Agenda Item #14.1
For Council Meeting of: December 13, 2022

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: CLARE HARTMAN, DIRECTOR
PLANNING AND ECONOMIC DEVELOPMENT
SUBJECT: HIGH-DENSITY MULTI-FAMILY RESIDENTIAL INCENTIVE PROGRAM

AGENDA ACTION: RESOLUTIONS

RECOMMENDATION

It is recommended by the Planning and Economic Development Department that Council, by three separate resolutions: (1) rescind Resolution 2018-169 and establish payment options for water and wastewater demand fees and amend the eligibility criteria for the high density multi-family residential incentive program; (2) rescind Resolution No. 2019-067 and set forth a revised schedule of park development impact fees and amend the eligibility criteria for the high density multi-family incentive program; and (3) rescind Resolution No. 2019-066 and set forth a revised schedule of capital facilities fees and amend the eligibility criteria for the high density multi-family residential incentive program to further support housing development and increased density in downtown Santa Rosa.

EXECUTIVE SUMMARY

Given the delays caused by emergency responses in recent years on downtown housing investments and construction, the Council is being asked to consider extending the High-Density Multi-Family Residential Incentive Program (Incentive Program), specifically to amend the project eligibility clause for “breaking ground” from August 31, 2023, to August 31, 2026. The Council will also consider Program amendments to eligible zoning districts in response to the 2020 adoption of the Downtown Station Area Specific Plan.

On September 25, 2018, the City Council (Council) approved the establishment of the Incentive Program. The purpose of the Incentive Program is to address the community’s housing crisis by encouraging housing development and increased density in downtown Santa Rosa through the reduction/deferral of City development impact fees. The program supports City Council goals to foster a strong downtown and meet housing needs for all.

Pursuant to the approved resolutions, eligible projects must be located within the boundaries of the Downtown Station Area Specific Plan Area or the General Plan Downtown Core (collectively, the "Downtown"), and within one of the zoning districts identified in the resolutions. Criteria was established for eligible residential projects including that they "break ground" by August 31, 2023. Breaking ground is defined as pulling a foundation building permit.

Following the adoption of the resolutions, it was discovered that several of the City's zoning districts that allow multi-story residential development and would otherwise be eligible to receive benefits from the Incentive Program, were inadvertently left out. On June 18, 2019, the Council adopted administrative corrections is to align the Resolutions (RES-2018-167, RES-2018-168, and RES-2018-169) with the intent of the Incentive Program.

Several eligible projects quickly queued up into entitlement and plan review as a result of the Incentive Program, however only one project, The Cannery located at 3 West 3rd Street, made it to the building permit issuance stage. It is at building permit issuance when the payment of the reduced impact fees through the Incentive Program is actually realized by the developer. The Cannery was issued their building permit on October 28, 2022. Much of the delay in the construction of eligible downtown projects has been outside the City's and developer's control, with particularly volatile fluctuations in financial, labor, materials and market conditions over the last three years due to wildfires and the COVID-19 pandemic. As a result, the City is considering a three-year term extension for the Incentive Program; Amending the current eligibility clause for "breaking ground" from August 31, 2023, to August 31, 2026.

BACKGROUND

In 2016, the City of Santa Rosa embarked on a major effort to address the current housing crisis. The Housing Action Plan, which was prepared by the City in October 2016, identifies several objectives including construction of 5,000 housing units in the current Housing Element Cycle (through 2023). The sudden loss of more than 3,000 homes in the Tubbs Fire dramatically exacerbated these housing needs.

A development and tax revenue analysis presented to the City Council in early 2016 by Urban 3, a planning and economics firm, provided the economic data supporting a higher density development approach in the downtown. The study found that high-density development generates significantly greater tax revenue per acre than suburban development, while also supporting the more efficient use of existing infrastructure investments.

