughout the residential project. In residential projects that will consist of more than one building, the inclusionary units shall be dispersed among all of the buildings that comprise the development. In residential projects that will consist of more than one product type, the inclusionary units shall be dispersed among the

product types, proportionate in number among each of the product types that comprise the development.

2. In for-sale projects, the lot size for the inclusionary units shall be at least the same size as the smallest lot for market-rate units in the residential project.

3. The average bedroom and bathroom count in the inclusionary units shall be the same as the average bedroom and bathroom count in the market-rate units in the residential project.

~~F. Location and Design of Inclusionary Units. All inclusionary units shall be reasonably dispersed throughout the residential project, and shall be comparable to the design of 4. The exterior trim, entry door hardware, and exterior finishes for the inclusionary units shall be of the same standard as the market-rate units in the residential project in terms of distribution of model types, number of bedrooms, appearance, materials and quality of finishes.~~ There shall not be significant identifiable differences between inclusionary units and the market-rate dwelling units that are visible from the exterior of the dwelling units, and the size and design of the dwelling units shall be reasonably consistent with the market-rate units in the development. occupants.

5. The interior finishes, equipment, fixtures, and appliances for the inclusionary units shall conform to the following minimum interior standard finishes:

- a. All closets shall have doors
- b. Interior doors to be raised panel type or same as market-rate
- c. Door hardware to be brass finish or same as market-rate
- d. Appliances shall be major brand name (if applicable)
- e. Microwave hood is required to be vented to the exterior. When applicable exhaust vent shall be installed over the range
- f. Units shall be roughed in for AC including electrical and line set
- g. Basic alarm system to secure all accessible openings to the home
- h. Electric garage door opener (if applicable)

6. The size, design, and distribution of model types for the inclusionary units shall be comparable and proportionate in number to the size, design, and distribution of each of the model types for the market-rate units in the residential project.

7. Occupants of inclusionary units shall be provided the same access to project amenities, recreational facilities, and common areas as occupants of market-rate units.

- G. For-sale ~~Projects~~projects. ~~Inclusionary~~The inclusionary units that ~~will be offered for sale~~are constructed in for-sale projects shall be sold for owner-occupancy at an affordable sales price to moderate-income households that qualify as eligible households. Accessory Dwelling Units (ADU's) constructed within for-sale projects will not be counted toward satisfaction of the requirement to construct inclusionary units.

- H. Rental projects. The inclusionary units that are constructed in ~~market-rate~~ rental projects shall be ~~offered for rent to eligible households at affordable rents occupied by, or if vacant, available for occupancy at Affordable Rents~~ to low- and very low-income households. At least one-half of the required inclusionary units in rental projects, shall be ~~offered at affordable rents exclusively occupied, or if vacant, available for occupancy at Affordable Rents~~ to very low-income households.
- I. Exceptions. The affordability levels required for a residential project may be modified by written agreement between the city and the applicant upon a finding that such modification is necessary to effectively achieve the ~~city's~~ City's RHNA goals in the then-current housing element cycle.

14.04.050 Time of performance.

- A. An application for first approval of a residential project will not be deemed complete until the applicant has submitted plans and proposals that demonstrate how the applicant proposes to meet requirements of this chapter, including any plans for the construction of on-site units pursuant to Section 14.04.040 of this chapter or the applicant's proposal for an alternative means of compliance pursuant to Section 14.04.070, of this chapter. Plans that provide for on-site construction shall depict the proposed location for all inclusionary units on the site plan or a separate exhibit.
- B. Conditions to carry out the purposes of this chapter shall be imposed on the first approval for a residential project. Additional conditions may be imposed on later city approvals or actions, including without limitation planned development permits, tentative parcel maps, tentative subdivision maps, conditional use permits, ~~site and architectural design~~ review permits, or building permits. The conditions of approval included with the first approval of the residential project shall further provide that prior to the recordation of the parcel map or final map in the case of subdivisions and ~~or~~ prior to the issuance of building permits in the case of all other land use permits to which this chapter applies for any residential project that does not require a parcel map or final map, the applicant shall enter into an inclusionary affordable housing agreement prepared by the ~~eCity a~~ Attorney and approved by the city manager that contains, -approved by the City Manager, and recorded against the property upon which the residential project will be developed.
 - 1. The inclusionary affordable housing agreement shall describe the specific requirements implementing the conditions of approval for the residential project, including, but not limited to, as applicable, the number of inclusionary units, the level(s) of affordability, the location and type of inclusionary units, timing of construction of inclusionary units in relation to the construction of the market-rate units contained in the development residential project, marketing and selection of tenants and homebuyers, and the amount of the in-lieu fee, if any.
 - 2. The inclusionary affordable housing agreement may be amended by the parties, provided the amendment is consistent with the condition conditions of approval imposed as part of the first approval and the then-existing city approvals. If such proposed amendment is minor or technical in nature, the

~~city manager~~ City Manager shall have authority to approve or disapprove the amendment on behalf of the city. If such proposed amendment makes a substantive or material change to the inclusionary affordable housing agreement, such amendment shall be effective only following notice and hearing and such other procedures as may be required by law, and approval by the city department that issued the first approval for the project.

3. The inclusionary affordable housing agreement shall provide that the applicant shall be required to reimburse the city for its attorneys' fees incurred in connection with the preparation of the inclusionary housing agreement. -In addition, for for-sale projects, the inclusionary housing agreement shall provide that the applicant shall be required to pay to the city or the city's designated program administrator, the city's fees associated with the initial sale of the inclusionary units to eligible households.

~~C. No building permit shall be issued for any market-rate unit until the applicant has obtained permits for inclusionary units sufficient to meet the requirements of Section C.~~ Inclusionary units must be constructed concurrently with the construction of market-rate units. The city shall issue building permits, conduct final inspections, and issue certificates of occupancy for market-rate units only if a proportional number of building permits or certificates of occupancy are concurrently issued, or a proportional number of final inspections are concurrently completed, for inclusionary units as required to satisfy the applicable requirements of section 14.04.040 of this chapter, or received approval of an alternative requirement under Section 14.04.070 of this chapter. No final inspection for occupancy for any market-rate unit shall be completed until the applicant has constructed the inclusionary units required by Section 14.04.040 of this chapter if applicable, or completed corresponding proportional alternative performance under Section 14.04.070 of this chapter has been completed. The time requirements set forth in this subsection for issuance of building permits and certificates of occupancy for market-rate units and for final inspections for occupancy for market-rate units may be modified to accommodate phasing schedules, model variations, or other factors in a residential project, if the city determines this will provide greater public benefit.

14.04.060 Continued affordability and city review of occupancy.

- A. Term of affordability—For-sale projects. A resale restriction, covenant, deed of trust and/or other documents in the form prepared by the city attorney, shall be recorded against each inclusionary unit ~~that is a~~ upon the sale of each for-sale unit. These documents shall have an initial term of forty-five years, and shall be renewed upon each change of title to the inclusionary unit. The resale restriction, or other documents required by this subsection, and any change in the form of any such documents, shall be approved by the ~~city manager~~ City Manager or his or her designee prior to execution and recordation of such document. The city shall be a party to the resale restriction or other documents required by this subsection and shall have the right to enforce the covenants and restrictions contained therein.

- B. Term of affordability—Rental projects. A regulatory agreement, covenant, deed of trust, and/or other documents prepared by the city attorney, shall be recorded against each residential project that contains inclusionary units that are rental units. These documents shall have a term of fifty-five years. The regulatory agreement and other documents required by this subsection, shall run with the land and shall not be affected by the sale of the property or units in the project. The regulatory agreement and other documents required by this subsection, and any modification to such document, shall be approved by the ~~city manager~~ City Manager or his or her designee and approved as to form by the city attorney, prior to execution and recordation of such document. The city shall be a party to the regulatory agreement or other documents required by this subsection and shall have the right to enforce the covenants and restrictions contained therein.
- C. Eligibility requirements. ~~No household shall be permitted to begin occupancy of an inclusionary unit unless~~ For-sale inclusionary units shall be sold only following city's approval of the affordable sales price and a determination that the purchaser is an eligible household. Such determinations shall be made by the city or its designated administrator as referenced in the Below Market-Rate (BMR) Program Administration ~~Ordinance 2204~~, Chapter ~~15-23~~ 14.12, Section ~~15-23-040~~ 14.12.040, Duties of Program Administrator, ~~has approved the household's eligibility~~. If the city or its designee maintains a list of, or otherwise identifies, eligible households, initial and subsequent ~~occupants of tenants of rental inclusionary units, and the initial and subsequent purchasers of for-sale~~ inclusionary units shall be selected first from the list of identified households, to the maximum extent possible, in accordance with rules approved by the ~~city manager~~ City Manager or his or her designee.

14.04.070 Alternatives.

In lieu of building inclusionary units within a residential project, an applicant may propose to satisfy the requirements of this chapter by one of the following alternative modes of compliance, provided that the applicant includes such proposal in its application for the first approval of the residential project, and further provided that the criteria stated in the relevant subsection below are satisfied.

- A. Rental ~~Units in For-Sale Projects. Where owner-occupied inclusionary units in for-sale projects. Where for-sale~~ units are required ~~by Section to be provided pursuant to section~~ 14.04.040 of this chapter, an applicant may instead elect to construct as part of the residential project ~~the same or a greater number of~~ rental units, ~~as prescribed in this paragraph that will be rented at~~ affordable rents to extremely low-, very low-, low-, and moderate-income households ~~in the proportions and at the rents as prescribed in Section 14.04.030 of this chapter~~. Substitution of rental units shall be allowed under this subsection only if either: (1) the rental units will have at least the same number of bedrooms as the for-sale units that would have been constructed, or (2) any comparative deficiency in the number of bedrooms is compensated for by additional units and/or affordability to low-income households.

subject to approval by the City Manager or his or her designee. If a Developer desires to construct on-site inclusionary rental units in lieu of on-site inclusionary for-sale units, the requirement for such on-site rental inclusionary units shall be: (i) Five percent (5%) of the total Dwelling Units in the Residential Development shall be made available for rent at an Affordable Rent to Moderate-Income Households, five percent (5%) of the total Dwelling Units in the Residential Development shall be made available for rent at an Affordable Rent to Low-Income Households and five percent (5%) of the total Dwelling Units in the Residential Development shall be made available for rent at an Affordable Rent to Very Low-Income Households, or (ii) ten percent (10%) of the total Dwelling Units in the Residential Development shall be made available for rent at an Affordable Rent to Extremely Low-Income Households. The affordability restrictions shall be set forth in a regulatory agreement prepared by the City, recorded against the property on which the rental inclusionary units are located, and having a term of fifty-five years.

- ~~1. The rental units are at least equal in number of bedrooms to the owner-occupancy units that would have been allowed, or~~
 - ~~2. Any comparative deficiency in the number of bedrooms is compensated for by additional units and/or affordability to households with lower incomes.~~
- B. Off-site ~~Construction. An Applicant~~ construction. An applicant may propose to construct, or ~~make possible~~ facilitate construction by another developer, units that will not be physically contiguous to the market-rate units (or units that are physically contiguous to the market-rate units if the city determines this will provide greater public benefit). Off-site construction pursuant to this subsection shall be approved only if:
1. An inclusionary affordable housing agreement acceptable to the ~~city manager~~ City Manager or his or her designee ~~that requires an equal or greater number of inclusionary units as required under Section 14.04.040 of this chapter is recorded; will be recorded against the properties upon which the residential project and the off-site units will be constructed;~~
 - ~~2. Approval has been secured for the off-site units~~ 2. Approval for development of the off-site units has been secured not later than the time the residential project is approved, ~~and completion of the off-site units is secured by a requirement that~~ Building permits will be issued for the market-rate project only after building permits have been issued for the off-site inclusionary units, and final inspections will be completed and certificates of occupancy for the related market-rate units will be issued only after certificates of occupancy have been issued for the off-site inclusionary units, provided that the time requirements set forth in this subsection ~~for final inspections for occupancy for market-rate units~~ may be modified to accommodate phasing schedules, model variations, financing requirements, or other factors, if the city determines this will provide greater public benefit; and

3. The off-site units will be greater in number, ~~larger,~~ or will be affordable to households with lower incomes than would otherwise be required by [Section section 14.04.040](#) of this chapter.

