



# **Affordable Housing Capital Facilities Fee Pilot Program**

City Council Meeting  
November 12, 2024

Gabe Osburn, Director  
Planning & Economic Development

# Background

---

- Planning and Economic Development and Finance conducted a study session on April 9, 2024, to review the Development Impact Fee Program
- Request from community to waive impact fees or adjust impact fee rates to calculate based on square footage of the new residential units
- Provided overview of the existing Park and Capital Facility Fee programs
- Direction provided to staff to explore limited waiver program, specifically focusing on Capital Facilities Fee (CFF) only

# Development Impact Fee Study

---

- Current CFF fees are based on a nexus fee study adopted by the Council on May 22, 2018
- Study updated nexus analysis
  - Relationship between development's impact on infrastructure and fee
- Create program guidance on the use of CFF
- Nexus approach based on maintaining existing services levels as growth occurs
- Fees can be adopted up to a maximum justified amount that reflects development financial feasibility under current market conditions

# Development Impact Fee Study

## Eligible Use of CFF funds

- Capital projects only
- Specific infrastructure or facility types
- Upgrade or expansion only
- Developer reimbursement
- Fee administration

## Fee Study Expenditure Categories and Allocations

Roadways & Intersections	62.8%
Transit, Bicycle & Pedestrian	10.7%
Public Safety <sup>1</sup>	12.8%
Storm Drainage	12.7%
Fee Administration	1.0%
	<b>100.0%</b>

# Impact Fee Legislation

---

## Assembly Bill 602

Beginning January 1, 2022, local agencies conducting an impact fee study must follow specific standards and practices:

1. Impact fee study must be adopted
2. Study must identify and justify level of service
3. Studies adopted after July 1, 2022 must calculate housing development fees proportionately to the square footage
4. Studies should be updated every 8 years, from the period beginning on January 1, 2022

# Impact Fee Litigation

---

## Sheetz vs. County of El Dorado

- In April 2024, United States Supreme Court ruled that local jurisdictions must demonstrate nexus between proposed development and relative impact of new developments on the community.
  - Rough proportionality to the development's impact

# Impact Fee Nexus Study

---

- Prioritize a nexus study update for Park Impact and Capital Facilities Fees
  - Align with AB 602
  - Address any identified proportionality issues
  - Involves multiple departments
  - 2-year process

# Regional Housing Needs Allocation (RHNA)

---

- Created in 1969 to require jurisdictions to plan for their share of housing needs at all income levels
- Santa Rosa is included in the Association of Bay Area Governments (ABAG) RHNA methodology process
- Role of local government is to participate in allocation process and update Housing Element to accommodate allocation
- RHNA allocation split into four affordability levels based upon Area Median Income (AMI):
  - Very Low – 0-50% of AMI
  - Low – 50-80% of AMI
  - Moderate – 80-120% of AMI
  - Above Moderate – 120% or more of AMI