The City's original Downtown Station Area Specific Plan (adopted in 2007) projected that 3,409 residential units would be constructed in the Plan area by 2027. Halfway through the planning period, only 100 residential units were constructed, with an additional 275 units approved (not yet constructed).

While a lack of vitality in the downtown can in part be attributed to market forces, feedback has indicated that the 2007 Specific Plan was too restrictive, in terms of development standards such as density and height, to finance and fully realize the City's need for high density downtown housing and job centers within walking distance to the Downtown Sonoma Marin Area Rail Transit (SMART) Station and Transit Mall. In response, the City updated the Specific Plan to address flexibility in density and height, parking, and permit streamlining. The City combined this effort with other "UpDowntown Tools" such as reducing the cost to construct and exploring fee incentives as a means to realize the vision of downtown residential development.

On October 13, 2020, the City Council adopted the Downtown Station Area Specific Plan Update, replacing the 2007 Specific Plan with new tools to facilitate high density mixed use residential and commercial development proximate to transit facilities, including the Downtown SMART rail station, the Downtown Transit Mall, and major bus routes. The updated Specific Plan looks at buildout over a 20-year period, or through 2040, and projects an increase of 7,000 new residential units to be constructed over that time period.

On November 17, 2020, the City Council adopted two ordinances amending the Zoning Code to implement the Specific Plan, including the creation of new Zoning District classifications for the downtown area, and rezoning properties for consistency with the newly adopted Specific Plan.

Residential development located within the Downtown Station Area Specific Plan Area and the General Plan Downtown Core Boundary (collectively, the "Downtown") is vital to the City's housing strategy due to the area's capacity to accommodate density and to provide a diversity of housing options near transit. Aiming to address regional housing needs and intensify the vibrant and thriving economic center that is the Downtown, the Council identified creation of Downtown Housing as a Tier 1 priority for 2018/2019, directing staff and resources to support policies and incentives to bring higher density and transit-oriented housing to the Downtown area, including the reduction and deferral of development impact fees.

Housing for All has continued to be a Council Goal and this year's Council Goals work plan included a review of the Incentive Program with consideration to its terms of eligibility.

PRIOR CITY COUNCIL REVIEW

On September 25, 2018, the City Council adopted three separate Resolutions to form the High-Density Multi-Family Residential Incentive Program. The purpose of the Incentive Program is to encourage housing development of all affordability levels and increased densities in transit-rich downtown Santa Rosa through the reduction/deferral of development impact fees. The Incentive Program identified geographical boundaries consistent with the Downtown Station Area Specific Plan and the General Plan

Downtown Core. These resolutions were RES-2018-167, RES-2018-168, and RES-2018-169.

On June 18, 2019, the City Council adopted administrative corrections to two of the three Resolutions to identify and match up the eligible zoning districts within the Downtown Station Area Specific Plan Update and Downtown Core boundaries. Resolutions adopted in support of these corrections are RES-2019-066 (Capital Facilities Fees) and RES-2019-067 (Park Fees). Resolution No. RES-2018-169, the original resolution that supports the fee deferral incentive associated with water and wastewater fees, did not require any corrective amendments as the resolution did not specify specific zoning districts.

On August 9, 2022, the City Council accepted the City Council Goals 2022-2023 Work Plan which included the goal of "Housing for All" and an objective of "Review downtown housing fee incentive resolutions".

On August 2, 2022, staff presented a status update on the Incentive Program to the Council's Downtown Subcommittee. The committee expressed an interest in learning more about how the program has been used, receiving feedback from the community on it, and potentially exploring an extension of time for the program due to construction delays caused by wildfires and pandemic responses.

ANALYSIS

1. Purpose of Incentive Program

The purpose of the High-Density Multi-Family Residential Incentive Program (Incentive Program) is to encourage housing development of all affordability levels and increased densities in transit-rich downtown Santa Rosa through the reduction/deferral of development impact fees.

