

2011 Council Study Issue

CDD 09-11 Review of the Housing Mitigation Fee

Lead Department Community Development

History 1 year ago Deferred 2 years ago Deferred

1. What are the key elements of the issue? What precipitated it?

On June 10, 2008, the Council took action to review the Housing Mitigation fee program to determine if the amount and index is set at appropriate levels. The Council took action to:

1. Set the Housing Mitigation Fee for FY 2008-09 at \$8.95,
2. Direct staff to use the Consumer Price Index (CPI) to index the fee in future years,
3. Allow any projects approved prior to July 1, 2008 to pay housing mitigation at the prior \$8.00 rate through December 31, 2008, and require all future payments at the fee in place at the time of payment.

Currently, the Housing Mitigation fees are collected only from "high intensity industrial developments" that exceed the Floor Area Ratio (FAR) threshold for that zoning district (typically, on the square footage above 35% FAR). The RTC advised Council that staff was preparing this follow-up study issue to examine whether a Housing Mitigation Fee should apply not just to high density industrial projects above a minimum threshold, but to apply to the entire floor area ratio (FAR) and/or different types of projects. Council also suggested that this study could review a reduced fee based on the fact that the fee would apply to more projects and therefore produce similar income as currently received.

This study would review the existing fee schedule, and methods to consider amending it to include a wider variety of development types. A nexus study would also be needed to comply with State regulations regarding impact fees. The entire study would review existing conditions in the City and would review other nearby cities' requirements. Information provided as part of this study would include a discussion of how proposed changes would affect the amount of fees collected as the result of proposed changes, and how a change may affect economic development.

2. How does this relate to the General Plan or existing City Policy?

HOUSING AND COMMUNITY REVITALIZATION SUB-ELEMENT

GOAL B:

Move toward a local balance of jobs and housing

Policy B.2 Continue to require office and industrial development above a certain intensity to mitigate the demand for housing.

Action Statement B.2.a Codify the Housing Mitigation Policy that requires certain developments in industrial zoning districts that exceed established floor area ratios to contribute towards the housing fund or take other measures to mitigate the effects of the job increase upon the housing supply, and index the Housing Mitigation Fee.

LAND USE AND TRANSPORTATION ELEMENT

GOAL C4:

Sustain a strong local economy that contributes fiscal support for desired city services and

provides a mix of jobs and commercial opportunities.

Policy C4.1 Maintain a diversity of commercial enterprises and industrial uses to sustain and bolster the local economy.

Policy C4.3 Consider the needs of business as well as residents when making land use and transportation decisions.

HOUSING STRATEGY

Issue: To increase resources to provide the subsidy needed to create affordable units

- Review the Housing Mitigation Fee ordinance to consider including other industrial and commercial developments to increase housing resources for all loan and development programs. (Study issue already proposed on this item.)

Target: Very Low, Low and Moderate

3. Origin of issue

City Staff Staff

4. Staff effort required to conduct study Moderate

5. Multiple Year Project? No **Planned Completion Year** 2011

6. Expected participation involved in the study issue process?

Does Council need to approve a work plan?	No
Does this issue require review by a Board/Commission?	Yes
If so, which?	Housing and Human Services Commission, Planning Commission
Is a Council Study Session anticipated?	No

7. Briefly explain cost of study, including consultant hours, impacted budget program, required budget modifications, etc. and amounts if known.

A mitigation fee nexus study of this type would be estimated at \$75,000 to complete, depending on exactly what scope of work is ultimately defined for the study. There are consultants that specialize in this type of study and it would be most cost-effective to hire an experienced consultant to do it, as it is the type of study often subject to legal challenge. This cost could be funded by the Housing Mitigation Fund, however it would require a budget modification, as it is not currently included in the Operating Budget.

8. Briefly explain potential fiscal impact of implementing study results (consider capital and operating costs, as well as potential revenue).

A restructure of the housing mitigation fee program could be revenue neutral, or it could result in additional revenues for housing programs. Estimates and analysis of additional revenue are a key components for this study.

9. Staff Recommendation

Staff Recommendation Defer

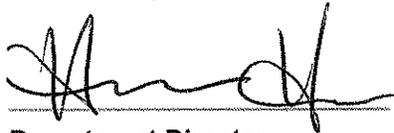
If 'For Study' or 'Against Study', explain

While this study was listed in the 2008 Housing Strategy, given the economic conditions in 2009, staff suggested deferring consideration of this study issue until 2010 or until the economy is in recovery with a more positive development climate.

SEPT. 2010 UPDATE:

Staff recommends continued deferral until the LUTE/CAP is completed, which may change various land use policies that may affect calculation of this fee (such as switching from FAR to number of employees for the fee calculation). In addition, staff has just applied for two grants for a total of nearly \$4 million, which, if awarded for the proposed project (updating the Zoning Ordinance to implement the LUTE/CAP), could potentially include (i.e., pay for) the nexus study needed to adequately complete this study issue. These grant awards should be announced by the State and HUD/DOT no earlier than March 2011.

Reviewed by



Department Director

10/07/10
Date

Approved by



City Manager

10-29-10
Date