

***Housing Impact Fee Revision and
Housing Allocation Plan Amendment***

December 10, 2013

- Council directed completion of nexus studies and revision of housing impact fee in fall 2012
- Fee addresses impacts of new market rate housing on demand for affordable housing
- Fees collected support future development of affordable housing

- Council held public hearing September 24
 - Revision to housing impact fee
 - Revision to city code – timing of fee payment
- Additional information requested
 - Impacts to smaller units, entry level/station area
 - Revenue neutral fee

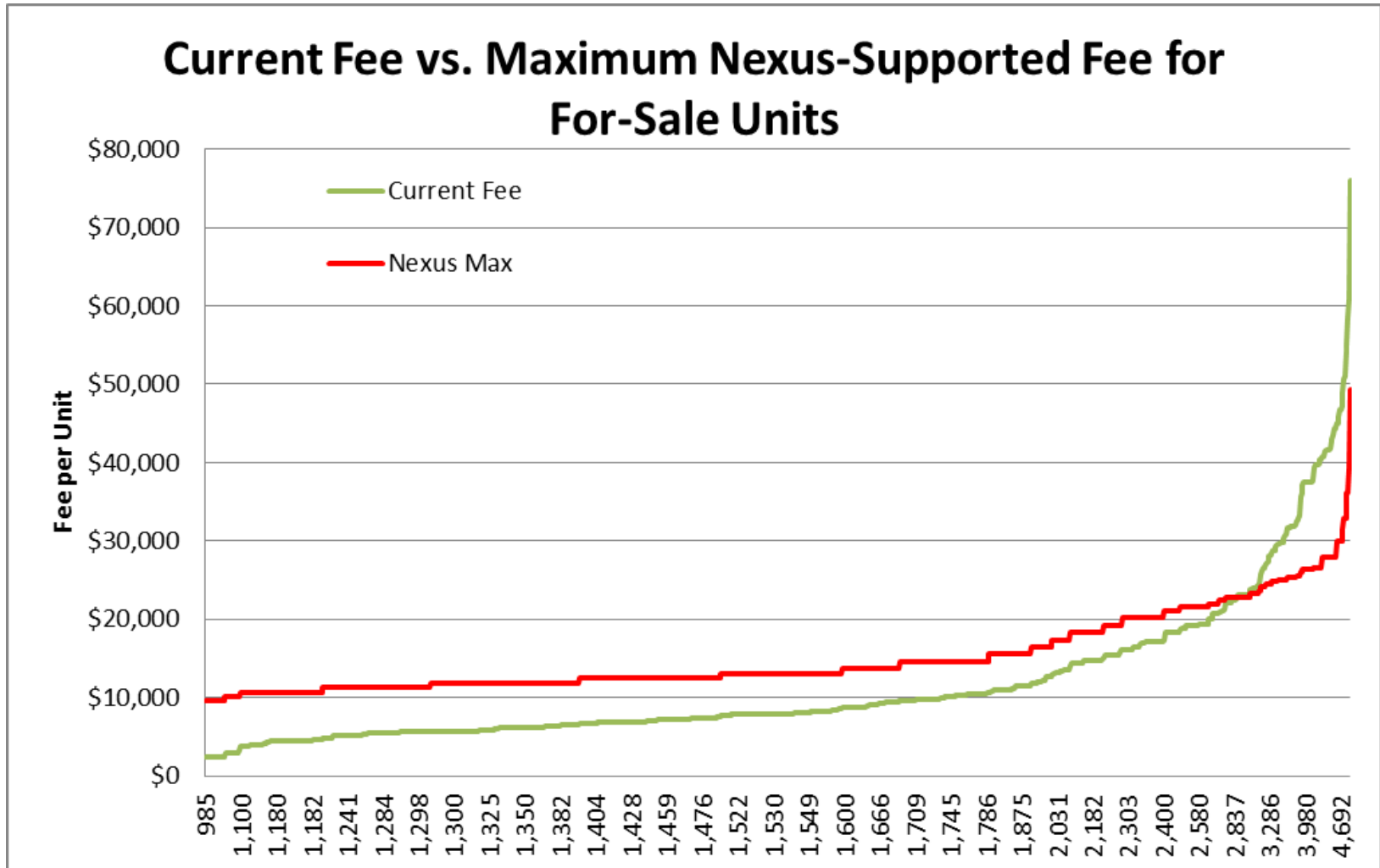
- Analysis of fee alternatives undertaken
- Five alternatives reviewed for impacts on smaller units and revenue neutrality
- Analysis utilized size of units issued permits over last eight years