4. For-Sale Residential Development:

a. Off-site for-sale inclusionary units numbering no less than twenty percent (20%) of the total dwelling units in the Residential Development shall be made available for purchase at an Affordable Housing Cost to moderate-income households; or

b. Off-site rental inclusionary units numbering no less than five percent (5%) of the total dwelling units in the Residential Development shall be made available for rent at an Affordable Rent to Moderate Income Households, off-site rental inclusionary units numbering no less than five percent (5%) of the total dwelling units in the Residential Development shall be made available for rent at an Affordable Rent to Low-Income Households, and off-site rental dwelling units numbering no less than ten percent (10%) of the total dwelling units in the Residential Development shall be made available for rent at an Affordable Rent to Very Low-Income Households.

5. Rental Residential Development:

Off-site rental inclusionary units numbering no less than five percent (5%) of the total dwelling units in the Residential Development shall be made available for rent at an Affordable Rent to Moderate-Income Households, off-site rental inclusionary units numbering no less than five percent (5%) of the total dwelling units in the Residential Development shall be made available for rent at an Affordable Rent to Low-Income Households, off-site rental inclusionary units numbering no less than five percent (5%) of the total dwelling units in the Residential Development shall be made available for rent at an Affordable Rent to Very Low-Income Households, and off-site rental inclusionary units numbering no less than five percent (5%) of the total dwelling units in the Residential Development shall be made available for rent at an Affordable Rent to Extremely Low-Income Households.

4.6. Financing or a viable financing plan is in place for the off-site units;

57. If the off-site units receive any public assistance, the developer of the market-rate project will contribute economic value to the off-site units equivalent to the cost that would have been incurred to provide the required number of inclusionary units on-site in the residential project; and

68. The city may require that completion of off-site units shall be further secured by the developer's agreement to pay an in-lieu fee in the amount approved by city council in the event the off-site units are not timely completed.

C. Land ~~Dedication~~dedication.—An applicant may ~~pro- pose~~propose to dedicate without cost to the city, a lot or lots within or contiguous to the residential project, or elsewhere in the city, equivalent in value to the amount of the in-lieu fee that would be payable for all inclusionary units that would otherwise be required pursuant to paragraph A.1 of Section 14.04.040 of this chapter, and in size sufficient to accommodate at least the ~~required number of~~ inclusionary units ~~that would otherwise be required~~ for the residential project. If there is a difference in the value of the land that is dedicated and the value of the obligation, the applicant will be required to pay the difference as an in-lieu fee. An election to dedicate land in lieu of compliance with other provisions of this chapter shall be allowed only if:

1. ~~The value—~~ The size and condition of the lot or lots to be dedicated is sufficient to make development of the otherwise required inclusionary units economically feasible, and financing or a viable financing plan is in place for development of at least the required number of ~~inclusionary units~~Inclusionary Units on the dedicated land; and
2. The ~~lot or lots are land to be dedicated~~ has a General Plan designation that authorizes residential uses and the site is zoned for and suitable for construction of affordable housing at a feasible cost, served by utilities, streets, and other ~~infra-structure~~infrastructure; environmental review of the site has been completed demonstrating that there are no hazardous materials present or other material constraints on development of affordable housing on the lot or lots; and unless City agrees otherwise, land use approvals have been obtained as necessary for the development of the inclusionary units on the lot or lots.
3. The site is not located in a very high fire hazard zone; special flood hazard area; or a delineated earthquake fault zone; and no historic or cultural resources are known to exist on the property.
4. Prior to the commencement of construction of the Residential Development, marketable title to the site is transferred to the City or an affordable housing developer approved by the City pursuant to an agreement approved by the City and executed by and between the Developer and the City, and if applicable the affordable housing developer. A memorandum of the City's or affordable housing developer's rights to acquire the site in form approved by City shall be recorded against the land to be dedicated prior to issuance of land use entitlements for the residential development.

D. In-lieu ~~Housing Fee~~housing fee.

1. An in-lieu housing fee may be paid in addition to building or in-lieu of building inclusionary units as follows:
 - a. As provided in Section ~~14.04.040A~~14.04.040.A, whenever application of the requirements of this chapter results in a fractional number of .49 or less of required inclusionary units.

b. As provided in section 14.04.040.A, developers may elect to satisfy the requirements of this chapter by paying an in-lieu fee for up to one-half of the required number of inclusionary units in addition to any required fractional fee, and building the balance of the required inclusionary units in accordance with the requirements of this chapter.

c. For custom lot projects wherein a developer creates lots for purchase, and the residential units are built separately by individual owners, the requirements of this chapter shall be satisfied by each individual purchaser of a lot by paying an in-lieu fee as set forth in Chapter 14.08 at or prior to the issuance of building permit based on the per habitable square feet of the residential building area to be built.

~~b. For all other residential projects, upon d.~~ Upon a determination by ~~city council~~ the City Manager or his or her designee that payment of an in-lieu fee is preferred to building inclusionary units onsite, or one of the other alternatives described in ~~Section 14.04.070A~~ section 14.04.070.A through C above, considering the following:

- i. Whether the production of the proposed inclusionary units will fill a need in an affordable housing category or some other prioritized housing need area.
- ii. Whether the proposed inclusionary units are in a category for which the city has already met its RHNA goal, and therefore payment of a fee may be preferred to achieve alternative housing goals, for example the development of housing affordable to extremely low-income households.
- iii. Whether there is a specific identifiable project that the city can support with the fees.
- iv. Whether affordable units are appropriate in the specific project, for example a custom lot project.

2. The initial in-lieu fee schedule shall be set by city council resolution or other action of the city council so that the per unit fee amounts are not greater than the difference between: a. The amount of a conventional permanent loan that an inclusionary unit would support based on the affordable rent or affordable sales price for the inclusionary unit; and

~~b. The~~ estimated total development cost of a prototypical inclusionary unit.

3. In-lieu fees payable pursuant to this chapter are established in section 14.08.020. The ~~e~~City ~~e~~Council may annually review the fees authorized by this subsection by resolution, and may, based on that review, adjust the fee amount. For any annual period during which the ~~e~~City ~~e~~Council does not review the fee fees authorized by this subsection, fee the amounts stated in the fee schedule shall be ~~adjusted increased automatically effective January 1 once by the city manager or his or her designee~~ based on the construction cost index annual increase in inflation as reported in the Engineering News Record City Cost Index.

4. In-lieu fees shall be calculated based on the fee schedule in effect at the time the fee is paid, unless otherwise required by state law. In-lieu fees payable pursuant to this chapter 14.04 shall be paid prior to issuance of building permits for the market-rate units in a residential project. If building permits are issued for only part of a residential project, the fee amount shall be based only on the number of units then permitted. Where payment is delayed, in the event of default or for any other reason, the amount of the in-lieu fee payable under this subsection shall be based upon the fee schedule in effect at the time the fee is paid to the extent permitted by applicable law.

14.04.080 Use of in-lieu fees.

- A. All in-lieu fees collected pursuant to this chapter shall be deposited into a separate account to be designated as the city of Morgan Hill housing in-lieu fee fund.
- B. The in-lieu fees collected pursuant to this chapter, and all earnings from investment of such fees, shall be expended exclusively to provide or assure continued provision of affordable housing in the city through acquisition, construction, development assistance, rehabilitation, financing, rent subsidies, or other methods, and for costs of administering programs that serve those ends. The housing assisted with such funds shall be of a type, or at an affordability level, for which there is a need in the city and that is not adequately supplied by private development, for example housing affordable to extremely low-income households.

14.04.090 Waiver of requirements.

Notwithstanding any other provision of this chapter, the requirements of this chapter shall be waived, adjusted, or reduced if the applicant demonstrates that applying the requirements of this chapter would take property in violation of the constitutions of the United States or the State of California or would otherwise result in an unconstitutional application of this chapter. To receive a waiver, adjustment or reduction under this section, the applicant must file a written request together with the development application(s) when applying for a first approval for the residential project, and/or as part of any appeal that the city provides as part of the process for the first approval. The written request shall provide substantial evidence showing that applying the requirements of this chapter would take property in violation of the constitutions of the United States or the state of California or would otherwise result in an unconstitutional application of this chapter. The city may assume that: (a) the applicant will provide the most economical inclusionary units feasible meeting the requirements of this chapter; and (b) the applicant is likely to obtain housing subsidies when such funds are reasonably available. The waiver, adjustment, or reduction may be approved only to the extent necessary to avoid an unconstitutional result, after adoption of written findings, based on substantial evidence, supporting the determinations required by this section.

14.04.100 Enforcement.

- A. The city council may adopt guidelines, by resolution, to assist in the implementation and administration of all aspects of this chapter.

- B. The city shall be authorized to enforce the provisions of this chapter and all inclusionary affordable housing agreements, regulatory agreements, covenants, resale restrictions, promissory notes, deed of trust, and other requirements placed on inclusionary units by civil action and any other proceeding or method permitted by law.
- C. Failure of any official or agency to fulfill the requirements of this chapter shall not excuse any applicant or owner from the requirements of this chapter.
- D. The remedies provided for in this chapter shall be cumulative and not exclusive, and shall not preclude the city from any other remedy or relief to which it otherwise would be entitled under law or equity.
- E. The city shall evaluate the effectiveness of the ordinance codified in this title, for review by the city council, five years after the operative date of this title.
- F. No permit, license, map, or other approval or entitlement for a residential project shall be issued, including without limitation a final inspection or certificate of occupancy, until all applicable requirements of this chapter have been satisfied.

14.04.110 Monitoring.

The inclusionary housing guidelines adopted or to be adopted by the city, and each inclusionary affordable housing agreement shall include provisions for monitoring by the city of each residential project and each inclusionary unit for compliance with the terms of this chapter, the inclusionary housing guidelines, and the applicable inclusionary affordable housing agreements. The city and/or its designated administrator shall also monitor and submit compliance reports to governmental agencies as required by law. Such provisions shall require property owners to submit annual compliance reports to the city and/or its administrator, and shall authorize the city or its administrator to conduct periodic on-site inspections and audits to ensure compliance with all applicable laws, policies, and agreements. The city council may adopt fees to cover the city's costs of monitoring and compliance. Such fees shall be payable by the property owner and shall be deposited into the city's housing in-lieu fee fund.