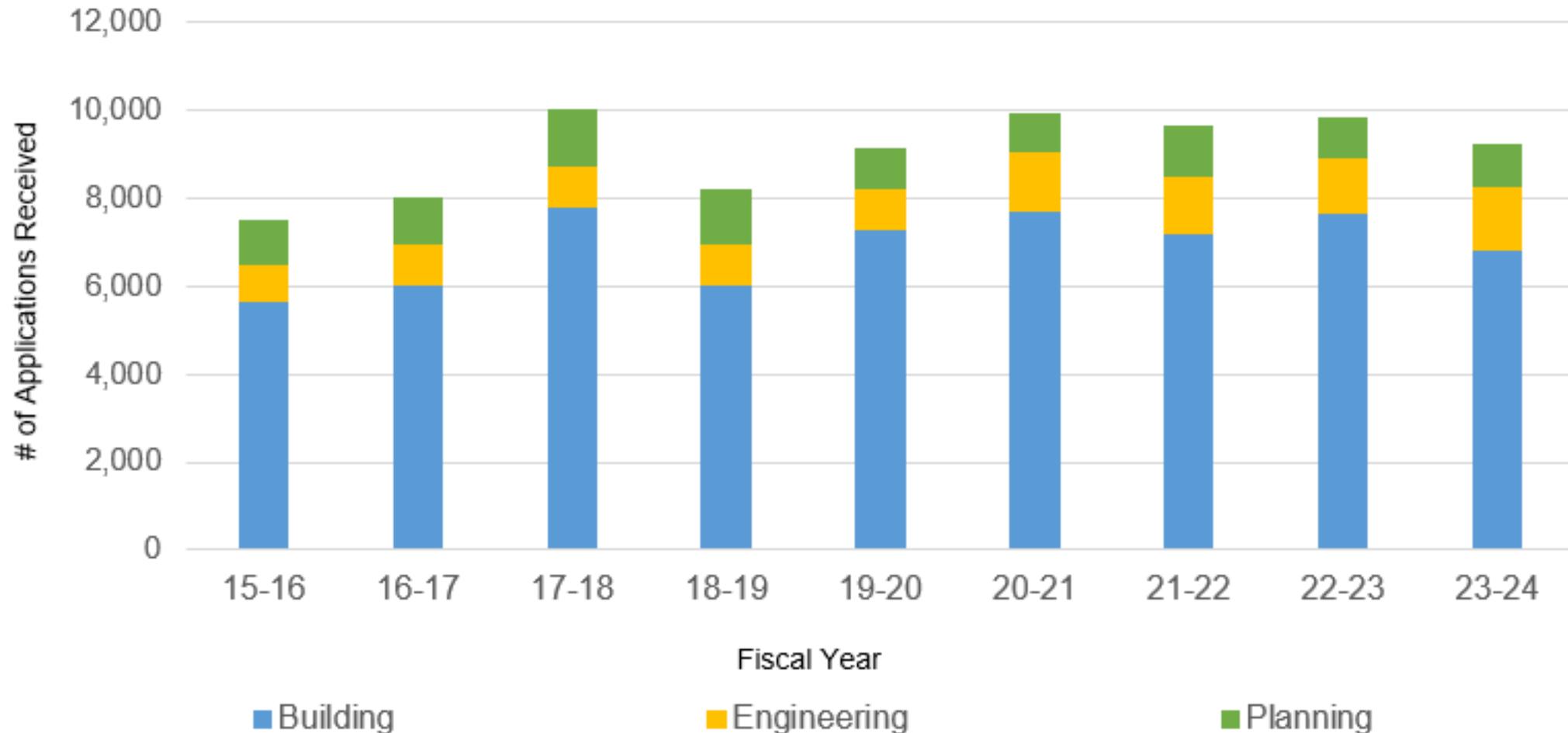
# Regional Housing Needs Allocation (RHNA)

- As of December 31, 2023, Santa Rosa had achieved the following from the 2023-2031 Cycle:

Income Category	Percent Needed	Housing Units Needed	Permits Issued in 2022 and 2023*	Percent Issued	Remaining Allocation
Very Low	26%	1,218	403	33%	815
Low	15%	701	467	67%	234
Moderate	16%	771	75	10%	696
Above Moderate	43%	1,995	2,167	109%	0

*\*Data from 2023 General Plan, Inclusionary Housing and Growth Management Annual Review*

# Permit Totals – All Application Types



# New Housing Unit Building Applications

Units Applied For in 2023

357

SFDs Applied For

69

Single Family Dwelling (SFD) Units

ADUs Applied For

95

Accessory Dwelling Units (ADU)

MFRs Applied For

193

Accessory Dwelling Units (ADU)

Units Applied For in 2024

91

SFDs Applied For

27

Single Family Dwelling (SFD) Units

ADUs Applied For

64

Accessory Dwelling Units (ADU)

