



# City of Gilroy Mayor's Office

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Peter L. Hertan, Foreperson  
Santa Clara County Civil Grand Jury  
Superior Court Building  
191 North First Street  
San Jose, CA 95113

**(ENDORSED)** December 14, 2018

**FILED**  
DEC 21 2018

Dear Mr. Hertan,

Clerk of the Court  
Superior Court of CA County of Santa Clara  
BY Janice Jones / DEPUTY

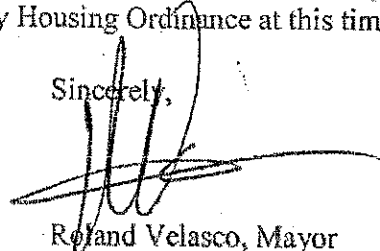
In a letter dated September 11, 2018, the City of Gilroy transmitted responses to the 2017-18 Santa Clara County Civil Grand Jury report entitled "Affordable Housing Crisis – Density is Our Destiny". In that letter, the City stated that further analysis was required prior to preparing a response to Recommendation 5, which stated: "Inclusionary BMR percentage requirements should be increased to at least 15% in Gilroy, Los Altos, Los Gatos, Milpitas, Morgan Hill, Palo Alto, by the end of 2019."

On October 29, 2018, the Gilroy City Council received the attached report, analyzing the question of whether Gilroy should establish a citywide Inclusionary Housing Ordinance, as recommended by the Civil Grand Jury report. Several topics were evaluated in the report, including the status of Gilroy's Regional Housing Needs Allocation (RHNA), current and future housing affordability in Gilroy, the General Plan residential land use capacity, the existing 15% inclusionary housing requirement in the Neighborhood Districts in Gilroy, and the pros and cons of adopting a citywide Inclusionary Housing Ordinance in Gilroy.

Other factors influencing Gilroy's decision whether to proceed with an Inclusionary Housing Ordinance included the ongoing 2040 General Plan update, reevaluation of the Residential Development Ordinance (RDO) which will occur based on the adoption of the 2040 General Plan, and City Council's commitment to participate in the Santa Clara County RHNA Sub-region process.

The report concludes that the city should continue to explore additional techniques to strengthen the production of affordable housing in the future. A variety of policy initiatives that will affect the city's housing programs are in progress or anticipated, including the General Plan Update, proposed RHNA Sub-region and RDO reevaluation. Additional analysis will be necessary and should occur to determine if an Inclusionary Housing Ordinance or other approaches would be feasible and effective in Gilroy. It is, therefore, considered premature for the city to embark on the development of a citywide Inclusionary Housing Ordinance at this time. The City Council voted unanimously to notify the Santa Clara County Civil Grand Jury that the City of Gilroy will not proceed with implementation of an Inclusionary Housing Ordinance at this time. Thank you for your attention to this matter.

Sincerely,



Roland Velasco, Mayor



# City of Gilroy

## STAFF REPORT

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Agenda Item Title: Response to the Santa Clara County Civil Grand Jury Recommendation for Gilroy to Increase Inclusionary Housing Requirements for Below Market Housing to at Least 15% by the End of 2019

Meeting Date: October 29, 2018

From: Gabriel Gonzalez, City Administrator 

Department: Community Development Department

Submitted By: Kristi Abrams

Prepared By: Kristi Abrams  
Stan Ketchum

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### Strategic Plan Goals



Fiscal Stability



Downtown Revitalization



Economic Development



Customer Service



Enhanced Public Safety

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### RECOMMENDATION

- a) Receive the report and provide direction to staff, and
- b) Direct staff to prepare a letter for the Mayor's signature notifying the Santa Clara County Civil Grand Jury that the City of Gilroy will not proceed with implementation of an Inclusionary Housing Ordinance at this time and providing information from this report as the basis of the decision.