~~14.04.120 On-site inclusionary housing incentives.~~

- ~~A. The developer of a residential project providing all required inclusionary units on the same site as the market-rate units may, at the developer's option and concurrently with the submittal of the affordable housing plan and the earlier of the zoning or planning permit application, submit a written request for one or more of the following on-site inclusionary housing development incentives:~~
 - ~~1. Density Bonus. The residential project may receive a density bonus if the residential project includes affordable units in accordance with the threshold requirements for density bonus pursuant to California Government Code Section 65915 et seq. For residential projects qualifying for a density bonus pursuant to this subsection, the city shall, upon request of the applicant at the time of application for the first approval, authorize a density bonus in the amount specified in California Government Code Section 65915 et seq. unless such a density bonus would cause an adverse impact to the public health,~~

~~safety and welfare, including but not limited to historic or natural resources, or the environment. The city shall not provide any other incentives or concessions, other than those listed in this Section 14.04.120, in addition to such density bonus unless otherwise required by law.~~

- ~~2. Reduction in Minimum Setback Requirements. The developer may request a reduction in the minimum setback requirements for the residential project, provided such reduction will not cause an adverse impact to the public health, safety and welfare, including, but not limited to, historic or natural resources, or the environment.~~
- ~~3. Alternative Unit Type. The developer may request to provide inclusionary units that are of a different unit type than the market-rate units to be constructed within the residential project; provided however, the inclusionary units shall have the same bedroom count in the same percentage distribution as the market-rate units.~~
- ~~4. Alternative Interior Design Standards. The developer shall provide the same amenities within the inclusionary units as provided in the market-rate units, but may request to provide different but functionally equivalent amenities for the inclusionary units; provided however, residents of inclusionary units shall have access to all common areas of the residential project equal to the access provided to residents of market-rate units.~~

Section 2. Section 14.08.020 (Fee established) of Chapter 14.08 (In-Lieu Housing Fees) of Title 14 (Housing) is hereby amended to read:

- A. There is created an in-lieu housing fee for new residential development for residential projects that are required or which volunteer to pay an in-lieu housing fee.
- B. For-Sale Residential Projects Outside of Downtown. The in-lieu housing fee for "for-sale" residential projects outside of downtown for which there is a fifteen-percent inclusionary housing requirement is nineteen dollars and seventy cents per habitable square foot of the residential building area of market-rate housing.
- C. For-Sale Residential Projects Within Downtown. The in-lieu housing fee for "for-sale" residential projects within the downtown for which there is a ten-percent inclusionary housing requirement is thirteen dollars and twenty cents per habitable square foot of the residential building area of market-rate housing.
- D. Rental Residential Projects Outside of Downtown. The in-lieu housing fee for "rental" residential projects outside of downtown for which there is a fifteen-percent inclusionary housing requirement is twenty-nine dollars per habitable square foot of the residential building area of market-rate housing.
- E. Rental Residential Projects Within Downtown. The in-lieu housing fee for "rental" residential projects within the downtown for which there is a ten-percent

inclusionary housing requirement is fourteen dollars and fifty cents per habitable square foot of the residential building area of market-rate housing.

- F. Basis for calculation of the In-Lieu Housing Fee. The city approves, adopts, and incorporates the summary report from Keyser Marston Associates (KMA), entitled "Summary of Per Square Feet In-Lieu Fee Amounts for Ownership Projects Equivalent to Range of On-site BMR Requirements, and Summary of Per Square Feet In-Lieu Fee Amounts for Rental Projects Equivalent to Range of On-site BMR Requirements for Morgan Hill" dated September 25, 2018. This establishes the value of the in-lieu housing fee, which is determined to be a fair and effective fee to maintain the BMR program.

G. The in-lieu housing fees shall automatically increase annually on January 1 based on the Engineering News Record City Cost Index.

Section 3. Chapter 18.48 (Affordable Housing) of Title 18 (Zoning) is hereby repealed in its entirety.

Section 4. Severability. Should any provision of this ordinance be deemed unconstitutional or unenforceable by a court of competent jurisdiction, such provision shall be severed from the ordinance, and such severance shall not affect the remainder of the ordinance.

Section 5. Effective Date; Posting. This Ordinance shall take effect on _____, 2021. The City Clerk is hereby directed to publish this Ordinance or a summary thereof pursuant to Government Code Section 36933.

This ordinance was introduced at a meeting of the City Council held on the _____ day of _____, 20____, and adopted at a meeting held on the _____ day of _____, 20____, and said ordinance was duly passed and adopted in accordance with law by the following vote:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST:

APPROVED:

MICHELLE BIGELOW, City Clerk

RICHARD CONSTANTINE, Mayor

CERTIFICATE OF THE CITY CLERK

I, **MICHELLE BIGELOW, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA**, do hereby certify that the foregoing is a true and correct copy of Ordinance No. _____, New Series, adopted by the City Council of the City of Morgan Hill, California at their regular meeting held on the _____ day of _____, 2021.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

MICHELLE BIGELOW, City Clerk

Attachment: IHO Ordinance November 2021 [Revision 2] (3212 : Amendments to the Inclusionary Housing Ordinance (IHO))



PLANNING COMMISSION STAFF REPORT

MEETING DATE: November 9, 2021

PREPARED BY: Tiffany Brown, Associate Planner

APPROVED BY: Jennifer Carman, Community Development Director

A MUNICIPAL CODE TEXT AMENDMENT (ZA2021-0005) AMENDING SECTION 18.40.060 (STANDARDS FOR ALL HOUSING TYPES) OF CHAPTER 18.40 (ALTERNATIVE STANDARDS FOR MEDIUM DENSITY RESIDENTIAL DEVELOPMENT) OF TITLE 18 (ZONING) TO REMOVE REFERENCES TO TRASH ENCLOSURE STANDARDS AND ENACTING ADDING SECTION 18.92.125 (REFUSE AND RECYCLING ENCLOSURES) OF TO CHAPTER 18.92 (SUPPLEMENTAL STANDARDS) TO INCLUDE NEW REFUSE AND RECYCLING ENCLOSURE STANDARDS

RECOMMENDATION(S)

1. Open/close the public hearing; and,
2. Adopt Resolution recommending City Council approval of the Zoning Text Amendment.

BACKGROUND:

The California Department of Resources, Recycling and Recovery adopted regulations in November of 2020, effective January 1, 2022, to implement the requirements of Senate Bill 1383 which was passed by the state legislature in 2016. The regulations require residents and businesses to separate organic waste from trash and participate in organic waste recycling programs to achieve the specified targets for reducing organic waste in landfills. To comply with the new refuse separation requirements, residents and businesses will need a third refuse bin. In addition, Section 18.40.060 of the Morgan Hill Municipal Code requires all refuse and recycling bins to be screened from public view. This is achieved by providing enclosures for non-residential uses and some multi-family uses or by locating bins within the resident's side/rear yard or within the garage. The addition of a third bin within an existing enclosure may trigger modifications to the existing structure due to size limitations of the enclosure. New development will be required to comply with the revised enclosure requirements. To assist in compliance with the new regulations, the City prepared a zoning text amendment that adds refuse and recycling enclosure standards and provides standards for temporary/transitional compliance with a plan for full compliance required by January 2030. The zoning text amendment incorporates and updates the standards from the Design Review Handbook that was adopted in 2008 and is consistent with the City's Residential Development Design and Development Standards.

To build community awareness of the upcoming changes to refuse and recycling

disposal, a Community Outreach meeting was held via zoom on October 27, 2021. Staff presented the new SB 1383 requirements and Refuse and Recycling standards. The City Council will hold a public hearing to receive a presentation and review the Ordinance for compliance with SB 1383 at the November 17, 2021, meeting.

PROJECT DESCRIPTION:

The City proposes the following amendment to the Municipal Code with this update (additions in underline, deletions in ~~strikeout~~):

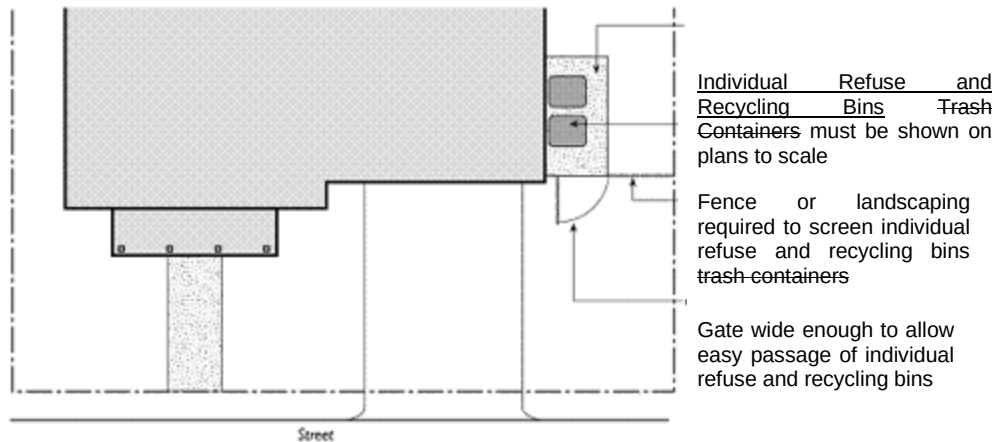
Subsection H of Section 18.40.060 (Standards for All Housing Types) of Chapter 18.40 (Alternative Standards for Medium Density Residential Development) of Title 18 (Zoning) is hereby amended to read as follows (additions in underline, deletions in ~~strikeout~~):

H. Screening. Mechanical equipment and individual refuse and recycling bins ~~trash enclosures~~ shall be screened as follows:

1. Air conditioners, heaters, utility equipment, meters, and similar equipment shall be screened from public view. Above-ground utility transformers and other above grade equipment shall not be located within the front yard along a street.
2. Fencing, landscaping or view-obscuring structures shall be provided to screen individual refuse and recycling bins ~~cans~~ or other refuse containers from view from public rights-of-way while still providing easy access to trash receptacles (see Figure 18.40-1).
3. A gate wide enough to allow for passage of city standard individual ~~trash and recycling receptacles~~ refuse and recycling bins shall be provided.
4. ~~Trash/recycling container~~ Individual refuse and recycling bin storage areas shall have a smooth solid surface such as concrete ~~or pavers~~.
5. The location of ~~trash~~ refuse and recycling bins ~~container storage areas~~ shall be shown on plans submitted for planning and building permits.

Figure 18.40-1: Standards for ~~Trash Storage and~~ Individual Refuse and Recycle Bin Screening in Small Lot Subdivisions

Smooth solid surface such
as concrete. ~~or pavers for~~
~~trash containers~~



Section 18.92.125 (Refuse and Recycling Enclosures) of Chapter 18.92 (Supplemental Standards) of Title 18 (Zoning) is hereby added to read as follows:

18.92.125 – Refuse and Recycling Enclosures

- A. Purpose. This section establishes refuse and recycling enclosure design and access standards to adequately screen refuse and recycling bins and prevent pollutant discharge for non-residential and residential uses.
- B. Applicability. Refuse and Recycling Enclosures are required for the following:
1. New non-residential structures.
 2. An addition to a non-residential site which exceeds 30% of the existing floor area of the building(s) on a site.
 3. When there is a change of use.
 4. New residential projects proposing refuse and recycling enclosures.
- C. Development Standards for Refuse and Recycling Enclosures.
1. Refuse and Recycling Enclosures shall be a minimum of 12-feet wide by 9-feet deep to contain a minimum of three collection containers (solid waste, organic materials, and recycling) and other bins that may be required per the business type as reviewed and approved by the City's franchised waste hauler.
 2. Enclosure shall be separated from adjacent parking stalls with a minimum three-foot wide planter and a 12-inch wide paved surface behind the curb.
 3. Enclosure walls shall be a minimum of 6-feet in height.
 4. A 12-inch curb, bumper, or other method shall be incorporated along interior base to prevent dumpster from hitting the sides of the enclosure.
 5. Enclosure shall have a solid all-weather non-combustible roof structure to prevent storm water from entering the enclosure's contents and the sanitary sewer system.

6. An area drain with hose bib and approved vandal proof drain shall be installed and plumbed to the sanitary sewer system with a grease trap.
7. Enclosure pad shall be designed to drain inward, and the outside grade surrounding the enclosure shall not drain into the enclosure.
8. A pedestrian entrance to the enclosure shall be provided.
9. Bin gates shall be attached to separate metal poles and have the ability to be locked. Bin gates shall not be connected directly to the enclosure wall.
10. The pad and entrance apron of the enclosure shall be concrete.

D. Design Standards.

1. Enclosures shall be designed with the same materials, colors, and architecture as the principal building.
2. Enclosure walls shall be constructed of a solid masonry material and finished to match the building materials of the principal building.
3. Enclosures shall include solid view-obstructing gates. Chain link with or without wooden/plastic slats is prohibited.
4. The roof of the enclosure shall consist of the same materials, colors, and architecture as the principal building and shall be painted with rust-inhibitive paint.

E. Enclosure Location.

1. Enclosures shall not be visible from public rights-of-way or primary entry driveways and shall be screened from public view.
2. Landscaped planters utilized for screening shall incorporate a minimum three-foot wide planter on the sides and rear of the enclosure.
3. Enclosures shall be connected to an accessible route for service vehicles.
4. Non-Residential enclosures shall be located a minimum of 15-feet away from adjacent properties zoned for residential uses.

