

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

September 24, 2013

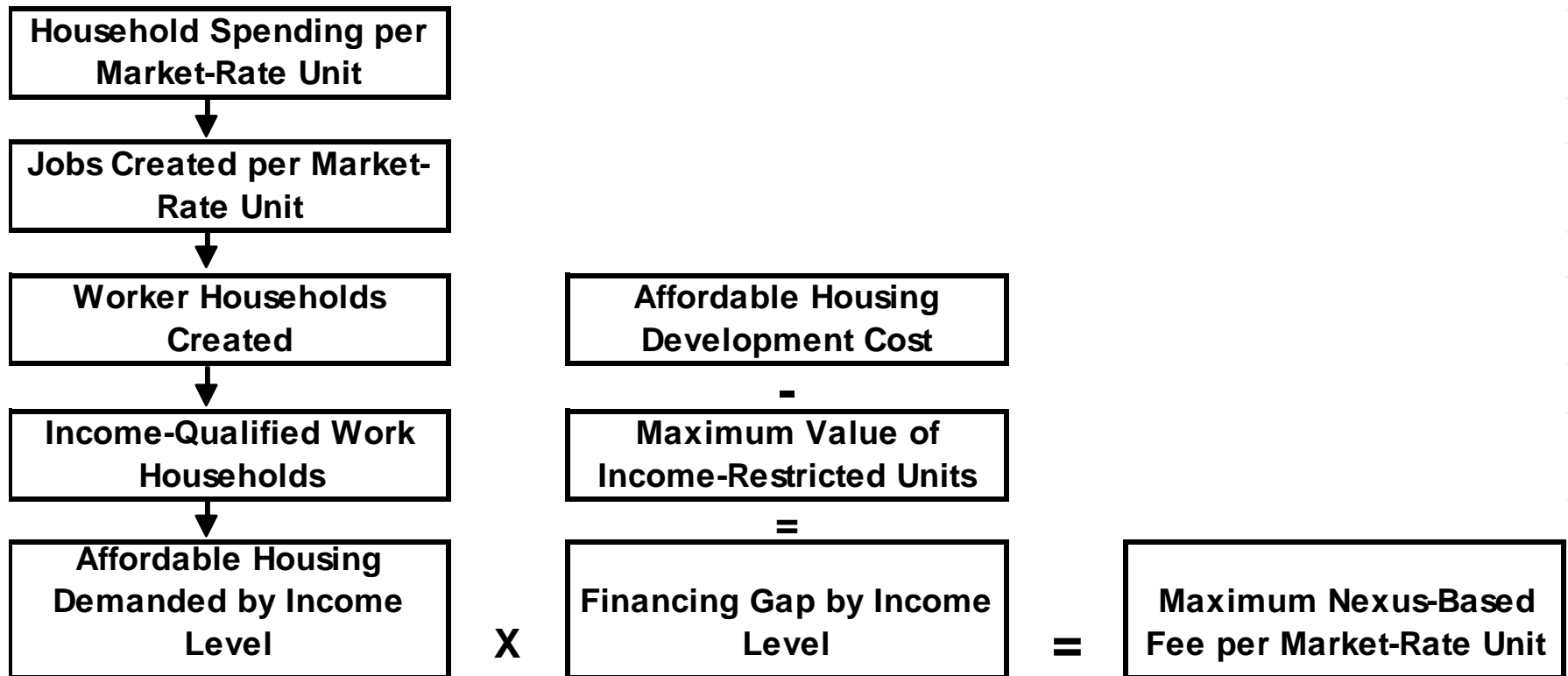
- In fall 2012, City Council revised Housing Allocation Plan
- Fee payment primary compliance method
- Council directed completion of nexus studies and revision of housing impact fees