2. Development Impact Fees – PRIOR to the Incentive Program

In 2018, when the City initially adopted the Incentive Program, high-density multi-family residential projects were subject to development impact fees of approximately $29,000 per unit, as detailed in Table 1. The existing Incentive Program as adopted by the City Council in 2018 and amended in 2019 includes reductions to the Park Impact Fee and the Capital Facilities Fee, as well as the deferral of water and wastewater demand fees. In addition to these fees, high-density residential projects are subject to the Housing Allocation Fee, other miscellaneous City fees, and School District fees (none of which is included in the Incentive Program).

Table 1. Estimated Governmental Fees Per Unit
Downtown High-Density Residential Projects – PRIOR to Sept 2018 adoption of the Incentive Program

	Fee/Unit	%Total
Impact - Capital Facilities	$5,433	19%
Impact - Park	$7,734	27%
Water & Wastewater Demand	$9,490	33%
Housing Allocation Fee (estimated)[1]	$1,800	6%
School District	$3,500	12%
All Other[2]	$1,100	4%
Total	$29,057	100%

[1] Fee varies by unit mix. Above estimate assumes average unit size of 800 sq. ft. and average fee per unit of $1.50 per sq. ft.
[2] Building inspection, plan review, fire permit, technology, advanced planning, micrographics, and state-mandated fees.

a. Capital Facilities Fee (CFF)

The Capital Facilities Fee (CFF) was established to pay for certain public infrastructure facilities required to serve new development within the City. Infrastructure funded by the CFF includes street widening, traffic signals, freeway interchanges, bike paths, and storm drains. The fee for “medium-high density” residential (18 or more dwelling units per acre) was $5,433 per unit.

b. Park Impact Fee

All new residential developments in the City pay the Park Impact Fee on a per unit basis. These fees are used to help fund the costs of acquiring and constructing neighborhood and community parks. The fee for multifamily dwellings was $7,734 per unit. A developer dedicating parkland under the City’s Quimby Act requirements receives a credit against the Park Impact Fee.

c. Water and Wastewater Demand Fees

Demand fees, also known as connection fees, are one-time fees charged to new users (or existing users increasing capacity) connecting to Santa Rosa's water and wastewater systems. Demand fees recover the costs associated with providing water and wastewater facility capacity to new users and existing users requiring additional capacity. The fee for multifamily dwellings was $2,469 per unit for water and $7,021 per unit for wastewater.

d. Fee Adjustments since 2018

Since 2018, the City has adjusted development impact fees, eg. Housing Impact Fee and Water and Wastewater demand fees. For an 800 square foot unit, Housing Impact Fees, Park Impact Fees and Capital Facilities Fees all went up incrementally, while Water and Wastewater fees went down. In total, however the cost per unit in the downtown – without the Incentive Program – for an 800 square foot unit still matches the total fees in 2018 at approximately $29,000.

3. <u>Incentive Program – How it Works</u>

a. Eligibility Requirements and Criteria

Residential projects meeting the following criteria are eligible for the Incentive Program:

- For purposes of the Incentive Program, floors are considered residential if at least 25% of gross floor area is dedicated to habitable space.
- Located in the Downtown, conforming with the boundaries of the Downtown Station Area Specific Plan and the General Plan Downtown Core Boundary (see Attachment A).
- In the Downtown, with Core Mixed Use (CMU) Zoning, in the area identified as requiring a maximum Floor Area Ratio (FAR) of 8.0 (formerly the CD-7 and CD-10 Zoning Districts): Four or more stories in height, with at least three floors dedicated to residential use.
- For all other projects in the Downtown: Three or more stories in height, with at least two floors dedicated to residential use.
- In the Downtown, affordable/inclusionary housing projects with on-site construction of affordable units.
- Not seeking overlapping fee reductions, such as the Park Impact Fee credit for the provision of private open space as defined in Ordinance number 3216.
- Breaking ground before August 31 2023. “Breaking ground” is defined as securing a foundation permit.

b. Market Rate Housing Example – CFF and Park Fees

For projects in the Downtown with CMU zoning, with a maximum FAR of 8.0, the Incentive Program provides for a partial reduction in Park Impact and Capital Facilities fees through a cap on the number of residential floors subject to these fees. Projects are required to pay Park Impact and Capital Facilities fees on the first three floors of residential units. Fees for additional floors of residential dwelling units are waived. For purposes of the Incentive Program, floors are considered residential if at least 25% of gross floor area is dedicated to habitable space.