F. Temporary Conformance for Non-conforming Enclosures. Existing enclosures that do not meet the minimum size requirements or the number of bins required in Section 18.92.125.C. shall install a temporary bin or bins outside of the existing non-conforming enclosure. The temporary bin(s) shall:

1. Have a secured and lockable lid.
2. Be secured to the existing enclosure, building, or ground to prevent free movement and possible damage to adjacent structures or automobiles.
3. Be kept clean.
4. The area around the temporary bin(s) be kept free and clear of garbage debris and/or spillage.
5. Shall not create objectionable odors consistent with Section 18.76.100 (Odors).

If temporary conformance standards outlined in 18.92.125.F cannot be met, compliance with Section 18.92.125.C, 18.92.125.D, and 18.92.125.E is required.

- G. All non-conforming and temporarily conforming refuse and recycling enclosures shall conform with Sections 18.92.125.C, 18.92.125.D, and 18.92.125.E by January 1, 2030.

ANALYSIS:

The proposed Zoning Amendment has been analyzed with respect to consistency with the: 1) General Plan; 2) Zoning Ordinance; and 3) California Environmental Quality Act.

1. General Plan

The proposed amendments introduce and update the refuse and recycling standards in the Municipal Code, and are consistent with the new California Department of Resources, Recycling, and Recovery regulations adopted pursuant to SB 1383. Overall, this amendment has been found to be consistent with the General Plan.

2. Zoning Ordinance

The purpose of the Zoning Code is to implement the General Plan and to protect the public health, safety, and welfare. The City may approve a Zoning Amendment only if the following findings are made:

- a. The proposed amendment is consistent with the General Plan and any applicable specific plan as provided by Government Code Section 65860.

Consistent

The proposed text amendments are consistent with the General Plan in that it provides refuse and recycling standards and enhances the ability to be consistent with new California Department of Resources, Recycling, and Recovery regulations adopted pursuant to SB 1383.

- b. The proposed amendment will not be detrimental to the public interest, health, safety, convenience, or welfare of the city.

Consistent

The proposed text amendments will regulate the proper storage area for refuse and recycling bins which is in the public interest, health, safety, convenience, and welfare.

- c. The proposed amendment is internally consistent with other applicable provisions of the zoning code.

Consistent

The proposed text amendment will update and incorporate standards within the Design

Review Handbook, will be consistent with the Residential Development Design and Development Standards, and will be internally consistent with other applicable provisions of the zoning code.

California Environmental Quality Act (CEQA):

This Ordinance is exempt from environmental review pursuant to Section 15061(b)(3) of the California Environmental Quality Act (CEQA) Guidelines. The proposed text amendments are covered by the common-sense exemption that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.

Community Engagement

A community meeting was held on October 27, 2021. Notification of the Ordinance was sent in the weekly 411, e-blast, and posted on a project webpage. A 10-day public hearing notice was published in the Friday, October 29, 2021 edition of the Morgan Hill Times pursuant to Government Code Sections 65090-65096.

LINKS/ATTACHMENTS:

1. Resolution for a Zoning Text Amendment
2. Exhibit A - Refuse and Recycling Enclosure Ordinance

RESOLUTION NO. 21-15

A RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF MORGAN HILL RECOMMENDING APPROVAL OF ZONING TEXT AMENDMENT ZA2021-0005: A MUNICIPAL CODE TEXT AMENDMENT AMENDING SECTION 18.40.060 (STANDARDS FOR ALL HOUSING TYPES) OF CHAPTER 18.40 (ALTERNATIVE STANDARDS FOR MEDIUM DENSITY RESIDENTIAL DEVELOPMENT) OF TITLE 18 (ZONING) TO REMOVE REFERENCES TO TRASH ENCLOSURE STANDARDS AND ADDING SECTION 18.92.125 (REFUSE AND RECYCLING ENCLOSURES) TO CHAPTER 18.92 (SUPPLEMENTAL STANDARDS) TO INCLUDE NEW REFUSE AND RECYCLING ENCLOSURE STANDARDS

WHEREAS, this proposed Ordinance (Zoning Amendment ZA2021-0005) was considered by the Planning Commission of the City of Morgan Hill at its regular meeting of November 9, 2021;

WHEREAS, the Planning Commission has reviewed recommendations contained in the November 9, 2021, staff report on this item;

WHEREAS, the amendments proposed by this Ordinance are necessary to provide refuse and recycling enclosure standards and consistency with California Department of Resources, Recycling and Recovery regulations adopted to implement the requirements of Senate Bill 1383;

WHEREAS, this ordinance is exempt from environmental review pursuant to Section 15061(b)(3) of the California Environmental Quality Act (CEQA) Guidelines, as the proposed text amendments to the Morgan Hill Zoning Code is not a project with potential for causing a significant effect on the environment requiring California Environmental Quality Act (CEQA) analysis; and

WHEREAS, testimony received at a duly noticed public hearing, along with exhibits and other materials have been considered in the review process.

NOW, THEREFORE, THE MORGAN HILL PLANNING COMMISSION DOES RESOLVE AS FOLLOWS:

SECTION 1. The proposed amendment is consistent with the General Plan and any applicable specific plan as provided by Government Code Section 65860.

The proposed text amendments are consistent with the General Plan in that it provides

refuse and recycling standards and enhances the ability to be consistent with new California Department of Resources, Recycling, and Recovery regulations adopted to implement the requirements of SB 1383.

SECTION 2. The proposed amendments will not be detrimental to the public interest, health, safety, convenience, or welfare of the City.

The proposed text amendments will regulate the proper storage area for refuse and recycling bins which is in the public interest, health, safety, convenience, and welfare.

SECTION 3. The proposed amendment is internally consistent with other applicable provisions of the zoning code.

The proposed text amendment will update and incorporate standards within the Design Review Handbook, will be consistent with the Residential Development Design and Development Standards, and will be internally consistent with other applicable provisions of the zoning code.

SECTION 4. The Planning Commission hereby recommends approval of changes to the text of the Morgan Hill Municipal Code amending Section 18.40.060 (Standards for all Housing Types) of Chapter 18.40 (Alternative Standards for Medium Density Residential Development) of Title 18 (Zoning) to remove references to trash enclosure standards and adding Section 18.92.125 (Refuse and Recycling Enclosures) to Chapter 18.92 (Supplemental Standards) to include new refuse and recycling enclosure standards which are shown by strike-out text for deletions and underline text for additions. All text amendments recommended to be made as shown in Exhibit A.

PASSED AND ADOPTED THIS 9th DAY OF NOVEMBER 2021, AT A REGULAR MEETING OF THE PLANNING COMMISSION BY THE FOLLOWING VOTE:

AYES: **COMMISSIONERS:**

NOES: **COMMISSIONERS:**

ABSTAIN: **COMMISSIONERS:**

ABSENT: **COMMISSIONERS:**

ATTEST:

APPROVED:

City of Morgan Hill
Resolution No. 21-15
Page 3 of 3

JENNA LUNA, Deputy City Clerk

MALISHA KUMAR, Chair

Date: _____

ORDINANCE NO. XX , NEW SERIES

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AMENDING SECTION 18.40.060 (STANDARDS FOR ALL HOUSING TYPES) OF CHAPTER 18.40 (ALTERNATIVE STANDARDS FOR MEDIUM DENSITY RESIDENTIAL DEVELOPMENT) OF TITLE 18 (ZONING) TO REMOVE REFERENCES TO TRASH ENCLOSURE STANDARDS AND ADDING SECTION 18.92.125 (REFUSE AND RECYCLING ENCLOSURES) TO CHAPTER 18.92 (SUPPLEMENTAL STANDARDS) TO INCLUDE NEW REFUSE AND RECYCLING ENCLOSURE STANDARDS

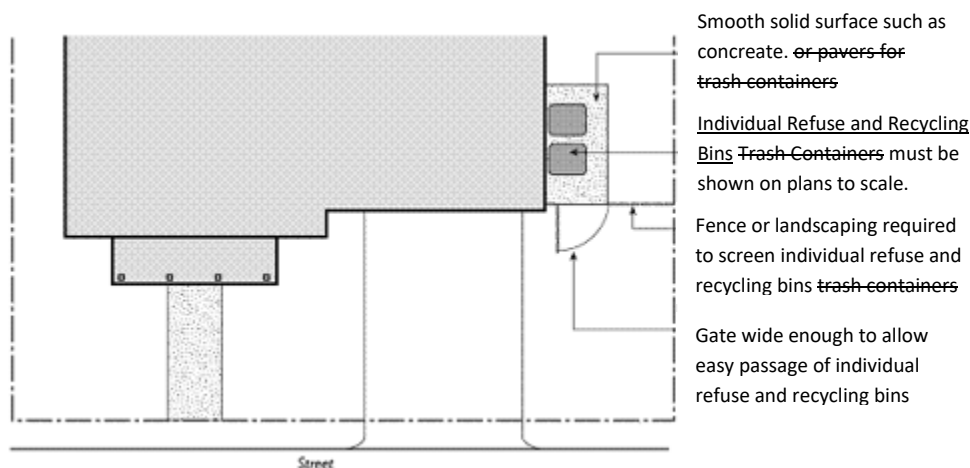
THE CITY COUNCIL OF THE CITY OF MORGAN HILL DOES ORDAIN AS FOLLOWS:

Section 1. Subsection H of Section 18.40.060 (Standards for All Housing Types) of chapter 18.40 (Alternative Standards for Medium Density Residential Development) of Title 18 (Zoning) is hereby amended to read as follows (additions in underline, deletions in ~~strikeout~~):

H. Screening. Mechanical equipment and individual refuse and recycling bins ~~trash enclosures~~ shall be screened as follows:

1. Air conditioners, heaters, utility equipment, meters, and similar equipment shall be screened from public view. Above-ground utility transformers and other above grade equipment shall not be located within the front yard along a street.
2. Fencing, landscaping or view-obscuring structures shall be provided to screen individual refuse and recycling bins ~~cans~~ or other refuse containers from view from public rights-of-way while still providing easy access to trash receptacles (see Figure 18.40-1).
3. A gate wide enough to allow for passage of city standard individual ~~trash and recycling receptacles~~ refuse and recycling bins shall be provided.
4. ~~Trash/recycling container~~ Individual refuse and recycling bin storage areas shall have a smooth solid surface such as concrete ~~or pavers~~.
5. The location of ~~trash~~ refuse and recycling bins ~~container storage areas~~ shall be shown on plans submitted for planning and building permits.

Figure 18.40-1: Standards for Trash Storage and Individual Refuse and Recycle Bin Screening in Small Lot Subdivisions



Section 2. Section 18.92.125 (Refuse and Recycling Enclosures) of Chapter 18.92 (Supplemental Standards) of Title 18 (Zoning) is hereby added to read as follows:

18.92.125 – Refuse and Recycling Enclosures

- A. Purpose. This section establishes refuse and recycling enclosure design and access standards to adequately screen refuse and recycling bins and prevent pollutant discharge for non-residential and residential uses.
- B. Applicability. Refuse and Recycling Enclosures are required for the following:
1. New non-residential structures.
 2. An addition to a non-residential building which exceeds 30% of the existing floor area of the building(s) on a site.
 3. When there is a change of use.
 4. New residential projects proposing refuse and recycling enclosures.
- C. Development Standards for Refuse and Recycling Enclosures.
1. Refuse and Recycling Enclosures shall be a minimum of 12-feet wide by 9-feet deep to contain a minimum of three collection containers (solid waste, organic materials, and recycling) and other bins that may be required per the business type as reviewed and approved by the City's franchised waste hauler.
 2. Enclosure shall be separated from adjacent parking stalls with a minimum three-foot wide planter and a 12-inch wide paved surface behind the curb.
 3. Enclosure walls shall be a minimum of 6-feet in height.
 4. A 12-inch curb, bumper, or other method shall be incorporated along interior base to prevent dumpster from hitting the sides of the enclosure.
 5. Enclosure shall have a solid all-weather non-combustible roof structure to prevent storm water from entering the enclosure's contents and the sanitary sewer system.