### EXECUTIVE SUMMARY

The Santa Clara County Civil Grand Jury Report: "Affordable Housing: Density is Our Destiny" included a recommendation stating that "Gilroy (should) increase inclusionary housing requirements for below market housing to at least 15% (of new dwelling units) by the end of 2019". The City Council responded that the city would conduct further analysis of the recommendation and transmit a response accordingly.

This report presents information on several topics related to the availability and affordability of housing in Gilroy, followed by a discussion of the pros and cons of adopting an Inclusionary Housing Ordinance in Gilroy. Based on the results of the analysis presented herein, it is recommended that the City Council direct staff to prepare a letter for the Mayor's signature notifying the Santa Clara County Civil Grand Jury that the City of Gilroy will not proceed with implementation of an Inclusionary Housing Ordinance at this time and providing information from this report as the basis of the decision.

## **POLICY DISCUSSION**

Should the City Council inform the Santa Clara County Civil Grand Jury that the City of Gilroy does not intend to prepare an Inclusionary Housing Ordinance?

## **BACKGROUND**

On September 10, 2018, the City Council approved the responses to the Santa Clara County Civil Grand Jury Report: "Affordable Housing: Density is Our Destiny". One of the recommendations in the report stated "Gilroy (should) increase Inclusionary Housing requirements for below market housing to at least 15% (of new dwelling units) by the end of 2019". The City Council's response stated:

"This recommendation requires further analysis. The Grand Jury recommendation would require the City to adopt a citywide Inclusionary Housing ordinance. Prior to December 21, 2018, the Gilroy City Council will review and consider creation of a citywide Inclusionary Housing ordinance requiring a minimum of 15% of new dwelling units to be affordable to very low, low, and moderate income families."

The December 21, 2018 deadline reflects the Penal Code provision requiring a response no later than six months from the date of the Grand Jury Report to items for which a jurisdiction requested additional time to study.

The staff analysis of the possible need for an Inclusionary Housing Ordinance in Gilroy consisted of review of several topics related to the availability and affordability of housing in Gilroy, both now and in the future. This report presents the results of that review and provides conclusions addressing the need for an Inclusionary Housing Ordinance.

Based on the results of the Study Session, and any direction provided by the City Council, staff will prepare a response to the Grand Jury.

## **ANALYSIS**

1. **Factors Contributing to the Need to Strengthen Gilroy's Affordable Housing Policies**
  - A. General Plan Housing Element

Below is a summary of the Housing Element goals and policies supporting the production of both market-rate and affordable housing in Gilroy.

GOAL: Provide adequate residential sites to accommodate projected housing needs and encourage the production of a variety of housing types.

Policies

- Ensure adequate land is available at a range of densities to meet Gilroy's existing and projected housing needs.
- Encourage the provision of a variety of housing options for Gilroy residents.
- Encourage a mix of housing in new development areas to avoid the overconcentration of specific housing types in some areas of the city.
- Support the development of workforce housing to enable the manufacturing workforce to live in the community.
- Review and revise, as appropriate, the Residential Development Ordinance (RDO) to ensure that it does not pose a constraint on the maintenance, improvement and development of housing; and provides capacity to meet the City's RHNA need.

GOAL: Encourage and support the provision of affordable housing in Gilroy.

Policies

- Encourage the provision of new affordable housing.
- Provide incentives for affordable housing, including but not limited to the density bonus ordinance, expedited project review, and Affordable Housing Exemption in the Residential Development Ordinance.
- Support homeownership opportunities for low- and moderate-income households.
- Encourage partnerships between non-profit and for-profit housing developers to encourage affordable housing production.
- Continue to require 15 percent of new housing in the Neighborhood District to be affordable to very low-, low-, and moderate-income households.
- Consider the development of single-room occupancy units, studio apartments, and other similar unit types that are affordable to extremely low income residents in higher-density areas of the city.

The housing goals and policies above encourage providing a variety and mix of housing types and densities, and offering incentives for the development of affordable housing.

