

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

***September 24, 2013***

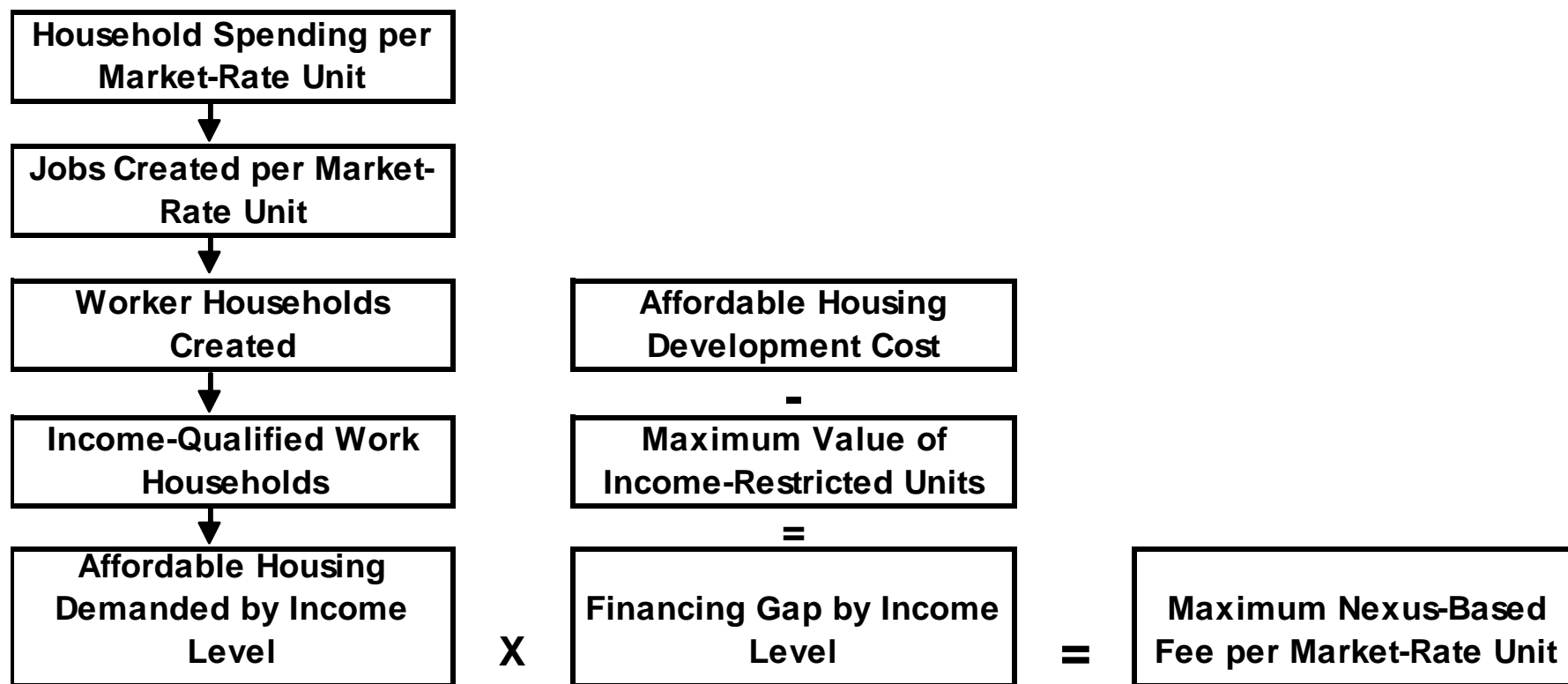
- In fall 2012, City Council revised Housing Allocation Plan
- Fee payment primary compliance method
- Council directed completion of nexus studies and revision of housing impact fees

- Fees collected support future development of affordable housing
- Fees also address impacts of new market rate housing on demand for affordable housing
- Nexus studies document that demand

- Two studies completed – rental and for-sale
- Studies evaluate new services needed to support new market-rate households, the jobs created in these services, and demand of employees in these jobs for affordable housing

- Nexus-based fee identifies impact of new market-rate units on demand for affordable units
- Fees calculated in the studies are the ***maximum*** fee which can be charged, and City can set the impact fee ***at or below*** this maximum

## Approach to Calculating Affordable Housing "Nexus" Relationships



\*Figure format based on A.F. Cray's "The Use of Residential Nexus Analysis in Support of California's Inclusionary Housing Ordinances: A Critical Evaluation"; November 2011

- Nexus studies showed:
  - Impact on affordable housing demand increases as market-rate unit price/size increase
  - Most jobs created through new resident spending are in lower-income groups:
    - Majority in retail and personal/household services
    - Average wages are less than \$35,000/year
  - Some current fees are higher than can be supported by nexus findings, while others are lower
    - Fees for average sized units are similar to nexus-based maximum fees