As seen in Table 2, a six-story, 100-unit market rate residential building containing five residential floors (with the ground floor dedicated to parking, commercial, and amenities) located in the CMU Zoning District (maximum FAR of 8.0), would be subject to Park Impact and Capital Facilities fees for units located on floors 2 through 4, while fees would be waived for units on floors 5 and 6.

Under the Incentive Program, Capital Facilities and Park Impact fees for a market rate project would total approximately $790,000, or $7,900 per unit, representing a 40% reduction from the standard fee structure. Fee incentives are higher for affordable housing projects as a means to incentivize the construction of affordable units on-site rather than paying a fee.

Table 2: Example Park Impact Fee and Capital Facilities Fee (CFF) Incentives
6-Story, 100-Unit Market Rate Apartment Project in Downtown with CMU Zoning (maximum FAR of 8.0)

	Units	Park / Unit	CFF / Unit	Total / Unit	Total Fees
Floor 1	0	n/a	n/a	n/a	n/a
Floors 2-4	60	$5,433	$7,734	$13,167	$790,020
Floors 5-6	40	$0	$0	$0	$0
Total, with Incentives (a)	100	$3,260	$3,640	$7,900	$790,020
Total, without Incentives (b)	100	$5,433	$7,734	$13,167	$1,316,700
Fee Incentive (a-b)	100	($2,173)	($4,094)	($5,267)	($526,680)
Incentive %					40%

Illustrative estimate. Fees will vary based on distribution of units by floor.

c. Affordable Housing – CFF and Park Fees

The Incentive Program provides additional fee incentives specifically for affordable housing projects and inclusionary housing projects that designate a certain percentage of units as affordable, and construct the affordable units on-site pursuant to the City's Housing Allocation Plan. The additional incentives would consist of a reduction in Park Impact and Capital Facilities fees for affordable units to $2 per square foot for Park Impact Fees, and $2 per square foot for Capital Facilities.

Again, assuming an average unit size of 800 square feet, affordable and inclusionary projects pay only $3,260 per unit under the Incentive Program versus $13,167 per unit without the program. The reduced fee would apply to market rate and inclusionary units not otherwise exempt under the fee waiver for upper floors. Table 3 illustrates fees for a six-story, 100-unit affordable/inclusionary apartment project in the Downtown with CMU zoning (maximum FAR of 8.0) with an average unit size of 800 square feet.

Under the Incentive Program, Capital Facilities and Park Impact fees for an affordable housing project would total approximately $192,000, or $1,920 per unit, representing an 85% reduction from the standard fee structure. In addition to the CFF and Park fee incentives, notable in itself, affordable and inclusionary units also are exempt from paying Housing Impact Fees – which adds an additional incentive worth $3,200 for an 800 square foot unit.

Table 3: Example Park Impact Fee and Capital Facilities Fee (CFF) Incentives 6-Story, 100-Unit Affordable Apartment Project (with affordable units constructed on-site)in Downtown with CMU Zoning (maximum FAR of 8.0)

	Units	Park / Unit	CFF / Unit	Total / Unit	Total Fees
Floor 1	0	n/a	n/a	n/a	n/a
Floors 2-4	60	$1,600	$1,600	$3,200	$192,000
Floors 5-6	40	$0	$0	$0	$0
Total, with Incentives (a)	100	$960	$960	$1,920	$192,000
Total, before Incentives (b)	100	$5,433	$7,734	$13,167	$1,316,700
Fee Incentive (a-b)	100	($4,473)	($6,774)	($11,247)	($1,124,700)
Incentive %					85%

Illustrative estimate. Fees will vary based on distribution of units by floor and average unit size (800 SF per unit assumed here).

d. Water and Wastewater Fee Deferral Incentives

Th Incentive Program also includes the deferral of water and wastewater demand fees for eligible projects (Downtown residential projects proposing three or more stories with at least two floors dedicated for residential) until the earlier to occur of (1) 75% of the residential units are occupied or (2) 6-months after final inspection. A deed of trust would be recorded against the property to secure the fee amount.