B. Regional Housing Needs Allocation (RHNA) current status and future expectations

The City is currently in the fourth year of the current seven-year RHNA cycle (2015 – 2022). Table 1, below, summarizes the City's accomplishments in to-date in the current cycle.

<u>Table 1</u> Regional Housing Needs Assessment (RHNA) Progress 2015 – 2022			
Income Level	2015 – 2022		
	RHNA Allocation	Units Permitted To-date**	Units Remaining
Very Low (0 – 50% AMI*)	236	80 (34%)	156
Low (51 – 80% AMI)	160	480 (300%)	0
Moderate (81 – 120%AMI)	217	7 (3%)	210
Affordable Housing Subtotals	613	567	
Above Moderate (Above 120% AMI)	475	1,138 (240%)	0
Total	1,088	1,705	
Remaining Need			366

\*AMI – Area Median Income in Santa Clara County \*\* Through September, 2018

The city has produced a significant amount of new housing in the Low Income range, completing 480 dwelling units (300% of the RHNA target). As shown in Section F, below, another 158 affordable units are in the pipeline in the Glen Loma Ranch project. The city has also continued to exceed the RHNA target for Above-Moderate income (market-rate) housing, with a total of 1,138 (114%) constructed since 2015. Deficits remain in the Very Low- (156 units remaining) and Moderate- (210 units remaining) income categories.

Planning for the 2023 – 2031 RHNA cycle for the Association of Bay Area (ABAG) region is in the early stages. A common expectation is that housing targets in the next RHNA cycle will consist of larger allocations for most jurisdictions, especially those in urban areas. Key factors driving this impression include the critical need for increased housing production to support the booming economy and ease the housing crisis, and the increasing pressure from new state legislation for cities to fully achieve the required housing production targets.

### C. State Legislation – 2017

The 2017 housing legislation package passed by the California Legislature and signed by Governor Brown includes the following key measures that address the production of affordable housing:

- Housing Accountability Act (HAA) – The HAA has been in effect for many years. It seeks to remove discretion from the housing entitlement process by requiring that jurisdictions that have general planned and zoned a piece of land for housing must allow development of a housing project that meets the objective requirements of the general plan and applicable zoning criteria. Such a project can only be denied or approved at a lower density if the city makes very specific findings based on public health and safety criteria. The 2017 legislation included bills intended to strengthen the HAA, including heightening the standard of review cities must apply when denying a project, revising the standard for what makes a project “consistent” with the required objective standards, and clarifying that review of subdivision and parcel maps are also subject to the HAA.
- AB1397 – Ensures that local governments rely on sites that have a realistic capacity for development of housing, and requires that non-residential sites be rezoned to allow high-density residential. Gilroy’s Housing Element, adopted in December, 2014 included a program to rezone 32 acres on six sites to R-4 High Density Residential, allowing between 20 – 30 DU/AC. Two of them have pending development applications. Based on the current limitation on accepting new development applications (see Section 3, below), no development is anticipated on the four remaining sites in the foreseeable future.
- SB 35 – This bill establishes a streamlined housing approval process available to developers in jurisdictions that the State of California Housing and Community Development Department (HCD) has determined have not met their RHNA targets for production of affordable housing in all four of the specified income levels. In addition to the existing requirements for review based on objective standards, the bill imposes a review time limit, eliminates controls on building height, unit count, or required parking.
- Enhanced HCD Reporting, Auditing and Enforcement – Various other bills in the 2017 Housing package provide enhanced authority to HCD to monitor and enforce the requirements of the HAA and other recent legislation.

Overall, the recent legislative actions have strengthened state oversight of local efforts to produce housing, particularly affordable housing, and narrowed the range of regulations local governments can impose on new housing development.