6. An area drain with hose bib and approved vandal proof drain shall be installed and plumbed to the sanitary sewer system with a grease trap.
7. Enclosure pad shall be designed to drain inward, and the outside grade surrounding the enclosure shall not drain into the enclosure.
8. A pedestrian entrance to the enclosure shall be provided.
9. Bin gates shall be attached to separate metal poles and have the ability to be locked. Bin gates shall not be connected directly to the enclosure wall.
10. The pad and entrance apron of the enclosure shall be concrete.

D. Design Standards.

1. Enclosures shall be designed with the same materials, colors, and architecture as the principal building.
2. Enclosure walls shall be constructed of a solid masonry material and finished to match the building materials of the principal building.
3. Enclosures shall include solid view-obstructing gates. Chain link with or without wooden/plastic slats is prohibited.
4. The roof of the enclosure shall consist of the same materials, colors, and architecture as the principal building and shall be painted with rust-inhibitive paint.

E. Enclosure Location.

1. Enclosures shall not be visible from public rights-of-way or primary entry driveways and shall be screened from public view.
2. Landscaped planters utilized for screening shall incorporate a minimum three-foot wide planter on the sides and rear of the enclosure.
3. Enclosures shall be connected to an accessible route for service vehicles.
4. Non-Residential enclosures shall be located a minimum of 15-feet away from adjacent properties zoned for residential uses.

F. Temporary Conformance for Non-conforming Enclosures. Existing enclosures that do not meet the minimum size requirements or the number of bins required in Section 18.92.125.C. shall install a temporary bin or bins outside of the existing non-conforming enclosure. The temporary bin(s) shall:

1. Have a secured and lockable lid.
2. Be secured to the existing enclosure, building, or ground to prevent free movement and possible damage to adjacent structures or automobiles.
3. Be kept clean.
4. The area around the temporary bin(s) be kept free and clear of garbage debris and/or spillage.
5. Shall not create objectionable odors consistent with Section 18.76.100 (Odors).

If temporary conformance standards outlined in 18.92.125.F cannot be met, compliance with Section 18.92.125.C, 18.92.125.D, and 18.92.125.E is required.

G. All non-conforming and temporarily conforming refuse and recycling enclosures shall conform with Sections 18.92.125.C, 18.92.125.D, and 18.92.125.E by January 1, 2030.

Section 3. Severability. Should any provision of this ordinance be deemed unconstitutional or unenforceable by a court of competent jurisdiction, such provision shall be severed from the ordinance, and such severance shall not affect the remainder of the ordinance.

Section 4. Effective Date; Posting. This Ordinance shall take effect on _____, 20____. The City Clerk is hereby directed to publish this Ordinance or a summary thereof pursuant to Government Code Section 36933.

This ordinance was introduced at a meeting of the City Council held on the _____ day of _____, 20____, and adopted at a meeting held on the _____ day of _____, 20____, and said ordinance was duly passed and adopted in accordance with law by the following vote:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST:

APPROVED:

MICHELLE BIGELOW, City Clerk

RICHARD CONSTANTINE, Mayor

CERTIFICATE OF THE CITY CLERK

I, **MICHELLE BIGELOW, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA**, do hereby certify that the foregoing is a true and correct copy of Ordinance No. _____, New Series, adopted by the City Council of the City of Morgan Hill, California at their regular meeting held on the _____ day of _____, 2021.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

MICHELLE BIGELOW, City Clerk



PLANNING COMMISSION STAFF REPORT

MEETING DATE: November 9, 2021

PREPARED BY: Adam Paszkowski, Principal Planner

APPROVED BY: Jennifer Carman, Community Development Director

ZA2021-0002: MUNICIPAL CODE AMENDMENT AMENDING VARIOUS CODE PROVISIONS WITHIN THE MUNICIPAL CODE OF THE CITY OF MORGAN HILL CORRECTING CROSS-REFERENCES TO VARIOUS CHAPTERS AND SECTIONS OF TITLE 18 (ZONING) AND IMPLEMENTING MINOR AMENDMENTS DUE TO CLERICAL ERRORS AND INCONSISTENCIES WITHIN TITLE 18 (ZONING); AND AMENDING SECTION 18.64.060 (GENERAL LANDSCAPE REQUIREMENT) OF CHAPTER 18.64 (LANDSCAPING) OF TITLE 18 (ZONING) TO ENHANCE WATER EFFICIENCY OF NEW LANDSCAPES

RECOMMENDATION(S)

1. Open/close the public hearing; and,
2. Adopt Resolution recommending City Council approval of the Zoning Amendment.

BACKGROUND:

On June 6, 2018, the City Council adopted Ordinance No. 2277 N.S., a comprehensive update of Title 18 – Zoning of the City of Morgan Hill Municipal Code. The update included an amendment to the City’s official zoning map consistent with the Morgan Hill 2035 General Plan.

On December 18, 2019, the City Council adopted Ordinance No. 2313 N.S. to update Chapter 18.84 (Accessory Dwelling Units) of Title 18 (Zoning) to implement changes to accessory dwelling units (ADUs) pursuant to Assembly Bill 68, Assembly Bill 881 and Senate Bill 13.

On November 18, 2020, the City Council adopted Ordinance No. 2317 N.S. updating Section 18.108.040 (Design Permit) of Chapter 18.108 (Specific Permit Requirements) of Title 18 (Zoning) clarifying that the Planning Commission must approve site and design review for projects that include more than 75,000 square feet of new floor area, are 40 feet or higher, and/or include more than 100 units of new housing.

On January 20, 2021, the City Council adopted Ordinance No. 2319 N.S. amending various code provisions within Title 18 (Zoning) implementing minor amendments due to clerical errors and inconsistencies.

Following the implementation of the above referenced ordinances, staff has found several clerical errors, inconsistencies between sections, and the need to update certain portions of the Municipal Code as well as provide further clarification or to expand on certain topics within the Code. The purpose of the proposed Ordinance is to correct these issues. Staff regularly brings forward bundles of minor amendments as necessary to enhance, correct and/or refine the Code.

PROJECT DESCRIPTION:

The City proposes the following amendments to the Municipal Code with this update:

- A. Updating cross-references to various Chapters and Sections of Title 18 (Zoning) within the following Municipal Code Sections: Section 2.12.020 (Planning Division Duties), Section 2.36.040 (Powers and Duties), Section 12.32.080 (Permit—Approval—Conditions), Section 15.52.100 (Site and Architectural Review—Appeals), Section 17.20.050 (Accompanying Data and Reports), Section 17.24.030 (Form and Content), Section 17.24.060 (Community Development Director Action), Section 17.24.090 (Appeals—Subdivider), Section 17.24.100 (Appeals—Interested Persons Adversely Affected), and Section 17.38.430 (Development Standards).
- B. Table 18.04-1 (Equivalent Zoning Districts) within Section 18.04.080 (Transitional Provisions) of Chapter 18.04 (Introductory Provisions) of Title 18 (Zoning) is proposed to be amended because the Administrative Office (CO) zoning district is listed twice in the ‘Zoning District from Previous Zoning Code’ column. The duplication of the zoning district “Administrative Office (CO)” is proposed to be eliminated to clarify that the Administrative Office (CO) zoning district from the previous code is consistent with the Administrative Office (CO) zoning district in the current code.
- C. Table 18.44-2 (Minimum Accessory Structure Setbacks) within Section 18.44.030 (Accessory Structures in Residential Zoning Districts) of Chapter 18.44 (Accessory Structures and Uses) is proposed to be amended to clarify when a three-foot setback (height eight-feet or less) or five-foot setback (height greater than eight-feet to twelve-feet) is required for fireplaces, barbeque structures, statuary, and fountains.
- D. Subsection A of Section 18.60.070 (Historical Alterations Permit) of Chapter 18.60 (Historic Resources) is proposed to be amended to correct the reference to Section 18.60.060.D.2 instead of Section 18.62.030.E, which does not exist in the Code.
- E. Section 18.64.060 (General Landscape Requirement) of Chapter 18.64 (Landscaping) is proposed to be amended to enhance water efficiency for new landscaping by requiring all plants and trees to be categorized as low or very low water use, limiting turf areas to flat areas designed exclusively for active recreation, revising water times to start after 7:00 p.m. and end before 9:00 a.m.,

and drip or bubbler irrigation is required in all areas except turf areas.

- F. Subsection E of Section 18.84.050 (Site and Design Standards) of Chapter 18.84 (Accessory Dwelling Units) is proposed to be amended to clarify setbacks for accessory dwelling units with a height in excess of sixteen feet. These structures shall comply with setback requirements of the applicable zoning district.
- G. Subsection A of Section 18.88.030 (Required Permits) of Chapter 18.88 (Signs) is proposed to be amended to correct the reference to Section 18.88.110 instead of Section 17.88.110, which does not exist in the Code.
- H. Subsection F of Section 18.88.110 (Master Sign Program) of Chapter 18.88 (Signs) is proposed to be amended to correct the reference to Section 18.88.050 instead of Section 17.80.060, which does not exist in the Code.
- I. Subsection I of Section 18.108.040 (Design Permit) of Chapter 18.108 (Specific Permit Requirements) is proposed to be amended to clarify the reference to medium density residential development, instead of all residential development, and the reference to Chapter 18.40 (Alternative Standards for Medium Density Residential Development).
- J. Subsection C of Section 18.112.030 (Filing and Processing of Appeals) of Chapter 18.112 (Appeals) is proposed to be amended to clarify that a filing of an appeal shall be submitted in writing to the Development Services Department.

Complete details of the proposed amendments are provided in the Draft Ordinance (Attachment 2).

ANALYSIS:

The proposed Zoning Amendment has been analyzed with respect to consistency with the: 1) General Plan; 2) Zoning Ordinance; and 3) California Environmental Quality Act.

1. General Plan

The proposed amendments are consistent with the General Plan as the amendments correct clerical errors and inconsistencies found in the Municipal Code, as well as enhances water efficiency for new landscaping within the Zoning Code.

2. Zoning Ordinance

The purpose of the Zoning Code is to implement the General Plan and to protect the public health, safety, and welfare. The City may approve a Zoning Amendment only if the following findings are made:

- a. The proposed amendment is consistent with the General Plan and any applicable specific plan as provided by Government Code Section 65860.

Consistent

The proposed text amendments are consistent with the General Plan in that it corrects clerical errors and inconsistencies found in the Code, as well as enhances water efficiency for new landscaping.

- b. The proposed amendment will not be detrimental to the public interest, health, safety, convenience, or welfare of the city.

Consistent

The proposed text amendments consist of correcting clerical errors and inconsistencies found in the Code, as well as enhances water efficiency for new landscaping, and, therefore, will not be detrimental to the City.

- c. The proposed amendment is internally consistent with other applicable provisions of the zoning code.

Consistent

The proposed revisions will correct existing minor inconsistencies in the Code, as well as enhances water efficiency for new landscaping, and, therefore, would be internally consistent with the overall zoning code.

3. California Environmental Quality Act (CEQA):

This Ordinance is exempt from environmental review pursuant to Section 15061(b)(3) of the California Environmental Quality Act (CEQA) Guidelines. The proposed text amendments are covered by the common-sense exemption that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. The proposed amendments consist of miscellaneous minor amendments to correct clerical errors and inconsistencies within the Municipal Code as well as enhancing water efficiency for new landscaping.

Community Engagement

A 10-day public hearing notice was published in the Friday, October 29, 2021 edition of the Morgan Hill Times pursuant to Government Code Sections 65090-65096. Notice was also provided on the website and via social media.