- 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

- 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

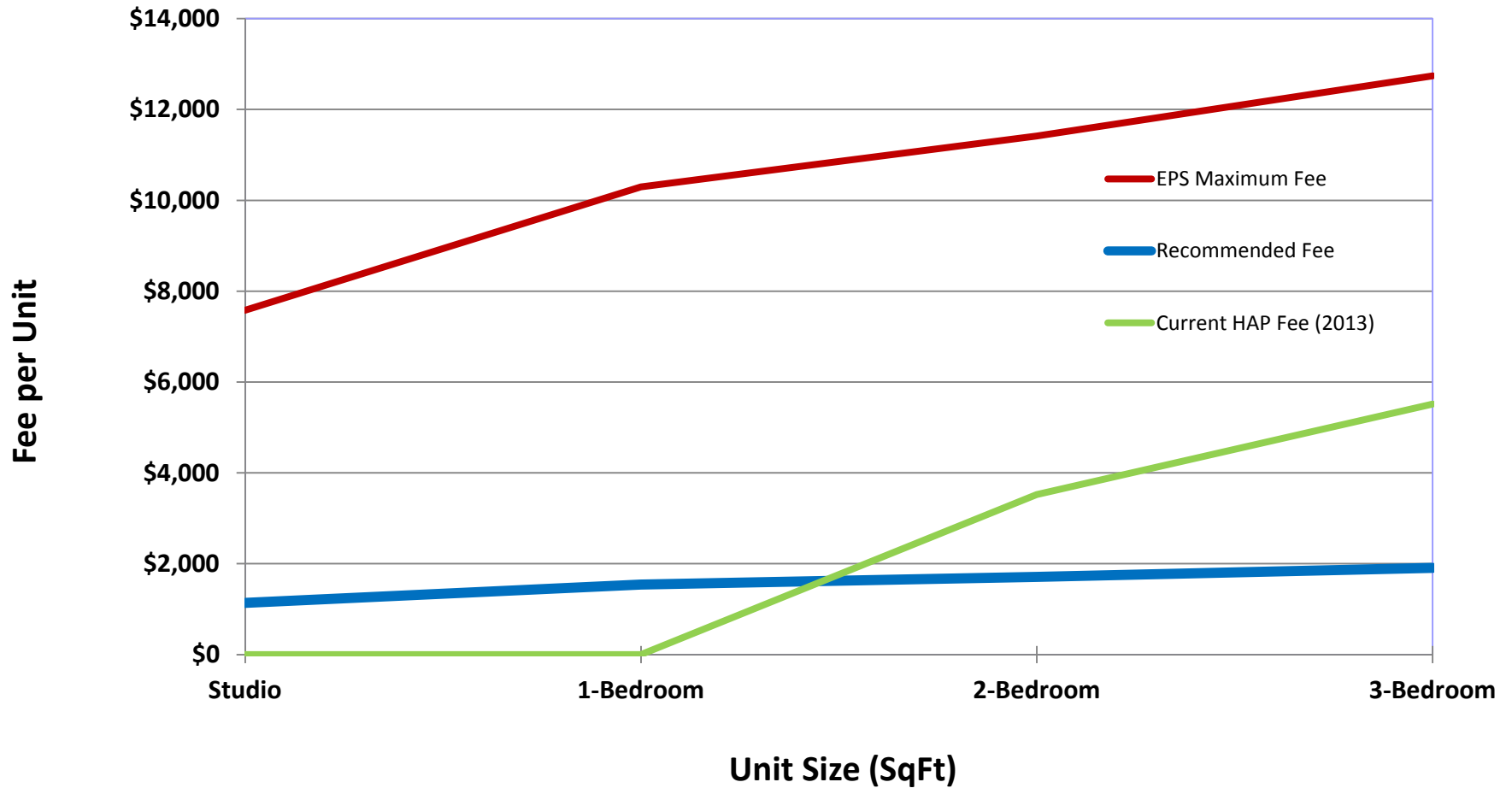
Housing Impact Fee – Rental

- 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

- 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