### D. Gilroy Current and Future Housing Affordability

Table 2, below shows the income limits (% required for persons to qualify for affordable housing), as specified by the California Housing and Community Development Department (HCD), and compares them to the maximum rental cost or purchase price that persons with that income would be able to afford, assuming they spend a maximum

30% of their income on housing. The table shows the data for one person and a family of four persons. For example, a family of four, earning up to \$94,450 (low income) would be expected to afford a maximum rent of \$2,361 or a purchase price of \$357,000. A family of four earning \$150,250 (the upper limit of the moderate income range) would qualify for a house purchase price of up to \$576,250. The reality is that many families, especially lower income, spend far more than 30% on housing in the Bay Area, or, increasingly more common, are forced to seek housing outside the Bay Area and commute long distances to jobs.

<u>Table 2</u>				
State HCD Income Ranges and Affordable Limits with Maximum Allowable Housing Costs 2018 (One & Four-Persons)				
Income Categories	1 person		4 Persons	
	Annual Income Limit	Max Rent/ Max Purch. Price	Annual Income Limit	Max Rent/ Max Purch. Price
Extremely Low (ELI) 0% to 30% AMI	\$27,950	\$699/mo \$112,526	\$39,900	\$998/mo \$156,000
Very Low (VLI) 30% to 50% AMI	\$46,550	\$1,164/mo \$189,000	\$66,500	\$1,663/mo \$261,000
Low (LI) 50% to 80%	\$66,150	\$1,654/mo \$261,000	\$94,450	\$2,361/mo \$357,000
Median AMI 100% AMI	\$87,650	\$2,191/mo \$348,000	\$125,200	\$3,130/mo \$477,000
Moderate (MOD) 80% to 120% AMI	\$105,200	\$2,630/mo \$420,000	\$150,250	\$3,756/mo \$576,000
Above Moderate 120% to 150% AMI	\$131,475	\$3,287/mo \$526,000	\$187,800	\$4,695/mo \$721,000

\*2018 HCD State Income Limits Santa Clara County Area Median Income (AMI) \$125,200

As of September 1, 2018, data from CoreLogic, a real estate data firm, reported that the median price for a home in Santa Clara County is up 17.8 percent based on sales in July 2018 compared to July 2017. The median sales price was \$1.29 million. According to Zillow, a real estate website, as of August 31, 2018, the median home value in Gilroy was \$784,200, an increase of 11.4% since August 2017. The median price of homes listed for sale in Gilroy in August 2018 was \$834,900, while the median price of homes sold was \$765,100.

For rental housing, the median price for the San Jose-Sunnyvale-Santa Clara Metro area was \$3,650 per month. For rental housing (both houses and apartments) in Gilroy, as of August 31, 2018, rents ranged from \$1,850/month for a one bedroom unit to \$3,395/month for four bedrooms. It should be noted that these figures include all rental housing, both single-family homes and apartments.

While slightly lower than the prices in the rest of Silicon Valley, housing costs in Gilroy are a significant impediment to many families desiring to live in Gilroy and to locate closer to their jobs to the north, resulting in the extreme commutes so common today. The statistics shown above are based on the Santa Clara County Area Median Income (AMI), currently at \$125,200 for a family of four. In Gilroy, the AMI for a family of four is \$81,694, which makes the housing cost/income disparity that much worse.

#### E. General Plan Residential Land Use Capacity

Addressing the residential land capacity in the General Plan is important to the discussion of the types of implementation policies necessary to meet the city's affordable housing goals. Table 3 below identifies the remaining residential land use capacity of the 2020 General Plan. It includes all vacant and underutilized land with a residential General Plan designation.

There are a little over 3,000 dwelling units of development capacity available within the Urban Service Area (USA), and, therefore, eligible for development in the near-term. Of those, 1,095 are contained in the Glen Loma Ranch Specific Plan, a designated Neighborhood District for which the 15% inclusionary affordable housing requirement is applicable (see discussion below). As a result, slightly over 2,000 units of residential capacity within the USA currently are not subject to inclusionary housing requirements. Some of those properties are in various stages of development, including the approved 224-unit townhouse project at the southeast corner of First Street and Santa Teresa Blvd., and the pending 119-unit application at First Street and Kern Avenue. If both these projects are developed, approximately 1,657 units of General Plan residential capacity will remain inside the USA.