LINKS/ATTACHMENTS:

1. Planning Commission Resolution
2. Draft Ordinance
3. Staff Presentation

RESOLUTION NO. 21-14

A RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF MORGAN HILL RECOMMENDING APPROVAL OF ZONING AMENDMENT ZA2021-0002: MUNICIPAL CODE AMENDMENT AMENDING VARIOUS CODE PROVISIONS WITHIN THE MUNICIPAL CODE OF THE CITY OF MORGAN HILL CORRECTING CROSS-REFERENCES TO VARIOUS CHAPTERS AND SECTIONS OF TITLE 18 (ZONING) AND IMPLEMENTING MINOR AMENDMENTS DUE TO CLERICAL ERRORS AND INCONSISTENCIES WITHIN TITLE 18 (ZONING); AND AMENDING SECTION 18.64.060 (GENERAL LANDSCAPE REQUIREMENT) OF CHAPTER 18.64 (LANDSCAPING) OF TITLE 18 (ZONING) TO ENHANCE WATER EFFICIENCY OF NEW LANDSCAPES

WHEREAS, this proposed Ordinance (Zoning Amendment ZA2021-0002) was considered by the Planning Commission of the City of Morgan Hill at its regular meeting of November 9, 2021;

WHEREAS, the Planning Commission has reviewed recommendations contained in the November 9, 2021, staff report on this item;

WHEREAS, the amendments proposed by this Ordinance are necessary to correct clerical errors and inconsistencies in the Municipal Code as well as enhance water efficiency for new landscaping;

WHEREAS, this ordinance is exempt from environmental review pursuant to Section 15061(b)(3) of the California Environmental Quality Act (CEQA) Guidelines, as the proposed text amendments to the Morgan Hill Zoning Code is not a project with potential for causing a significant effect on the environment requiring California Environmental Quality Act (CEQA) analysis; and

WHEREAS, testimony received at a duly noticed public hearing, along with exhibits and other materials have been considered in the review process.

NOW, THEREFORE, THE MORGAN HILL PLANNING COMMISSION DOES RESOLVE AS FOLLOWS:

SECTION 1. The proposed amendment is consistent with the General Plan and any applicable specific plan as provided by Government Code Section 65860.

The proposed text amendments are consistent with the General Plan in that it corrects clerical errors and inconsistencies found in the Code, as well as enhances water efficiency for new landscaping.

SECTION 2. The proposed amendments will not be detrimental to the public interest, health, safety, convenience, or welfare of the City.

The proposed text amendment consists of correcting clerical errors and inconsistencies found in the Code, as well as enhances water efficiency for new landscaping, and, therefore, will not be detrimental to the City.

SECTION 3. The proposed amendment is internally consistent with other applicable provisions of the zoning code.

The proposed revisions will correct existing inconsistencies in the Code, as well as enhances water efficiency for new landscaping, and will be internally consistent with the overall zoning code.

SECTION 4. The Planning Commission hereby recommends approval of changes to the text of the Morgan Hill Municipal Code amending various Code provisions within the Municipal Code of the City of Morgan Hill correcting cross-references to various chapters and sections of Title 18 (Zoning), implementing minor amendments due to clerical errors and inconsistencies within Title 18 (Zoning), and amending Section 18.64.060 (General Landscape Requirement) of Chapter 18.64 (Landscaping) of Title 18 (Zoning) of the Municipal Code which are shown by strike-out text for deletions and underline text for additions. All text amendments recommended to be made as shown in the draft ordinance (Attachment 2 of the staff report).

PASSED AND ADOPTED THIS 9th DAY OF NOVEMBER 2021, AT A REGULAR MEETING OF THE PLANNING COMMISSION BY THE FOLLOWING VOTE:

AYES: COMMISSIONERS:

NOES: COMMISSIONERS:

ABSTAIN: COMMISSIONERS:

ABSENT: COMMISSIONERS:

ATTEST:

APPROVED:

City of Morgan Hill
Resolution No. 21-14
Page 3 of 3

JENNA LUNA, Deputy City Clerk

MALISHA KUMAR Chair

Date: _____

Attachment: Planning Commission Resolution [Revision 4] (3197 : 2021 Miscellaneous Code Amendments)

ORDINANCE NO. , NEW SERIES

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AMENDING VARIOUS CODE PROVISIONS WITHIN THE MUNICIPAL CODE OF THE CITY OF MORGAN HILL CORRECTING CROSS-REFERENCES TO VARIOUS CHAPTERS AND SECTIONS OF TITLE 18 (ZONING) AND IMPLEMENTING MINOR AMENDMENTS DUE TO CLERICAL ERRORS AND INCONSISTENCIES WITHIN TITLE 18 (ZONING); AND AMENDING SECTION 18.64.060 (GENERAL LANDSCAPE REQUIREMENT) OF CHAPTER 18.64 (LANDSCAPING) OF TITLE 18 (ZONING) TO ENHANCE WATER EFFICIENCY OF NEW LANDSCAPES

THE CITY COUNCIL OF THE CITY OF MORGAN HILL DOES ORDAIN AS FOLLOWS:

Section 1. Subsection G of Section 2.12.020 (Planning Division Duties) of Chapter 2.12 (Community Development Department) of Title 2 (Administration and Personnel) is hereby amended to read as follows (additions in underline, deletions in ~~strikeout~~):

G. Approve or disapprove, in whole or in part, applications for permits or plan approvals pursuant to ~~Chapters 18.75 through 18.76~~Title 18 (Zoning) of this code, or as amended;

Section 2. Section 2.36.040 (Powers and Duties) of Chapter 2.36 (Planning Commission) of Title 2 (Administration and Personnel) is hereby amended to read as follows (additions in underline, deletions in ~~strikeout~~):

The planning commission shall have the powers and shall perform all the duties conferred and imposed upon city planning commissions by the applicable provisions of Chapter 3 of Title VII of the Government Code of the state and, in addition, the planning commission shall:

- A. Perform all the functions assigned to the commission by the subdivision and zoning ordinances (Titles 17 (Subdivisions) and 18 (Zoning) of this code) of the city, and all general laws of the state of California;
- B. Serve as an advisory body to the city council on matters related to city growth and development and on such other matters as may be requested by the council;
- C. Promote public interest in and understanding of the subdivision and zoning ordinances of the city, and also of all master plans and other official plans and regulations pertaining to planning which have been approved officially by the city council;

- D. Review and advise the city council on all proposed amendments to Title 17, Subdivisions, and Title 18, ~~Planning and Land Use Regulations~~ Zoning;
- E. Approve or disapprove application for designation of cultural resources and historic districts pursuant to Chapter ~~18.75~~18.60 ~~(Historic Resources)~~ of this code, or as amended;
- F. Approve or disapprove permits sought to remove or demolish a cultural resource, cultural resource site or historic district pursuant to Chapter ~~18.75~~18.60 ~~(Historic Resources)~~ of this code, or as amended.

Section 3. Subsection D of Section 12.32.080 (Permit—Approval—Conditions) of Chapter 12.32 (Restrictions on Removal of Significant Trees) of Title 12 (Streets, Sidewalks and Public Places) is hereby amended to read as follows (additions in underline, deletions in ~~strikeout~~):

- D. Posting of a bond to insure maintenance of substitute landscaping pursuant to the requirements of Chapter ~~18.74~~18.64 ~~(Landscaping)~~ of this code.

Section 4. Section 15.52.100 (Site and Architectural Review—Appeals) of Chapter 15.52 (Moving Buildings) of Title 15 (Buildings and Construction) is hereby amended to read as follows (additions in underline, deletions in ~~strikeout~~):

Any person aggrieved by or dissatisfied with, or excepting to any decision made by the community development director may appeal in the manner prescribed in Chapter ~~18.64~~18.112 ~~(Appeals)~~ of Title 18 (Zoning). The planning commission shall affirm, reverse or modify the decision appealed from. Action by the planning commission shall be final, unless there is a further appeal to the city council, in which case, the city council action shall be final.

Section 5. Subsection A of Section 17.20.050 (Accompanying Data and Reports) of Chapter 17.20 (Map Requirements—Five or More Parcels) of Title 17 (Subdivisions) is hereby amended to read as follows (additions in underline, deletions in ~~strikeout~~):

- A. The tentative map shall be accompanied by the following data or reports:
 1. Soils Report. A preliminary soils report in accordance with the city's grading ordinance shall be submitted. If the preliminary soils report indicates the presence of critically expansive soils or other soil problems which, if not corrected, could lead to structural defects, the soils report accompanying the final map shall contain an investigation of each lot within the subdivision. ~~Additional information regarding soils and subsoils may be required pursuant to the provisions of Chapter 18.45 of this code;~~
 2. Title Report. A preliminary title report, showing the legal owners at the time of filing the tentative map;
 3. Geologic/Geotechnical Report. Unless the requirement is waived by the community development department, an applicant for a tentative map or a tentative parcel map shall furnish the report or reports required by Chapter

~~18.45~~18.70 (Geological Hazards) of this code prior to such application being deemed complete for processing.

4. School Site. The subdivider shall obtain from the Morgan Hill Unified School District their intention, in writing, concerning the necessity for a school site, if any, within the subdivision and shall present this information to the community development department prior to the consideration of the tentative map by the planning commission;
5. Environmental Impact Study. The various time limits set forth in this article for taking action on tentative maps shall not be deemed to commence until the subdivision is found exempt or an initial study is completed and a negative declaration or environmental impact report, as appropriate, is prepared, processed and considered in accordance with the provisions of the California Environmental Quality Act. The subdivider shall provide such additional data and information and deposit and pay such fees as may be required for the preparation and processing of environmental review documents;
6. Utility Certification. Certification in writing from all utilities that the proposed subdivision can be adequately served. The city engineer may defer the required certification until after the filing of the tentative map;
7. Other Reports. Any other data or reports deemed necessary by the community development department.

Section 6. Subsection A of Section 17.24.030 (Form and Content) of Chapter 17.24 (Map Requirements—Four or Less Parcels) of Title 17 (Subdivisions) is hereby amended to read as follows (additions in underline, deletions in ~~strikeout~~):

- A. The tentative map shall show the following information:
 1. Name and address of legal owner, subdivider and the person preparing the map (including registration number);
 2. Assessor's parcel number;
 3. Date prepared, north arrow, scale and contour interval;
 4. Existing and proposed land use;
 5. Title;
 6. A vicinity map, sufficient to show the relation to the local community;
 7. Existing topography of the site and at least one hundred feet from its boundary, including but not limited to:
 - a. Existing contours at two-foot intervals, if the existing ground slope is less than ten percent and not less than five-foot intervals for existing ground slopes greater than or equal to ten percent. Existing contours shall be represented by screened or dashed lines,
 - b. Type, circumference and dripline of existing trees as defined by Chapter 12.32 of this code on removal of significant trees on public and private property. Any trees proposed to be removed shall be so indicated,

- c. The approximate location and outline of existing structures identified by type. Structures to be removed shall be so marked,
 - d. The location, width and direction of flow of each watercourse,
 - e. The location, pavement and right-of-way width and grade and name of existing streets or highways,
 - f. Location and type of street improvements,
 - g. The location, size and slope of existing storm drains. The location of existing overhead utility lines on peripheral streets,
 - h. The location, width and identity of existing easements;
8. Any improvements proposed by the owner shall be shown;
 9. If the site is to be graded, proposed contours shall be shown or an approved grading plan shall be submitted;
 10. The proposed lot layout and lot areas;
 11. Proposed easements or rights-of-way;
 12. The source and date of existing contours;
 13. A preliminary report of title showing the current vested owner;
 14. A soils and/or geotechnical/geology report may be required pursuant to Chapter 18.70 (Geological Hazards)~~18.45~~ of this code;
 15. A statement by the engineer or surveyor responsible for the preparation of the map shall state that all monuments are of the character and occupy the positions indicated, or that they will be set in those positions on or before a specified date and that the monuments are, or will be, sufficient to enable the survey to be retraced;
 16. The location of each parcel and its relation to surrounding surveys;
 17. If the map includes a "designated remainder" parcel and the gross area of the "designated remainder" parcel is five acres or more, that remainder parcel need not be shown on the map and its location need not be indicated as a matter of survey, but only by deed reference to the existing boundaries of the remainder parcel. A parcel designated as "not a part" shall be deemed to be a "designated remainder" for the purposes of this section.