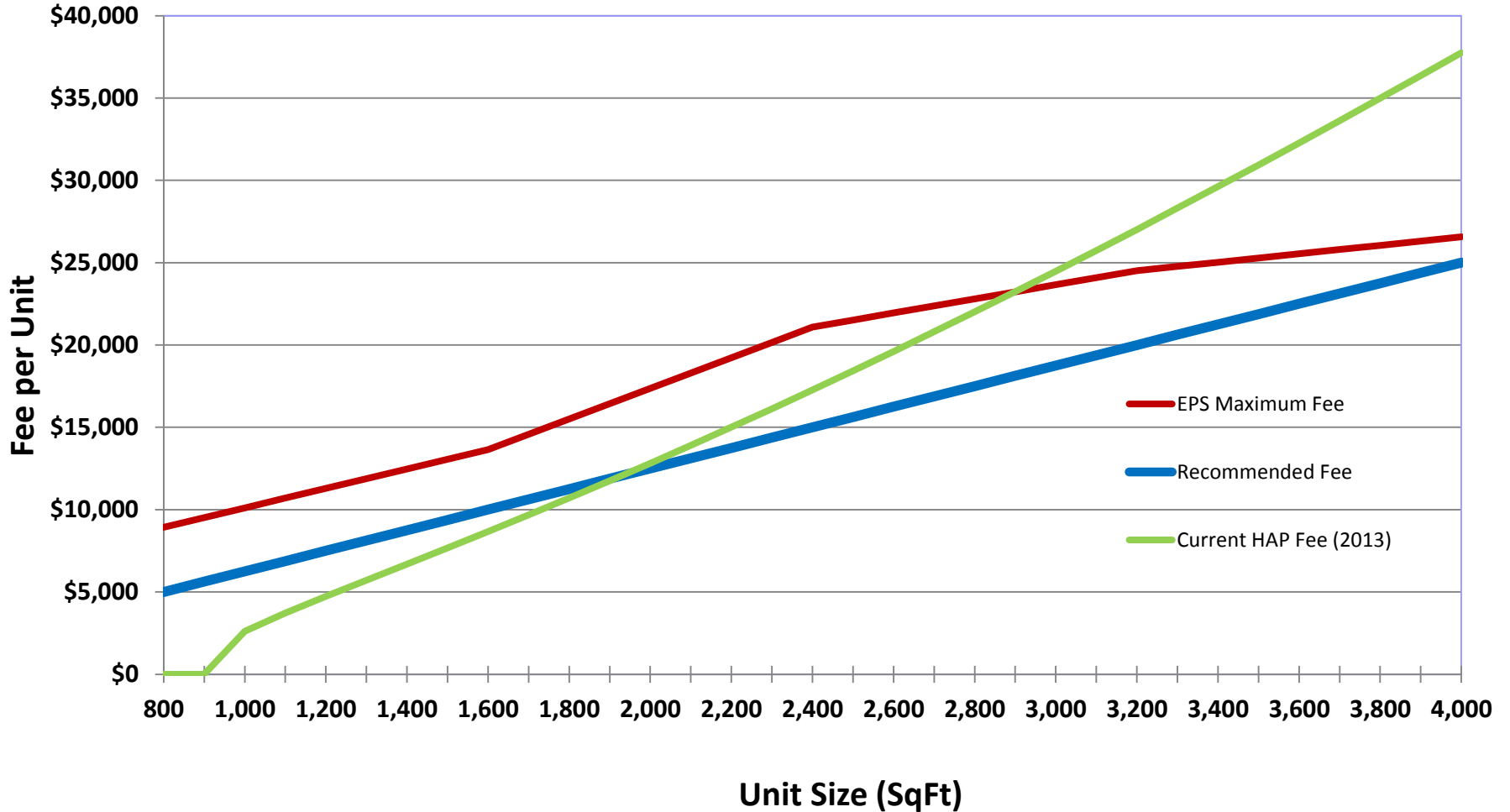


Housing Impact Fee – For-Sale

- 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

- 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

- 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 January 1, 2014