Due to the mix of densities and potential housing types represented in the remaining residential land use capacity, it is difficult to predict the potential amount of new affordable housing that could be produced by expanding the inclusionary housing requirement to the remaining areas of the city outside the Neighborhood Districts. Just by way of example, if 75% of the 1,657 units were subject to such the 15% inclusionary requirement, 186 affordable units could be produced. If 50% of the available units were included, 124 units could be produced. As shown, the potential affordable housing production from the remaining residential capacity outside the Neighborhood Districts is minimal.

Another approximately 2,780 units of potential development capacity is contained in the North and South Neighborhood Districts, outside the USA, and inside the Urban Growth Boundary. The following section discusses the affordable housing potential of these areas.



Table 3 2020 General Plan Residential Land Use Capacity		
General Plan Land Use Designation	Density	Dwelling Units
Rural Residential <sup>1</sup>	1.0 du/2.5 ac	14
Hillside Residential <sup>1</sup>	4.0 du/ac. max.	209
Low Density Residential <sup>1</sup>	3.0 – 7.0 du/ac.	76
Medium Density Residential <sup>1</sup>	8.0 – 16.0 du/ac	156
High Density Residential <sup>1</sup>	16.0 – 30.0 du/ac.	668
Glen Loma Ranch Specific Plan <sup>1</sup>		1,095
Downtown Specific Plan <sup>1</sup>		909
Subtotal – Land within the Urban Service Area		3,127
North Neighborhood District <sup>2</sup>		1,500
South Neighborhood District <sup>2</sup>		1,280
Total		5,907

<sup>1</sup> Vacant Land Inventory, June, 2018

<sup>2</sup> Values approximate - General Plan 2040 Land Use Alternatives Analysis

#### F. Neighborhood District Inclusionary Housing Requirement

Gilroy currently requires the creation of affordable housing only in the Neighborhood Districts. A 15% inclusionary affordable housing requirement is applied, as contained in the City Council Neighborhood District Policy and the Residential Development Ordinance (RDO). Recent and pending projects resulting from this policy include Oak Place, Glen Loma Ranch, and Harvest Park. Table 4, below describes the status of the existing and planned Neighborhood District Areas.

Approximately 635 affordable units are expected to be developed in the Neighborhood Districts, as currently designated in the General Plan. However, the timing of development of the estimated 400+ affordable units in the North and South Neighborhood Districts is unknown, as those lands are outside the Urban Service Area, and future development could be many years away. As a result, the contribution of those lands towards achieving affordable housing goals in the upcoming 2023 – 2031 RHNA cycle is unclear.

<u>Table 4</u>			
<u>Neighborhood District Affordable Housing Required</u>			
Area	Size (ac.)	No. of Affordable units (15%)	Projects Complete (Proposed)
North Neighborhood District	277 ac.	225 (est.)	Harvest Park 98 apts.
Glen Loma Ranch	360 ac.	220 (est.)	<i>(77 apts.)</i> <i>(81 Senior apts.)</i>
South Neighborhood District	193 ac.	190 (est.)	Oak Place 26 affordable SFR
Totals	830 ac.	635	

### G. Effects of new Urban Growth Boundary

The Urban Growth Boundary, passed by the voters in 2016, reduced the capacity of residential planned land by 450 acres, and approximately 4,300 dwelling units. The area reduced is a portion of the North Neighborhood District, which is subject to the Neighborhood District 15% inclusionary housing requirement, as described above). Based on the 4,300 dwelling unit capacity lost, approximately 645 units of affordable housing capacity was lost, as well. The 2040 General Plan Land Use Alternatives Analysis process is evaluating options to identify the amount of land planned for residential use for inclusion in the new General Plan.

### 2. **Discussion of Inclusionary Housing Programs**

Many cities in California utilized tax increment financing in conjunction with their redevelopment agencies to fund affordable housing until 2012 when redevelopment agencies were abolished. Since Gilroy did not establish a redevelopment agency, production of affordable housing has relied on private developers utilizing low income tax credit funding and the inclusionary requirements in the Neighborhood Districts, as previously discussed.

