

## Proposed 2010 Council Study Issue

**CDD 09-11 Review of the Housing Mitigation Fee**

<b>Lead Department</b>	Community Development		
<b>Element or Sub-element</b>	Housing and Revitalization		
<b>New or Previous</b>	Previous		
<b>Status</b>	Pending	<b>History</b>	1 year ago Deferred      2 years ago None

**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**

**Council Member(s)**

**General Plan**

**City Staff**                      Staff

**Public**

**Board or Commission** none

**4. Multiple Year Project? No    Planned Completion Year 2010**

**5. 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

**What is the public participation process?**

Outreach to the business community, housing advocates and general community. Noticed Planning Commission and City Council public hearings.

**6. Cost of Study**

**Operating Budget Program covering costs**

242- Land Use Planning and 230 Housing

**Project Budget covering costs**

**Budget modification \$ amount needed for study**

\$15,000.00

**Explain below what the additional funding will be used for**

These funds would be used to prepare a nexus study examining various ways to structure a housing mitigation program. Nexus studies are required when considering impact fees, including housing mitigation programs.

**7. Potential fiscal impact to implement recommendations in the Study approved by Council**

<b>Capital expenditure range</b>	None
<b>Operating expenditure range</b>	\$500 - \$50K
<b>New revenues/savings range</b>	\$500 - \$50K

**Explain impact briefly**

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.

**8. Staff Recommendation**

**Staff Recommendation Defer**

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

While this study is listed in the recently approved Housing Strategy, given the current economic conditions, staff suggests deferring consideration of this study issue until 2010 or until the economy is in recovery with a more positive development climate.

**9. Estimated consultant hours for completion of the study issue**

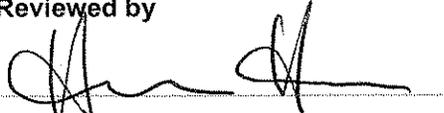
Managers	Role	Manager	Hours			
	Lead	Ise, Suzanne	Mgr CY1:	20	Mgr CY2:	0
			Staff CY1:	60	Staff CY2:	0
	Support	Ryan, Trudi	Mgr CY1:	20	Mgr CY2:	0
			Staff CY1:	40	Staff CY2:	0
	Interdep	Berry, Kathryn	Mgr CY1:	10	Mgr CY2:	0
			Staff CY1:	0	Staff CY2:	0
	Interdep	Boco, Robert	Mgr CY1:	10	Mgr CY2:	0
			Staff CY1:	0	Staff CY2:	0

**Total Hours CY1: 160**

**Total Hours CY2: 0**

**Note: If staff's recommendation is 'For Study' or 'Against Study', the Director should note the relative importance of this Study to other major projects that the Department is currently working on or that are soon to begin, and the impact on existing services/priorities.**

Reviewed by

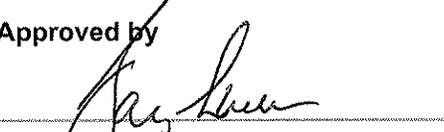


Department Director

10/13/09

Date

Approved by



City Manager

10-15-09

Date

### Addendum

**A. Board / Commission Recommendation**

**Issue Created Too Late for B/C Ranking**

Board or Commission	Rank Rank 1 year ago	Rank Rank 2 years ago
Arts Commission		
Bicycle and Pedestrian Advisory Committee		
Board of Building Code Appeals		
Board of Library Trustees		
Child Care Advisory Board		
Heritage Preservation Commission		
Housing and Human Services Commission	2T of 8	
Parks and Recreation Commission		
Personnel Board		
Planning Commission	6T of 10	

**Board or Commission ranking comments**

**B. Council**

**Council Rank** (no rank yet)  
**Start Date** (blank)  
**Work Plan Review Date** (blank)  
**Study Session Date** (blank)  
**RTC Date** (blank)  
**Actual Complete Date** (blank)  
**Staff Contact**