# Housing Impact Fee

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- Current fee is based on unit size and charged based on square footage - rental or for-sale
- Units of 900 square feet or less are exempt



# Housing Impact Fee

- Proposed fees will vary based on whether unit is sold or rented
- Proposed fees all less than maximum supported by nexus study
- Exemption of 900 square feet and smaller units proposed to be removed

# Housing Impact Fee – Rental

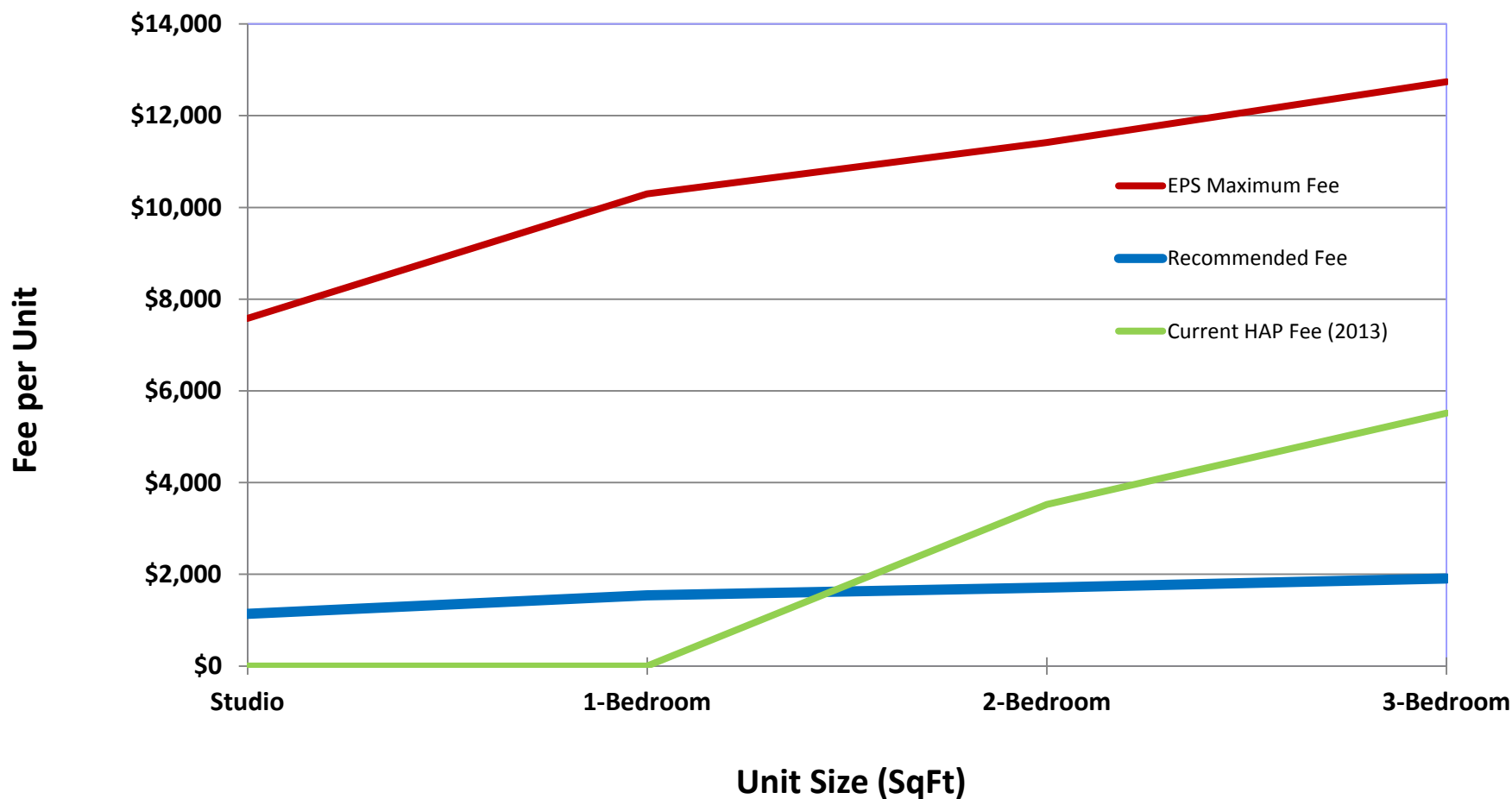
- Fee to be based on unit type, not square footage
- Fees of \$7,583 to \$12,741 supported by nexus
- Fees of \$1,137 to \$1,911 proposed (15% of maximum)
  - Feasibility impact of fees is an important consideration

# Housing Impact Fee – Rental

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- Determined to be similar to current housing fees when viewed on an overall project basis
- Fee to be paid no later than before final inspection
- Fee will be adjusted annually based on Bay Area construction cost index