Nationwide, there are 880 inclusionary housing programs in 25 states. They serve large central cities and smaller suburban communities, most often in areas where housing costs are rising. In Santa Clara County, Los Altos Hills, Monte Sereno and Saratoga, along with Gilroy, do not have traditional, citywide inclusionary housing ordinances. The other ten cities in the County have established inclusionary housing policies ranging from 5% to 15%, with 15% being the most common. Morgan Hill adopted their Inclusionary Housing Ordinance in July of this year.

Inclusionary housing ordinances require developers to set aside a certain percentage of housing units in new developments for low- or moderate-income residents. Another definition describes inclusionary housing as “a range of policies that tap the economic gains from rising real estate values to create affordable housing – tying creation of homes for low- or moderate-income households to the construction of market-rate residential development.”

Incorporating affordable housing together with market-rate housing in the same developments allows affordable housing to be located in middle- and even upper-income neighborhoods where the residents can benefit from access to quality (often new) schools, public services, and amenities, thus achieving greater equity and inclusion for the community.

Dwelling units subject to an inclusionary housing ordinance typically receive a deed restriction establishing long-term affordability requirements (e.g., 30 – 55 years+). As such they provide the means for the city to produce a modest, but steady supply of new, affordable housing that continues to grow over time.

As noted above, Gilroy is achieving some affordable housing from the inclusionary requirement in the Neighborhood Districts.

#### A. Pros and Cons of Inclusionary Housing ordinances

There is on-going debate about the effectiveness of inclusionary housing requirements in providing meaningful amounts of affordable housing, largely depending on who you talk to. They have been described as either a means to preserving a healthy mix of diverse incomes and ethnicities in increasingly pricey municipalities or a barrier to growth and a disruption to the free-market. Many cities have found success with inclusionary programs. Statistics show more cities are adopting inclusionary ordinances each year.

Staff research found the following pros and cons about inclusionary housing programs:

- “When a city imposes inclusionary housing requirements, it may increase a developer’s costs. But developers can’t really pass those costs on to homebuyers or tenants, because new units must still be competitively priced in the overall market. Instead, over time, land prices will fall to absorb the costs of the inclusionary housing requirements. Any incentives offered by a community would reduce the degree of land price reduction.” (Lincoln Institute of Land Policy)
- One of the most comprehensive studies analyzed the inclusionary ordinances in the Boston and San Francisco metropolitan areas. In Boston the inclusionary programs resulted in modest decreases in home production and slight price increases. Conversely, the inclusionary housing programs in the San Francisco area had no impact on housing production or prices and resulted in greater affordable housing production than in Boston.
- A study funded by the Building Industry Association of Northern California found data suggesting that inclusionary zoning is a failure in Northern California, due to

low production of both market-rate and affordable housing, high market-rate per unit costs, and significant lost government revenue.

- Inclusionary housing is seen by some as one of the available tools to assist in creating additional affordable housing. A common comment is that incentives for developers, especially density bonuses, streamlined processing and other development concessions are more effective.
- Inclusionary housing is most successful if the housing market is strong enough for the developer to absorb the required costs and still make a profit.
- Inclusionary housing ordinances require resources to administer the program, consisting either of city staff or outside consultants.
- Probably the most important consideration is the careful design of the inclusionary housing program to meet the needs and market conditions of the individual community. Economic analysis of the various factors affecting the local housing market is usually necessary to ensure the feasibility of the program.