MFRs Applied For

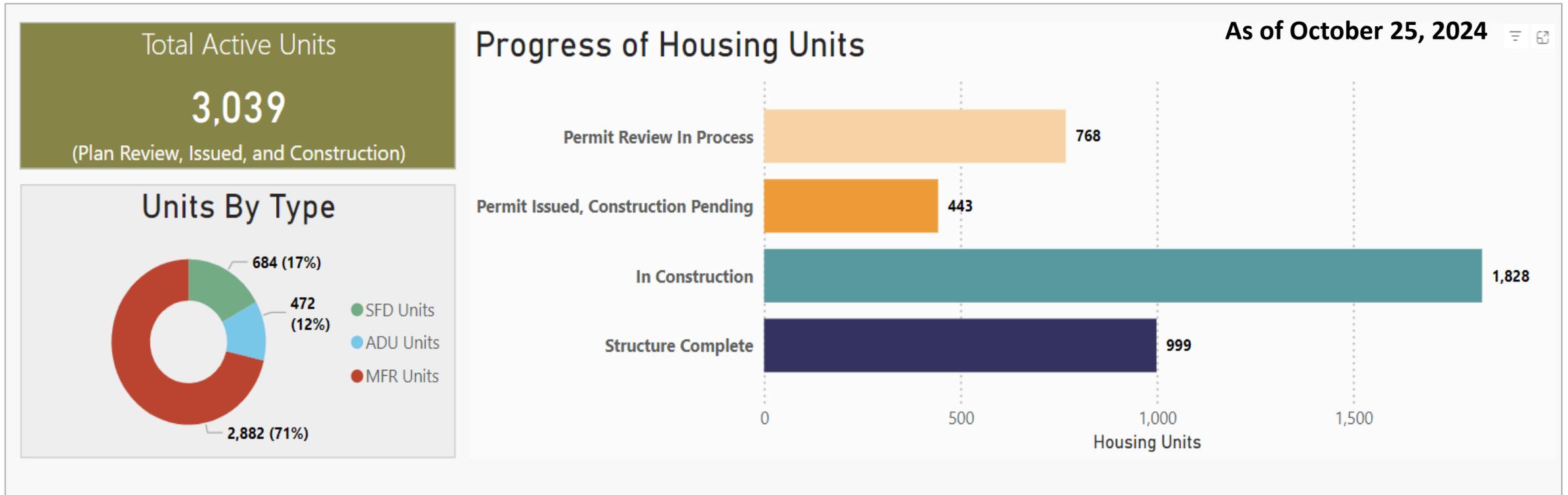
0

Accessory Dwelling Units (ADU)

**As of October 25, 2024**

- Totals include market-rate and affordable projects
- No affordable deed restricted building permits applied for in 2024