## Nexus-Based Maximum and Recommended Fees for Rental Housing vs. Santa Rosa's Current Housing Fees



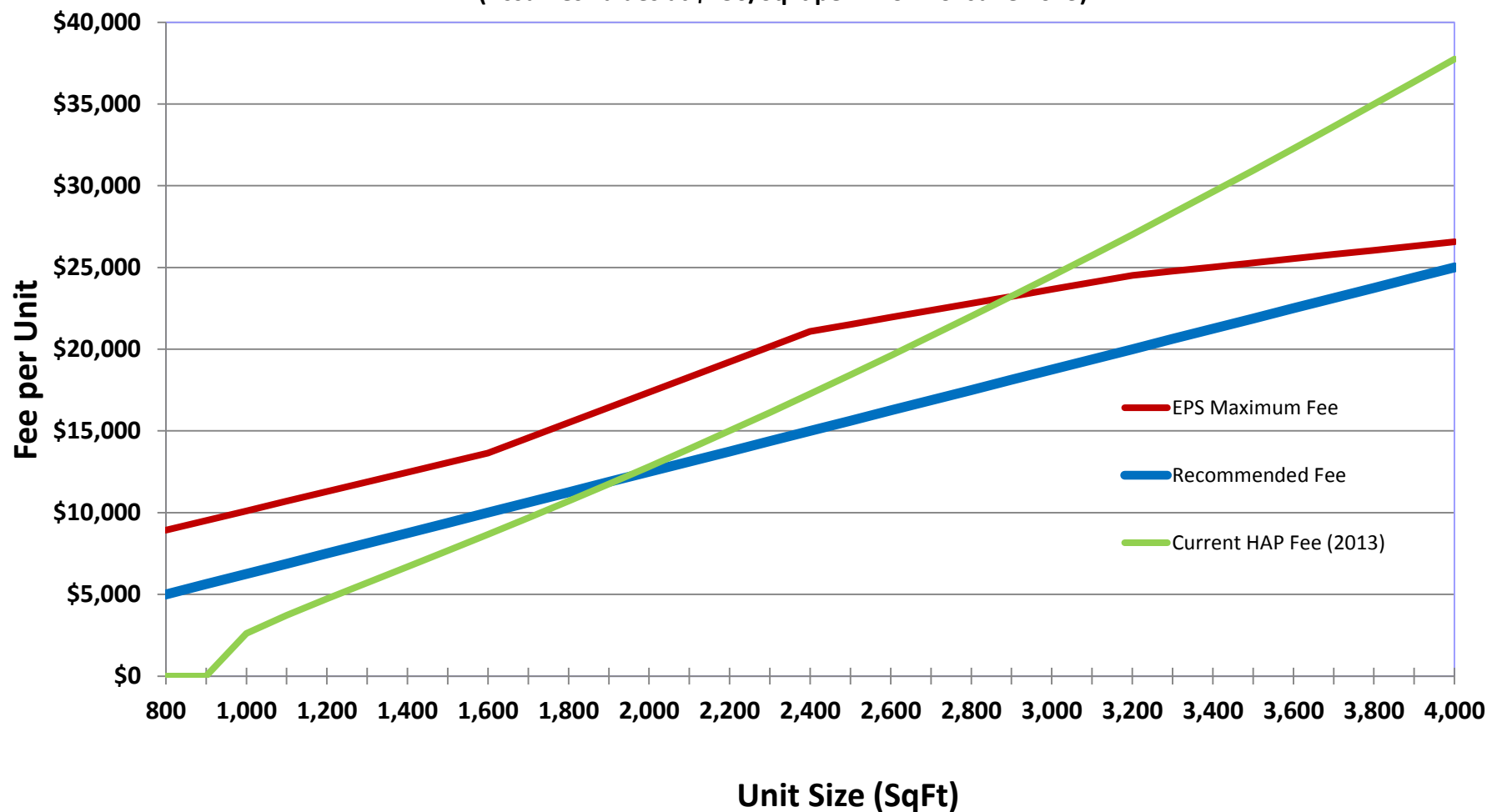
# Housing Impact Fee – For-Sale

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- Fee to be based on sales price, not square footage
- Fees of 2.6 – 4.5% of value supported by nexus
- Fees of 2.5% of sales price proposed
  - Near maximum fee for higher priced units and a lower fee than supported for lower priced units
- Fee to be paid at close of escrow

## Nexus-Based Maximum and Recommended Fees for For-Sale Housing vs. Santa Rosa's Current Housing Fees

(Assumes values at \$250/SqFt per Zillow for June 2013)



# Stakeholder Involvement

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- Three meetings held: to receive feedback on nexus studies and proposed fees
- Comments received:
  - Increased fees would diminish project feasibility
  - Lower fees for rentals would “incentivize” development
  - Concern about overall fee burden for projects

# City Code Amendment

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- 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

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- 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 January 1, 2014