Section 7. Section 17.24.060 (Community Development Director Action) of Chapter 17.24 (Map Requirements—Four or Less Parcels) of Title 17 (Subdivisions) is hereby amended to read as follows (additions in underline, deletions in ~~strikeout~~):

The community development director shall approve, conditionally approve or deny the tentative parcel map, and shall make findings supporting his decision. In approving the application, the community development director may impose any reasonable conditions to ensure compliance. All actions of the community development director shall be final, unless appealed under the procedure Section 18.74.120 in Chapter 18.112 (Appeals) of this code. If the map is approved, it shall be signed and dated by the city

engineer and the community development director. A letter of the action taken, along with any conditions imposed, shall be sent to the subdivider and engineer. If the subdivision is denied, the subdivider or engineer shall be so notified in writing with a statement of reasons for the denial.

Section 8. Section 17.24.090 (Appeals—Subdivider) of Chapter 17.24 (Map Requirements—Four or Less Parcels) of Title 17 (Subdivisions) is hereby amended to read as follows (additions in underline, deletions in ~~strikeout~~):

If the subdivider disagrees with any action by the community development director, he or she may within ten days of the decision, appeal to the planning commission with respect to the tentative map, pursuant to Chapter 18.112 (Appeals) Section 18.64.020 et seq. of the municipal code. If the subdivider disagrees with the action by the planning commission, he or she may, within ten days of the receipt of such decision, appeal such action to the city council in accordance with Section 17.24.100 of this chapter.

Section 9. Section 17.24.100 (Appeals—Interested Persons Adversely Affected) of Chapter 17.24 (Map Requirements—Four or Less Parcels) of Title 17 (Subdivisions) is hereby amended to read as follows (additions in underline, deletions in ~~strikeout~~):

- A. Any interested person adversely affected by the decision of the community development director may appeal to the planning commission, pursuant to Chapter 18.112 (Appeals) Section 18.64.020 et seq. of the municipal code, by filing an appeal with the community development director within ten days of such decision. Notice of appeal shall be in the manner prescribed in Chapter 18.112 (Appeals) Section 18.64.060 through 18.64.100 of the municipal code. The planning commission shall either affirm, modify or reverse the decision of the community development director following the filing of such appeal. Action by the planning commission shall be final, unless there is a further appeal to the city council. Any person adversely affected by the decision of the planning commission with respect to the tentative parcel map may, within ten days of such decision, file an appeal with the city clerk. The city council shall consider the appeal within thirty days. This appeal shall be a public hearing with notice being given pursuant to Section 17.20.080 of this title and with additional notices to be given to the subdivider and to the affected interested persons. Upon conclusion of the public hearings, the city council shall within ten days declare its findings. The city council may sustain, modify, reject or overrule any recommendations or rulings of the planning commission and may make such findings as are consistent with the provisions of this section or the State Subdivision Map Act. The decision of the city council shall be final.

Section 10. Subsection D of Section 17.38.430 (Development Standards) of Chapter 17.38 (Mobile Home Park Conversions to Resident Ownership or to Any Other Use) of Title 17 (Subdivisions) is hereby amended to read as follows (additions in underline, deletions in ~~strikeout~~):

- D. All standards contained in Section ~~18.30.100~~18.30.050 (Planned Development Combining District) of this code shall be adhered to ~~unless an exception to those standards is approved by the city council pursuant to Section 18.30.110.~~

Section 11. Table 18.04-1 (Equivalent Zoning Districts) within Section 18.04.080 (Transitional Provisions) of Chapter 18.04 (Introductory Provisions) of Title 18 (Zoning) is hereby amended to read as follows (additions in underline, deletions in ~~strikeout~~):

Table 18.04-1: Equivalent Zoning Districts

Zoning District from Previous Zoning Code	Equivalent Zoning District in this Zoning Code
Residential Zoning Districts	
Residential Estates (RE) - 10	Residential Estate (RE) - 10
Residential Estates (RE) - 10,000	Residential Estate (RE) - 2.5
Residential Estates (RE) - 40,000	Residential Estate (RE) - 1
Single-Family Low Density Residential (R-1)	Residential Detached Low Density (RDL)
Single-Family Medium Density Residential (R-1)	Residential Detached Medium Density (RDM)
High Density Single-Family Residential (R-1)	Residential Detached High Density (RDH)
Medium-Density Residential (R-2)	Residential Attached Low Density (RAL)
Medium-Density Residential (R-3)	Residential Attached Medium Density (RAM)
High-Density Residential (R-4)	Residential Attached High Density (RAH)
Mixed Use Zoning Districts	
Central Business District (CBD)	Downtown Mixed Use (MU-D)
Central Commercial/Residential (CC-R)	Neighborhood Mixed Use (MU-N)
Light Commercial/Residential (CL-R)	Mixed Use Flex (MU-F)
Commercial Zoning Districts	
Administrative Office (CO)	Administrative Office (CO)
Neighborhood Commercial (CN)	Neighborhood Commercial (CN)

General Commercial (CG)	General Commercial (CG)
Highway Commercial (HC)	Highway Commercial (CH)
Service Commercial (CS)	Service Commercial (CS)
Theme Unit Development (TUD)	No equivalent zoning district
Administrative Office (CO)	No equivalent zoning district
Industrial Zoning Districts	
No equivalent zoning district	Commercial Industrial (CI)
Office Industrial (MO)	Office Industrial (IO)
Campus Industrial (MC)	Campus Industrial (IC)
Light Industrial (ML)	Light Industrial (IL)
General Industrial (MG)	General Industrial (IG)
Public, Open Space, and Recreational Zoning Districts	
Open Space (OS)	Open Space (OS)
Public Facilities (PF)	Public Facilities (PF)
Sports Recreation Leisure (SRL)	Sports Recreation Leisure (SRL)
Overlay Zones and Combining Districts	
Active Fault Surface Rupture Combining District (AFSR)	Active Fault Surface Rupture Combining District (AFSR)
Downtown Ground Floor Overlay (GF)	Downtown Ground Floor Overlay Zone (DGF)
Hillside Combining (H)	Hillside Combining District (H)
Planned Development Overlay (PD)	Planned Development Combining District (PD)
Seismic Combining (S)	No equivalent zoning district

Geologic Combining (G)	No equivalent zoning district
Legacy Zones	
Residential Planned Development (RPD)	No equivalent zoning district
Planned Unit Development (PUD)	No equivalent zoning district
Conditional (C)	No equivalent zoning district

Section 12. Table 18.44-2 (Minimum Accessory Structure Setbacks) within Section 18.44.030 (Accessory Structures in Residential Zoning Districts) of Chapter 18.44 (Accessory Structures and Uses) of Title 18 (Zoning) is hereby amended to read as follows (additions in underline, deletions in ~~strikeout~~):

Table 18.44-2: Minimum Accessory Structure Setbacks

Accessory Structure	Minimum Setbacks from Property Lines	
	Front	Side and Rear
Roofed structures such as detached garages and sheds and open, unroofed structures such as decks and trellises		
Height 12 ft. or less	Same as minimum primary structure setback	5 ft.
Height greater than 12 ft.		Same as minimum primary structure setback
Mechanical equipment and mechanical equipment enclosures		50 percent of minimum primary structure setback
Patios and Decks [2]		
Height 18 in. or less (unroofed only)	5 ft.	1 ft.
Height less than 6 ft.	15 ft.	5 ft.
Height greater than 6 ft.	20 ft. or same as minimum primary structure setback,	12.5 ft. or same as minimum primary structure setback,

	whichever is less	whichever is less
In ground pools, spas and hot tubs	Same as minimum primary structure setback	4 ft.
Above ground pools, spas, hot tubs and related equipment, accessories, and improvements	Same as minimum primary structure setback	5 ft.
Ponds less than 18 in. in depth	10 ft.	1 ft.
Fireplaces, barbeque structures, statuary and fountains [1]		
Height 8 ft. or less	3 ft.	3 ft.
Height <u>greater than</u> 8 ft. to 12 ft.	5 ft.	5 ft.

Notes:

[1] All openings for freestanding fireplaces and built-in barbeques shall meet all Uniform Building Code and Uniform Fire Code requirements.

[2] Height measured from ground to walking surface.

Section 13. Subsection A of Section 18.60.070 (Historical Alterations Permit) of Chapter 18.60 (Historic Resources) of Title 18 (Zoning) is hereby amended to read as follows (additions in underline, deletions in ~~strikeout~~):

- A. When Required. Unless waived pursuant to paragraph ~~18.62.030.E~~18.60.060.D.2, it is unlawful for any person to alter or modify character-defining features of a potentially significant or significant historical resource, a resource that has been formally designated or listed on the city's adopted survey list, or which lies within an historic district, without first obtaining a Historical Alteration Permit as outlined below. Neither the community development director nor the building official shall grant any permit to carry out such work without the approval of a historical alteration permit.

Section 14. Section 18.64.060 (General Landscape Requirement) of Chapter 18.64 (Landscaping) of Title 18 (Zoning) is hereby amended to read as follows (additions in underline, deletions in ~~strikeout~~):

A. General Standards.

1. Plant Selection. ~~A minimum of ninety percent of~~All plants and trees shall be ~~drought tolerant~~categorized as low or very low water use in the Central Coast as defined by the water use classification of landscape species (WUCOLS) database. ~~Native plants adapted to the local climate are preferred.~~

2. Turf Lawns.

~~a.~~—Turf areas shall be limited to flat areas designed exclusively for active recreation and should not exceed twenty-five percent of the landscaped area. The planning commission may approve larger areas if the lawn area exclusively provides functional ~~open-recreational~~ space.

~~b.~~—Drought-tolerant grass species shall be used exclusively.

~~c.~~—Turf shall not be used on berms, slopes, or median islands where runoff is a problem.

~~3.~~—Slopes. Turf and high water use plants shall not be planted on berms and slopes greater than twenty-five percent.

43. Plant Groupings. Where irrigation is proposed, plants shall be grouped in separate hydrozones (i.e., plants within each irrigation valve area shall have the same watering requirements).

54. Water Features. Decorative water features (e.g., fountains, ponds, waterfalls) must be approved by the planning commission and shall have recirculating water systems.

65. Watering Times. Watering shall start after ~~eight~~ 7:00 p.m. and end before ~~10:00~~ 9:00 a.m.

76. Public Safety. Plant species shall be selected and located so that at maturity they do not interfere with pedestrian, bicycle, or vehicular circulation and do not conflict with overhead lights or utility lines.

B. Irrigation and Water Efficiency. Irrigation systems shall be designed to avoid runoff, low head drainage, overspray, and other similar conditions where water flows outside of landscaped areas. Irrigation systems shall feature the following equipment:

1. Irrigation systems shall meet a minimum irrigation efficiency of seventy-five percent.

2. Separate landscape water meters for landscape areas exceeding five thousand square feet.

3. Irrigation controllers capable of percent adjustment, multiple programming, and rain sensor.

4. Drip or bubbler irrigation is required in all areas except turf areas installed per Subsection A.2 above. Micro-spray sprinklers are prohibited. Overhead ~~sprays-spray~~ irrigation installed to irrigate turf areas shall have a precipitation rate of no more than three-quarters of one inch per hour.

5. Separated valves and circuits based on water use and sun exposure. Separate valves for turf and non-turf and berm areas are required.

6. Sprinkler heads and emitters selected for proper area coverage, application rate, operation pressure, adjustment capability, and ease of maintenance.

7. Rain-sensing override devices are required for all irrigation systems.

8. Drip or ~~bubble bubbler~~ irrigation ~~are-is~~ required for all trees.
 9. State-approved back flow prevention devices shall be installed on all irrigation systems.
- C. Timing of Installation. Landscaping systems shall be installed prior to final building permit inspection or certification of occupancy.