For-Sale Fee Alternatives

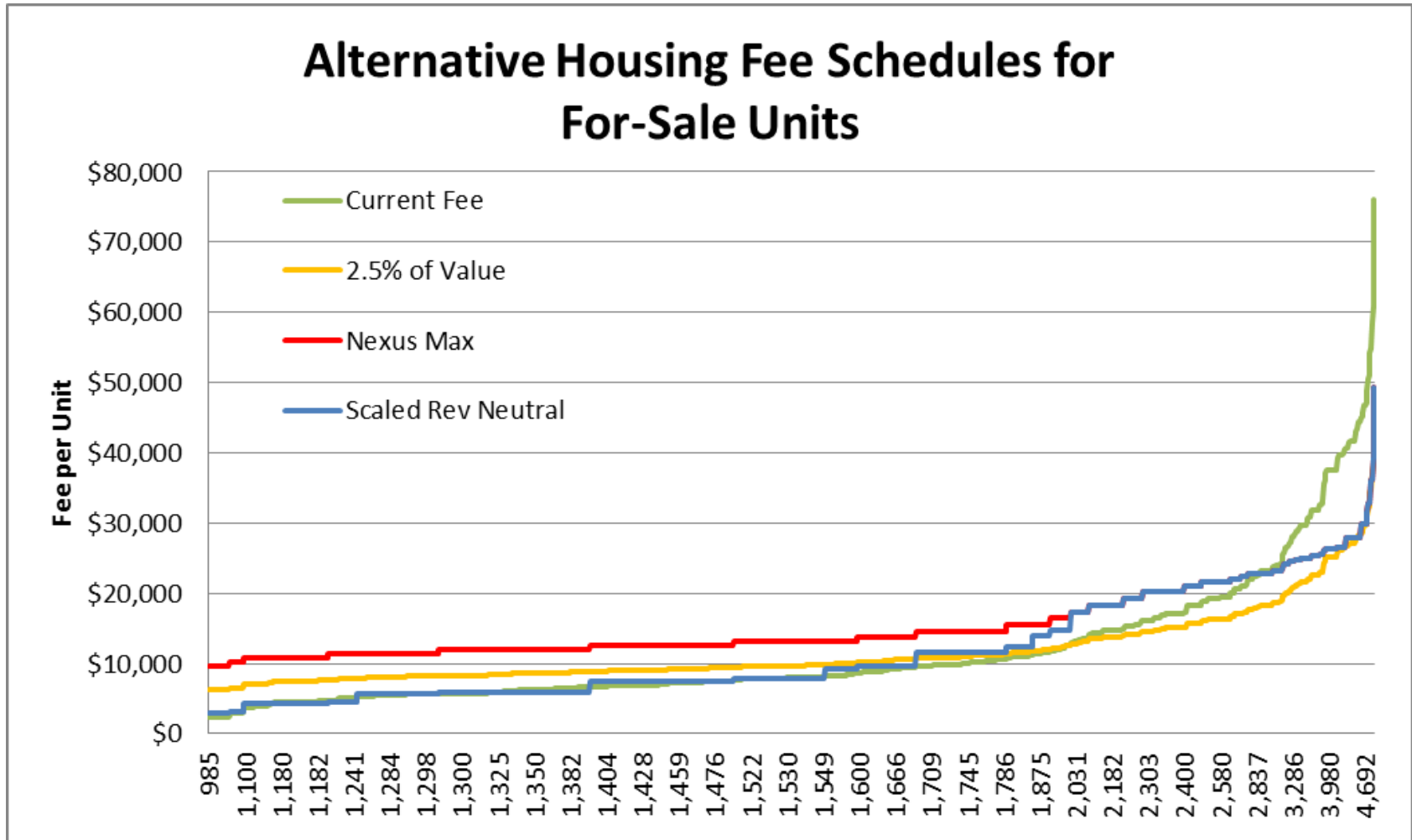
- For-sale housing alternatives and revenue

Current Fee	2.5% of Value	Nexus-Based Reductions Only	Nexus Maximum	Scaled Revenue Neutral
\$13,301,672	\$13,443,300	\$12,358,005	\$17,593,172	\$13,304,244

For-Sale Fee Alternatives



For-Sale Fee Alternatives



For-Sale Fee Alternatives

- Recommendation: 2.5% of sales price
 - Closely linked with nexus study
 - Close to revenue neutrality

Current Fee	2.5% of Value	Nexus-Based Reductions Only	Nexus Maximum	Scaled Revenue Neutral
\$13,301,672	\$13,443,300	\$12,358,005	\$17,593,172	\$13,304,244

Rental Fee Alternatives

- Rental housing alternatives and revenue

Current Fee	Nexus Maximum	15% of Nexus Maximum	Adjusted Top and Bottom	Scaled Revenue Neutral
\$446,376	\$1,091,713	\$163,757	\$440,602	\$445,794

Rental Fee Alternatives

- **Recommendation: Adjusted Top and Bottom**
 - Reduce fees for largest units based on nexus findings
 - Charge units less than 910 square feet at \$1 per sq. ft.
 - Close to revenue neutrality

Current Fee	Nexus Maximum	15% of Nexus Maximum	Adjusted Top and Bottom	Scaled Revenue Neutral
\$446,376	\$1,091,713	\$163,757	\$440,602	\$445,794

Fee Impact on Small Units

- Recommended fees for for-sale units <1,800 sq. ft. and \$450,000 are higher than current fees

Unit Size (Sq. Feet)	Assumed Value	Recommended Fee (2.5% of value)	Current HAP Fee	Difference
1,000	\$250,000	\$6,250	\$2,617	\$3,633
1,200	\$300,000	\$7,500	\$4,734	\$2,766
1,400	\$350,000	\$8,750	\$6,684	\$2,066
1,600	\$400,000	\$10,000	\$8,662	\$1,338
1,800	\$450,000	\$11,250	\$10,704	\$546

Fee Impact on Small and Station Area Units

- Recommended rental fees will add nominal costs to smallest units, keep most units at current levels
- Station area units will likely require prices above affordable to low and even moderate incomes
- Recommended for-sale fees would add cost to station area condos vs. current fees, but better address impacts of upper-income occupants

City Code Amendment

- To recognize fee payment at the close of escrow rather than final inspection for for-sale units
- Housing Allocation Plan section proposed to be amended to reflect this timing for fee payment for for-sale units

Recommendation

- Introduce an ordinance amending Chapter 21-02, Housing Allocation Plan
- Adopt a resolution revising housing impact fees for rental and for-sale housing types, to go into effect in 60 days