#### B. Other factors influencing the decision to proceed with an Inclusionary Housing Ordinance

- The 2040 General Plan update is still in progress (currently on hold), and is anticipated to conclude in late 2020. Significant decisions regarding the amount, location, type and density of future residential development will be incorporated into the new General Plan. The Plan will also establish policies and actions necessary to implement the Plan.
- The City Council has previously directed that the Residential Development Ordinance (RDO) will be reevaluated based on the adoption of the 2040 General Plan, to determine the most effective policy approach for guiding future residential growth.
- The City Council has agreed to participate in the Santa Clara County RHNA Sub-region process, which will ultimately determine the City's share of future affordable housing responsibility in the 2023 - 2031 RHNA cycle.

#### C. Conclusions

The following is a summary of the key findings from this report.

##### General

- General Plan Housing Element goals and policies encourage providing a variety and mix of housing types and densities, especially in new areas of the city, and to offer incentives for the development of affordable housing.
- Current and potential future state housing legislation is strengthening state oversight of local government efforts to produce affordable housing, while streamlining the development review and decision-making process.

- The housing costs in Gilroy continue to exclude many from the housing market, resulting in longer commutes and other impacts on families.
- Inclusionary housing ordinances are a commonly-used tool that has contributed to the production of affordable housing.
- There are pros and cons and varied opinions on the effectiveness of inclusionary housing programs as a technique to provide affordable housing.
- Other incentives for developers, especially density bonuses, streamlined processing and other development concessions are seen by some as more effective than inclusionary housing programs.
- Careful consideration of the specific needs and market conditions of the community, together with thorough economic analysis is important to the successful implementation of an inclusionary housing program.

### Gilroy

- Approximately 364 units of new housing in the Very Low- and Moderate-income categories are required to meet the 2015-2022 RHNA cycle. An increase above the 1,088-units assigned in this cycle is possible in the 2023 – 2031 RHNA cycle.
- The existing inclusionary housing requirements of the Neighborhood Districts have and will continue to provide some affordable housing, but in and of themselves are not expected to provide sufficient affordable housing to achieve the remaining and future RHNA requirements.
- Gilroy has successfully produced 480 Low income housing units in two projects outside of the Neighborhood District, with another 158 in the pipeline.
- Due to the mix of densities and potential housing types represented in the remaining residential land use capacity outside the Neighborhood Districts, it is difficult to predict the potential amount of new affordable housing that could be produced by expanding the inclusionary housing requirement to the remaining areas of the city outside the Neighborhood Districts.

### CONCLUSIONS

The information contained in this report supports the conclusion that the city should continue to explore additional techniques to strengthen the production of affordable housing in the future. A variety of policy initiatives that will affect the city's housing programs are in progress or anticipated, including the General Plan Update, proposed RHNA Sub-region and RDO reevaluation. Additional analysis will be necessary and should occur to determine if an Inclusionary Housing Ordinance or other approaches would be feasible and effective in Gilroy. It is, therefore, considered premature for the city to embark on the development of an Inclusionary Housing Ordinance at this time.

It is recommended that the City Council direct staff to prepare a letter for the Mayor's signature notifying the Santa Clara County Civil Grand Jury that the City of Gilroy will

not proceed with implementation of an Inclusionary Housing Ordinance at this time and providing information from this report as the basis of the decision.

### **ALTERNATIVES**

1. The City Council direct staff to prepare a letter for the Mayor's signature notifying the Santa Clara County Civil Grand Jury that the City of Gilroy will not proceed with implementation of an Inclusionary Housing Ordinance at this time. **This action is recommended**
2. Should the City Council decide proceed with preparation of an Inclusionary Housing Ordinance or provide other direction, staff will prepare a letter to the Santa Clara County Civil Grand Jury notifying them of that decision. **This action is not recommended.**

### **FISCAL IMPACT/FUNDING SOURCE**

Adequate funding was available for the preparation of this report.

### **NEXT STEPS**

Based on City Council direction Staff will prepare a letter for the Mayor's signature informing the Santa Clara County Civil Grand Jury that the city of Gilroy will not proceed with preparation of an Inclusionary Housing Ordinance at this time and providing an explanation of the basis for that decision.

### **PUBLIC OUTREACH**

No public outreach was conducted in preparation for this presentation.