Section 15. Subsection E of Section 18.84.050 (Site and Design Standards) of Chapter 18.84 (Accessory Dwelling Units) of Title 18 (Zoning) is hereby amended to read as follows (additions in underline, deletions in ~~strikeout~~):

E. Property Line Setbacks.

1. No setback is required for an existing accessory structure or living area as defined by Government Code Section 65852.2 that is converted to an accessory dwelling unit.
2. No setback is required for an accessory dwelling unit constructed in the same location and the same footprint as an existing accessory structure.
3. A minimum setback of four feet from the side and rear property lines is required for an accessory dwelling unit sixteen feet in height or less.
4. An accessory dwelling unit in excess of sixteen feet in height shall comply with setback requirements of the applicable zoning district.

Section 16. Subsection A of Section 18.88.030 (Required Permits) of Chapter 18.88 (Signs) of Title 18 (Zoning) is hereby amended to read as follows (additions in underline, deletions in ~~strikeout~~):

A. Sign Permits.

1. When Required. A sign permit is required to install, display, or alter a sign except for signs exempt from sign permit requirements as specified in Section 18.88.040 (Signs Allowed Without Permits).
2. Review Authority.
 - a. The community development director shall review and act on all sign permit applications except for signs reviewed by the planning commission as specified in Paragraph b below.
 - b. The planning commission shall review and act on sign permit applications for the following types of signs:
 - (1) Changeable copy message board for automotive-related business adjacent to Highway 101 consistent with Section 18.88.100.B (Changeable Copy Signs);
 - (2) Freestanding freeway-oriented signs consistent with Section 18.88.100.C (Freestanding Freeway Oriented Signs);
 - (3) Off-site hospital signs consistent with Section 18.88.100.D (Hospital Signs);

- (4) Off-site monument signs consistent with Section 18.88.100.D (Off-site Monument Signs);
- (5) Adjustments to sign standards consistent with Section 18.88.070 (Adjustment to Sign Standards); and
- (6) Master sign programs consistent with Section ~~17.88.110~~18.88.110 (Master Sign ~~Programs~~Program).

Section 17. Subsection F of Section 18.88.110 (Master Sign Program) of Chapter 18.88 (Signs) of Title 18 (Zoning) is hereby amended to read as follows (additions in underline, deletions in ~~strikeout~~):

F. Design Standards.

1. Master sign programs shall feature a unified and coordinated approach to the materials, color, size, type, placement and general design of signs proposed for a project or property. Master sign programs may allow for variety in the design of individual signs provided that the signs contribute to a consistent visual theme within the property.
2. A Master sign program may deviate from standards contained in this chapter relating to permitted sign height, number of signs, sign area, and type of sign. A master sign program may not allow ~~a~~-prohibited signs as identified in Section ~~17.80.060~~18.88.050 (Prohibited Signs).

Section 18. Subsection I of Section 18.108.040 (Design Permit) of Chapter 18.108 (Specific Permit Requirements) of Title 18 (Zoning) is hereby amended to read as follows (additions in underline, deletions in ~~strikeout~~):

- I. Residential Design Criteria. In addition to the criteria in Subsection H above, new medium density residential development that requires a design permit shall also comply with the design criteria in Chapter 18.~~36-40~~ (Alternative Standards for Medium Density Residential Design-CriteriaDevelopment).

Section 19. Subsection C of Section 18.112.030 (Filing and Processing of Appeals) of Chapter 18.112 (Appeals) of Title 18 (Zoning) is hereby amended to read as follows (additions in underline, deletions in ~~strikeout~~):

C. Form of Appeal.

1. An appeal shall be submitted in writing to the development services department on an official city application form together with all required application fees.
2. The appeal application shall state the pertinent facts and the basis for the appeal.
3. The whole decision or part of the decision may be appealed. If an appellant chooses, an appeal may be taken solely from any finding, action, or condition.

Section 20. Severability. Should any provision of this ordinance be deemed unconstitutional or unenforceable by a court of competent jurisdiction, such provision

shall be severed from the ordinance, and such severance shall not affect the remainder of the ordinance.

Section 21. Effective Date; Posting. This Ordinance shall take effect on _____, 20____. The City Clerk is hereby directed to publish this Ordinance or a summary thereof pursuant to Government Code Section 36933.

This ordinance was introduced at a meeting of the City Council held on the _____ day of _____, 20____, and adopted at a meeting held on the _____ day of _____, 20____, and said ordinance was duly passed and adopted in accordance with law by the following vote:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST:

APPROVED:

MICHELLE BIGELOW, City Clerk

RICHARD CONSTANTINE, Mayor

CERTIFICATE OF THE CITY CLERK

I, MICHELLE BIGELOW, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Ordinance No. _____, New Series, adopted by the City Council of the City of Morgan Hill, California at their regular meeting held on the _____ day of _____, 2021.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

MICHELLE BIGELOW, City Clerk



ZA2021-0002

Miscellaneous Code Amendments



Miscellaneous Code Amendments

Project:

Zoning Amendment Amending

- Various sections of Title 18 (Zoning)

Request:

Adopt Resolution recommending City Council approval of the Zoning Amendment

Miscellaneous Code Amendments

- Section 2.12.020 (Planning Division Duties)
- Section 2.36.040 (Powers and Duties)
- Section 12.32.080 (Permit-Approval-Conditions)
- Section 15.52.100 (Site & Architectural Review- Appeals)
- Section 17.20.050 (Accompanying Data & Reports)
- Section 17.24.030 (Form & Content)
- Section 17.24.060 (Community Development Director Action)
- Section 17.24.090 (Appeals-Subdivider)
- Section 17.24.100 (Appeals-Interested Persons Adversely Affected)
- Section 17.38.430 (Development Standards)
 - Update Cross-references to various Chapters and Sections of Title 18 (Zoning)

Miscellaneous Code Amendments

Table 18.04-1 (Equivalent Zoning Districts),

Zoning District from Previous Zoning Code	Equivalent Zoning District in this Zoning Code
Commercial Zoning Districts	
Administrative Office (CO)	Administrative Office (CO)
Neighborhood Commercial (CN)	Neighborhood Commercial (CN)
General Commercial (CG)	General Commercial (CG)
Highway Commercial (HC)	Highway Commercial (CH)
Service Commercial (CS)	Service Commercial (CS)
Theme Unit Development (TUD)	No equivalent zoning district
Administrative Office (CO)	No equivalent zoning district

Miscellaneous Code Amendments

Table 18.44-2 (Minimum Accessory Structure Setbacks)

Accessory Structure	Minimum Setbacks from Property Lines	
	Front	Side and Rear
Fireplaces, barbeque structures, statuary and fountains [1]		
Height 8 ft. or less	3 ft.	3 ft.
Height greater than 8 ft. to 12 ft.	5 ft.	5 ft.

Miscellaneous Code Amendments

Section 18.60.070.A (Historical Alterations Permit)

- Correct reference to Section 18.60.060.D.2 instead of Section 18.62.030.E

Section 18.64.060 (General Landscape Requirement)

- Require all plants and trees to be categorized as low/very low water use
- Limit turf areas to flat active recreation areas
- Allow watering between 7:00pm to 9:00am
- Require drip/bubbler irrigation except in turf

Miscellaneous Code Amendments

Section 18.84.050.E (Site and Design Standards), Accessory Dwelling Units

- Setbacks for ADUs exceeding 16-feet shall not have reduced setbacks

Section 18.88.030.A (Required Permits)

- Correct reference to Section 18.88.110 (Master Sign Program) instead of Section 17.88.110

Section 18.88.110.F (Master Sign Program)

- Correct reference to Section 18.88.050 (Prohibited Signs) instead of Section 17.80.060

Miscellaneous Code Amendments

Section 18.108.040.I (Design Permit)

- Correct reference to Chapter 18.40 (Alternative Standards for Medium Density Residential Development) instead of Chapter 18.36 (Residential Design Criteria)

Section 18.112.030.C (Filing & Processing of Appeals)

- Clarify who an appeal shall be submitted to in writing (Development Services Department)

Miscellaneous Code Amendments

3.3



Recommendation

1. Open/close public hearing
2. Adopt Resolution recommending City Council approval of the Zoning Amendment

Questions?





Maximum Parking Requirements

For Housing Projects

Pursuant to Government Code Section 65915



Current Morgan Hill Parking Standards



Residential Attached High Density (RAH) Zoning Districts

Residential	
Units 600 sq. ft. or less	1 per unit
Units 600 — 1,350 sq. ft.	1.5 per unit
Units greater than 1,350 sq. ft.	2 per unit

Multifamily

Multi-Family Dwellings	
Studio or One-Bedroom	1 covered and 0.5 uncovered per unit
Two Bedroom	1 covered and 1 uncovered per unit
Three Bedroom	1 covered and 1.5 uncovered per units

Single Family Dwellings

Attached and Detached

2 covered per unit

Senior Housing

Senior Housing, Multi-Family Dwellings	1 covered per unit
Senior Housing, Single-Family Dwellings	50% of units with 2 covered spaces, 50% with 1 covered space

Guest Spaces

Land Use	Number of Guest Spaces
Single-Family Dwellings	1 per 4 units
Multi-Family Dwellings	1 per 3 units
Multi-Family Dwellings for Senior Citizens	1 per 5 units

Downtown Exemption. Guest parking is not required for proposed residential development within the Downtown Specific Plan overlay zone

Current State Law



Definitions from State Law

Very low income: does not exceed 50% of AMI for Santa Clara County

Low income: between 51% and 80% of AMI for Santa Clara County

Moderate income: between 81% and 120% of AMI for Santa Clara County

Major Transit Stop: means a site containing any of the following:

- (a) **An existing rail** or bus rapid transit station.
- (b) A ferry terminal served by either a bus or rail transit service.
- (c) The intersection of two or more major bus routes with a frequency of service interval of 15 minutes or less during the morning and afternoon peak commute periods.

Applies Primarily to Units which are Restricted Based on Income

- 10% restricted to lower income households- for sale or rental projects
- 5% restricted to very low income- for sale or rental projects
- 10% restricted to moderate income in a for-sale common interest development (usually condo projects)

(more on next slide)

Applies Primarily to Units which are Restricted Based on Income (Continued)

- 10% restricted to very low income for:
 - transitional foster youth,
 - disabled veterans, or
 - homeless persons
- Student housing 20% restricted for lower income students
- 100% affordable for lower income categories, maximum 20% moderate

Age restricted No Affordability Requirement

- Senior citizen development or mobile home park that limits residency based on age
- Not income based

Onsite Parking

- Onsite parking may be met through tandem or uncovered parking.
- Onstreet parking does not count.

Effective January 1, 2021

City is prohibited from requiring parking that exceeds the following

Unit Size	Spaces per Density Bonus Law 2021	<i>Spaces per Density Bonus Law 2020</i>
Studio	1	<i>1</i>
1 bedroom	1	<i>1</i>
2 bedroom	1.5	<i>2</i>
3 bedroom	1.5	<i>2</i>
4 or more bedrooms	2.5	<i>2.5</i>

.5 Spaces Required Per Unit

- Rental or for-sale units
- 20% low income or
- 11% very low income and
- within ½ mile of major transit

No Parking Required for Specified Rental Projects

100% affordable to lower income families

- And within ½ mile of major transit station.
- For over 62 and has paratransit service or unobstructed access within ½ mile to fixed bus route that operates at least 8 times per day.
- Special needs housing development, has paratransit service or unobstructed access within ½ mile to fixed bus route that operates at least 8 times per day, or
- A supportive housing development.

Further Parking Standard Reductions

- Standards discussed above may be requested by an applicant.
- These do not count as an incentive or a concession.
- Developer may request **further** parking standards reductions as an incentive or concession.

Change Effective January 1, 2022

- All housing developments (not just common interest developments) which restrict 10% of the units for moderate-income households will be eligible for the density bonus and related benefits
- For projects with 40% restricted to moderate income households, and within .5 miles of a major transit stop:
.5 spaces per bedroom

Questions and Discussions