Deferring payment of fees to allow for occupancy is a valuable incentive that offers significant savings, as developers would otherwise have to finance this expense, generally from equity, which requires a return once it is funded. In the attached memorandum, Keyser Marston Associates (KMA) estimates the cost savings to the developer by deferring fee payments to be approximately 18% of current fees, or about $1,700 per unit based on current water and wastewater fees. Alternatively, developers could choose to finance the water and wastewater fees for 5-years with interest with equal annual payments subject to accrual of interest at the Prime lending rate. A deed of trust would be recorded against the property to secure the fee amount.

4. Incentive Program - Amendments to Eligible Zoning Districts

The original adopting resolutions for the Incentive Program, specifically for the CFF and Parks Fees, identified two specific zoning districts, the CD-7 and CD-10 districts, where the program would apply to projects with four or more stories in height, with at least three floors dedicated to residential uses. However, the CD-7 and CD-10 districts no longer exist in the Santa Rosa Zoning Code.

On November 17, 2020, the City Council adopted two ordinances amending the Zoning Code to implement the newly updated Downtown Station Area Specific Plan. One of those ordinances included the creation of new zoning district classifications for the downtown area, while the other rezoned properties in the downtown. The result was replacement of the CD-7 and CD-10 Districts with the Core Mixed Use (CMU) zoning district.

The Specific Plan also created a new Floor Area Ratio (FAR) analysis to determine building height and density in the downtown area. In the majority of the CMU district, formerly the CD-7 and CD-10 districts, which surround Courthouse Square, the maximum FAR is 8.0 (see Attachment 3, Maximum Base FAR Map). It should be noted that there are a number of properties along Santa Rosa Avenue, south of Sonoma Avenue, that were also rezoned to the new CMU district, however, they have a maximum FAR of either 3.0 or 4.0. These properties were previously zoned Neighborhood Commercial (CN), rather than CD-7 or CD-10, so the distinction of identifying the areas with the maximum FAR of 8.0 is important.

Based on the above, staff is recommending that the first criteria in the Incentive Program be revised as follows:

1. *The project must include primarily residential uses:*
    a) *For projects located Downtown on parcel(s) zoned <u>CMU with a maximum base FAR requirement of 8.0, as identified in Map LU-5 of the Downtown Station Area Specific Plan</u>: the project must be four or more stories in height, with at least three floors dedicated to residential uses.*
    b) *For all other projects located Downtown: the project must be three or more stories in height, with at least two floors dedicated to residential use.*
    c) *For affordable/inclusionary housing projects located Downtown: the project must construct affordable units on-site pursuant to the City's Housing Allocation Plan.*

5. <u>Incentive Program - Implementation to Date</u>

Since its adoption in September 2018, several eligible high-density multi-family projects have queued up into the City's entitlement and plan review process as a result of the Incentive Program. Delays and stalls in momentum, however, became prevalent in recent years, with particularly volatile fluctuations in financial, labor, materials and market conditions in response to wildfires and the COVID-19 pandemic.

In 2022, the City Manager's Office and Planning & Economic Development Department hosted a series of conversations with downtown, affordable and general market housing developers. Through the Developer Roundtable Series, City leadership and development services staff received frank feedback from the development community on the challenges they experience as well as ideas they'd like the City to pursue in the future to streamline and support housing production.