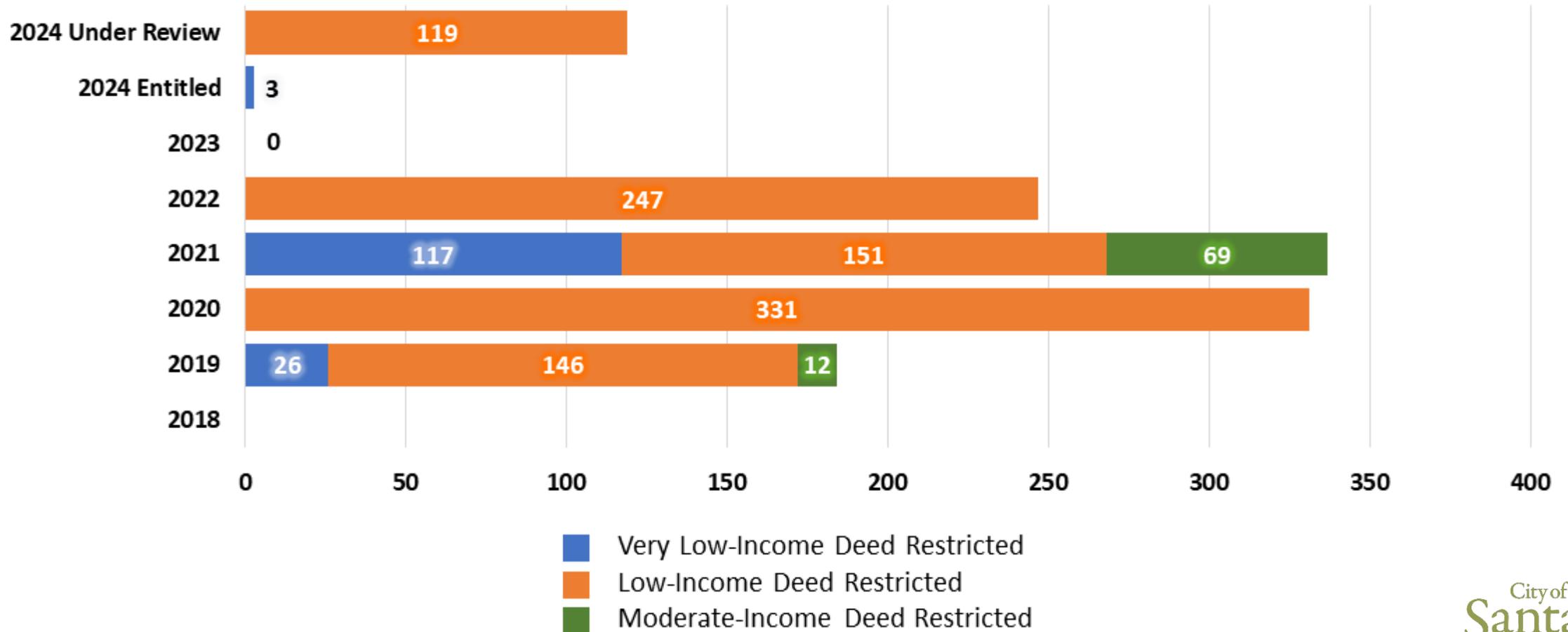
# New Housing Unit Building Applications



Totals include market rate and affordable units

# Affordable Housing Pipeline

## Affordable Units Associated with Planning Entitlements



# Affordable Housing Pipeline

---

- Funding sources are being affected by budget reductions
  - Affordable housing development is historically inconsistent year to year due to funding challenges
- Significant amount of affordable housing constructed over the last 5 years and housing development may be in a down cycle
- Planning entitlements are an indicator permit for future housing construction towards the middle to end of the RHNA cycle

# Zero Fee Incentive Program

---

- Set CFF fee to zero dollars (\$0.00) for new housing units that meet the following criteria:
  - Unit is deed restricted through the Housing Authority and Housing and Community Services Department for the Very Low, Low and Moderate affordability categories
    - For units in the Low category, the zero fee allowance will sunset once the RHNA allocation is achieved
- Zero fee incentive will apply to eligible projects that obtain an issued building permit during the program's lifespan

# Zero Fee Incentive Program

---

- Additional eligibility criteria:
  - Residential units receiving financial assistance through the City or the Housing Authority's loan programs will not be eligible for the Zero Fee Program; and
  - The program will operate for a limited term of 3 years from the date of adoption, or to the adoption of an impact fee study addressing CFF, whichever occurs first

# Impacts

- Program will reduce funding to capital project program
- Fiscal impact based on private development timelines and difficult to predict
- Identified projects may not meet criteria
- Revenue lost can be backfilled with other eligible funding sources, including competitive infrastructure grants

## Affordable Units Entitled or in Entitlement Review

AMI Category	Units	Projected CFF Amount
Very Low (0%-50%)	3	\$210,024
Low (50%-80%)	291	\$2,896,010
Moderate	0	\$0
	294	\$3,106,034

# Recommendation

---

It is recommended by the Planning and Economic Development Department that the Council, by resolution, adopt an Affordable Housing Capital Facilities Fee Pilot Program reducing the Capital Facilities Fee for certain deed restricted affordable residential unit types to encourage the near-term development of specific affordable housing units needed to comply with the Regional Housing Needs Allocation.

# Questions

---

## **Gabe Osburn**

Director of Planning and Economic Development

[gosburn@srcity.org](mailto:gosburn@srcity.org) | (707) 543-3853