



BUILDING INDUSTRY ASSOCIATION

DATE: May 17, 2018

TO: Pleasanton Housing Commissioners Anthony Soby, Jay Galvin, Ann Welsh, Matthew Gaidos, Zarina Kiziloglu and Alyx MacTernan

FROM: BIA|Bay Area East Bay Executive Director  
For Government Affairs Lisa Vorderbrueggen

RE: Proposal to Require Accessory Dwelling Units/Compact Units as Part of Inclusionary Ordinance

Dear Housing Commissioners,

As a membership organization that represents more than 400 companies dedicated to developing and constructing homes, BIA|Bay Area would like to make the following comments regarding the proposed requirement that single-family residential developers construct 20 percent of a project's total units as "compact" or accessory dwelling units (ADUs.)

BIA applauds the City of Pleasanton's "affordable by design" concept, which, if done correctly, will result in more housing units at prices that more families can afford to purchase or rent. The timing is excellent, as growing numbers of home buyers are demanding multi-generational housing. To that end, we strongly encourage the city to make the following modifications to its ordinance in order to make the city's program financially feasible on the housing production side:

- A. **Give the developer credit for at least half of the "compact" or ADUs toward the 20 percent inclusionary or low-income unit requirement. As an added incentive, allow the developer to pay by-right the in-lieu inclusionary fee on the mandated affordable units.** While the "affordable by design" units will not be deed restricted, many will be occupied by people who cannot afford to live market-rate homes elsewhere in town. Mandating the inclusionary AND "compact" requirements burdens 40 percent of the homes in every new single-family housing project and makes projects financially infeasible. Offering a partial incentive to offset the impact is fair and reasonable. Imposing both restrictions could also be interpreted by the state Housing and Community Development Department as an excessive constraint on housing approvals and jeopardize the city's approved Housing Element.
- B. **Offer a flexible density bonus incentive.** Attached is an example of the impacts of the "compact unit" option. It is based on a 45-lot single-family project with average 4,306 sq. ft. homes, which would trigger a requirement for nine "compact" units. If the developer replaced the larger homes with 1,800 sq. ft. units on the existing lots, the developer has the same site costs but achieves some savings in construction and fees on the nine houses. The houses are sold at a lower price, however, and on balance, the net profit declines from 8 percent to less than 2 percent. No developers will move forward under this scenario. A density bonus could mean the difference between a project going forward or not. An example would be a density bonus based on the underlying zoning such as 2:1 for MDR and 3:1 for LDR zoned properties.

- C. **Establish alternative compliance options that mesh with the city's General Plan:** While ADUs are suitable for homes of 3,000 sq. ft. and larger, they may not work for smaller units or senior projects. The revised ordinance should allow developers to comply through placement of alternative duplexes or detached compact units on appropriately sized lots where it makes economic and planning sense. This coupled with a density bonus would allow a developer to comply with the "compact" provision and help the city achieve its "affordable by design" goals. But unlike ADUs, the duplexes and other types of compact housing envisioned in this ordinance are not streamlined under the recent state statutes adopted for accessory units. Questions of General Plan and Housing Element consistency, allowed densities, lot sizes, zoning and other issues could arise. Staff should make every effort to resolve these questions as part of this process rather than wait until a project comes along and suffers costly delays while the city irons out the wrinkles.
- D. **Waive or significantly reduce all city fees for affordable inclusionary units, ADUs and "compact" houses.** The cost of housing has reached crisis levels throughout the Bay Area and much of California. State and regional leaders have identified high fees as one source of high housing costs. We strongly encourage Pleasanton to offer fee waivers and reductions for affordable housing.

In conclusion, we applaud Pleasanton for its initiative in the "affordable by design" arena. But the ordinance needs additional incentives, more options and greater flexibility if it is to become financially feasible in the residential construction marketplace. Many of the Pleasanton Housing commissioners voiced support at the November 2017 joint hearing with the Planning Commission for incentives and other policies that would help mitigate the high housing costs, and we are disappointed that the proposed ordinance fails to include few, if any, of the commissioners' recommendations.

Additionally, multi-generational housing is also still waiting for the mortgage industry to catch up. Most lenders do not yet recognize rental income from accessory dwelling units when evaluating buyers for loans. Given the higher prices for the typically larger houses that offer ADUs, this narrows the potential buyer pool.

Thank you for your time and consideration. Feel free to call with any questions or comments.

Sincerely,



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