A common thread throughout the sessions was gratitude to the City on supporting high density downtown housing through staffing and third-party plan review, permit streamlining and fee incentives. Many project applicants stressed that while the economy and market conditions caused unwanted delays and volatile cost increases due to wildfires and the pandemic, the Incentive Program maintained their investment momentum and enthusiasm for building housing in downtown Santa Rosa. They did express an emphatic concern however, that these delays will likely cause them to sunset out of eligibility based on the current clause in the Incentive Program of “breaking ground” by August 31, 2023. Simply put, they expressed a need for more time to leverage the funds they need to address the cost increases in labor, materials and interest rates that occurred since 2018.

In fact, it’s been noted that only one project, The Cannery, located at 3 West 3rd Street, has made it to the building permit issuance stage since the adoption of the Incentive Program in 2018. It is at this stage, when the payment of the reduced impact fees is realized by the developer. The Cannery was issued their building permit on October 28, 2022. While this project’s history spans many years prior to the passage of the Incentive Program, the project proponents were able to leverage the incentive valuewith layers of private, local, state and federal funding. Since public funding is driven by strict project delivery deadlines regardless of unforeseen cost spikes, this project was particularly challenged in the last three years and would likely have missed a key funding milestone had the Incentive Program not been in place. Due to the Incentive Program, applicants saved approximately $554,000 in Capital Facilities Fees and $1.07 million in Park Impact Fees for a total CFF/Parks incentive package of $1.62 million. By allowing the project proponents to reassign these funds to the project’s unexpected cost runs, it saved the project.

To address the delays and rise in costs for all eligible projects, the City is considering a three-year term extension for the Incentive Program, amending the current eligibility clause for “breaking ground” from August 31, 2023, to <u>August 31, 2026</u>.

There are several projects that are in the queue and that are challenged with the “breaking ground” date of August 31, 2023, but otherwise would be eligible for the Incentive Program. Some of these projects would in fact miss that deadline unless an extension of time is granted. These eligible projects are identified below, with status, and the estimated CFF and Park Impact Fee Incentive noted:

Status	Project	Description	Address	CFF Incentive	Park Incentive	Incentive Program Total
Issued/paid	**The Cannery**	**129 multi-family units (100% affordable) (6 stories)**	**3 West 3rd Street**	**$553,854**	**$1,074,002**	**$1,627,856**
Issued/payment pending	Pullman Lofts – Phase 1	74 multi-family units (3 stories)	701 Wilson Street	$133,733	$243,646	$377,379
Issued/payment pending	888 4th Street	90 multi-family units (6 stories)	888 4th Street	$203,400	$284,572	$487,972
In plan review	Pullman Lofts – Phase 2	40 multi-family units (5 stories)	701 Wilson Street	~ $144,626	~ $238,140	~ $382,766

Status	Project	Description	Address	CFF Incentive	Park Incentive	Incentive Program Total
In plan review	425/431 Humboldt Street	88 multi-family units (7 stories)	425/431 Humboldt Street	~ $538,444	~ $776,546	~ $1,314,990
In plan review	420 Mendocino Avenue	161 multi-family units (8 stories)	420 Mendocino Avenue	~ $478,419	~ $490,829	~ $969,248
~ to be determined; rough estimate only						

In addition to those above, the following projects are eligible for the Incentive Program and have secured planning entitlement approvals, the step that precedes building permit plan review and issuance.

- Ross Street Development (556 Ross Street) - 109 multi-family units (8 stories)
- 1 Santa Rosa Avenue (1 Santa Rosa Avenue) - 120 multi-family units (7 stories) – 5 low income units
- SMART Village Residential Development, Phase I (34 W 6th Street) - 114 multi-family units (6 stories) – 12 low income
- DeTurk Winery Village (55 W 8th Street) - 185 multi-family units (4 stories) – 15 very low income
- Avenue 320 Apartments (320 College Avenue) - 36 multi-family units (3 stories)
- The Flats (528 B Street) - 24 multi-family units (5 stories)

6. Impact of Incentives on Development Economics

The Keyser Marston Associates (KMA) analysis from 2018, attached to this report, uses prototypes developed with City staff to illustrate “typical” high-density multi-family residential projects in Downtown based on market conditions. KMA concludes that high-density multi-family residential projects face challenges owing to rising development costs and the inability to project future apartment rent growth to fully offset rising costs. According to KMA, the proposed Incentive Program would create a positive impact and create a higher probability that high-density residential projects will move forward. While other variables in addition to fee incentives must be addressed, the Incentive Program is one piece of the puzzle that developers could use as they seek to fund projects in the near term.

KMA also affirmed that additional incentives are merited for affordable/inclusionary projects. The estimated gap between the value of an affordable unit, as supported by rents at 60% of Area Median Income (AMI), versus the cost to build that affordable unit, is approximately $266,000 per unit. While a portion of the gap can be offset by Low Income Housing Tax Credits, it is common for affordable projects to require additional local subsidies on the order of $100,000 to $200,000 per unit. Reducing fees for affordable units offsets the subsidy that would be required from other local sources, such as the City of Santa Rosa Housing Authority. The fee reduction applies only to projects that construct affordable units on-site pursuant to the City’s Housing Allocation Plan.

FISCAL IMPACT

A 2015 study by Urban 3 commissioned by the City highlighted the fiscal benefits of encouraging higher density development in the downtown. The study showed that focusing development where adequate infrastructure already exists is more efficient and gains higher revenue per acre versus suburban development.

The Incentive Program has proven to attract investment into high-density residential development in the City's downtown. If this momentum continues from plan review and into construction and occupancy, it will bring new residents, transit-oriented housing options, reduced Vehicle Miles Travelled (VMT), increased consumer spending, business activity, and tax revenues to the downtown area and will foster the overall economic vitality of the community.

Although reduced, developers pay a portion of Park Impact and Capital Facilities fees under the Incentive Program. For every 100 residential units built under the program, developers will contribute approximately $790,000 in Park Impact and Capital Facilities fees and receive approximately $520,000 in fee waivers/incentives (based on a six-story, market rate building in the Downtown). Fee incentives are higher for affordable projects and serve to reduce the gap financing that the City often provides to affordable developments through other local sources and will incentivize developers to construct affordable units on-site rather than paying a fee.

It should be noted that while the Incentive Program has and will continue to attract housing development downtown, the City does receive reduced impact fee revenues during the life of the program. The City relies on impact fees to further park and capital improvement projects needed throughout the City, including in the downtown. As such, staff will continue to monitor the fiscal impacts of the program on the city.

ENVIRONMENTAL IMPACT

The action of adding time to the Incentive Program is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guidelines section 15378. Pursuant to CEQA, the creation of government funding mechanisms or other government fiscal activities is not a “project” subject to environmental review. (CEQA Guidelines section 15378, subd. (b)(4).) The action is also exempt from CEQA pursuant to Public Resources Code section 21080(b)(8) and CEQA Guidelines section 15273(a)(4) in that the fee modification is for the purpose of obtaining funds for capital projects necessary to maintain service within existing service areas and is further exempt from CEQA pursuant to CEQA Guidelines section 15061(b)(3) in that the activity in question will not have a significant effect on the environment.

ATTACHMENTS

- Attachment 1 – Map of Downtown
- Attachment 2 – Keyser Marston Associates, Inc. memorandum
- Attachment 3 – Maximum Base FAR Map
- Attachment 4 – RES-2019-066 (CFF)
- Attachment 5 – RES-2019-067 (Parks)
- Attachment 6 – RES-2018-169 (Water and Wastewater)
- Resolution 1 (CFF) / Exhibit A – Map of Downtown
- Resolution 2 (Parks) / Exhibit A – Map of Downtown
- Resolution 3 (Water and Wastewater) / Exhibit A – Map of Downtown

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