

DOWNTOWN HIGH-DENSITY MULTI-FAMILY RESIDENTIAL INCENTIVE PROGRAM

CITY COUNCIL
DECEMBER 13, 2022



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PRESENTATION OVERVIEW

- Background
- Incentive Program - Overview
- Implementation
- Community feedback
- Staff Recommendation

INCENTIVE PROGRAM

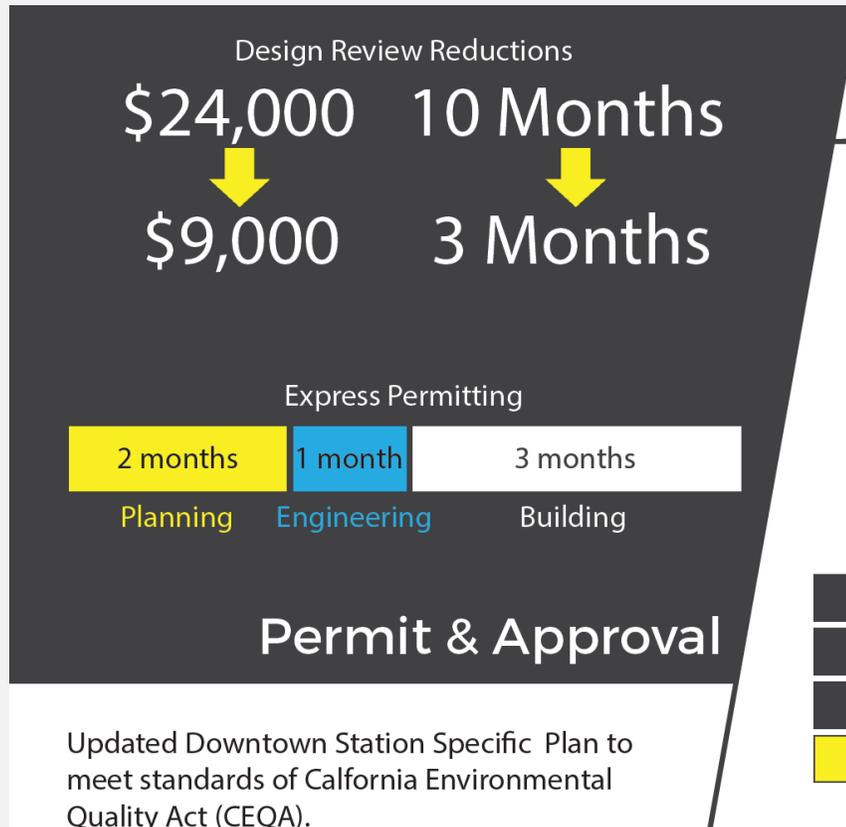
- Adopted in 2018 to **incentivize downtown housing** development including increased density and height by reducing/deferring City development impact fees for a limited 5-year term
- Supports City Council goals to foster a **vibrant downtown** and meet **housing needs for all**
- Council to consider:
 - Extending the Program by an additional 3 years
 - Amending the Program to reflect adoption of the Downtown Station Area Specific Plan – zoning and Floor Area Ratio (FAR)

BACKGROUND

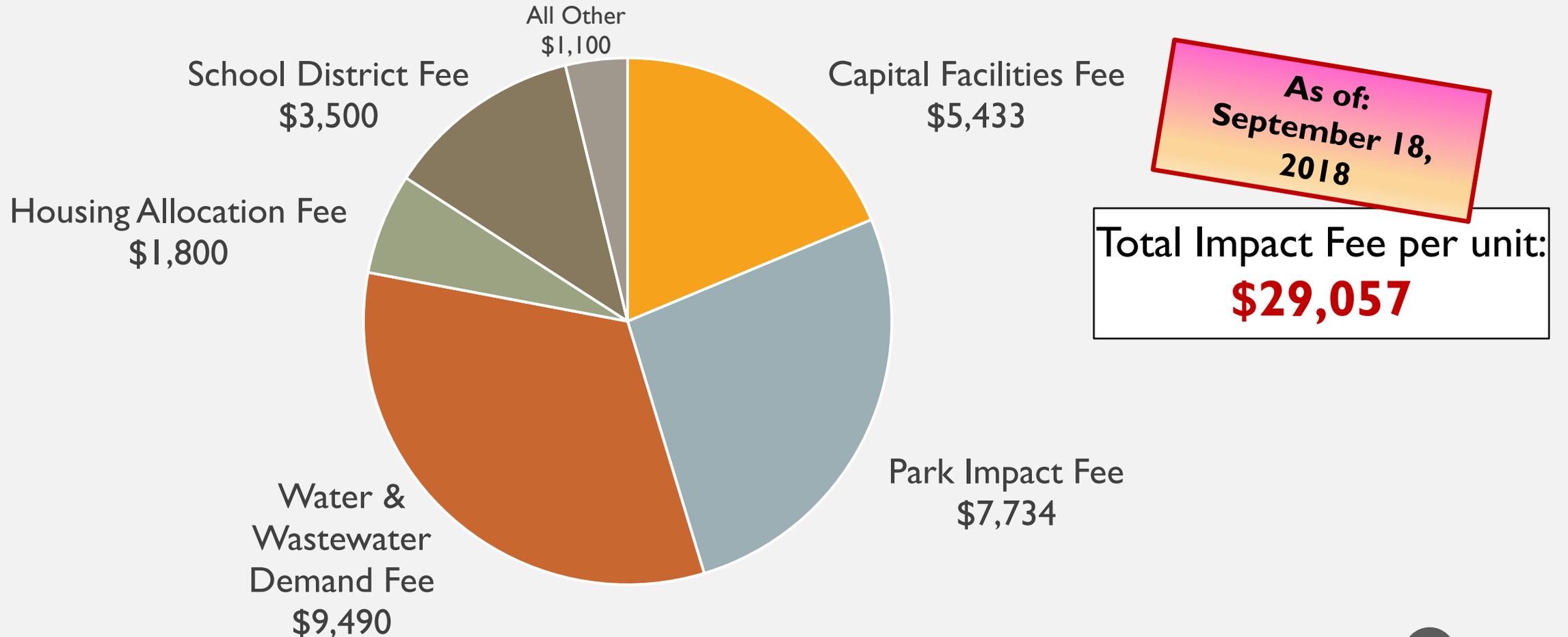
- 2016 - Adopted the Santa Rosa **Housing Action Plan**
- Supported **Downtown Housing** as a Council Tier I Priority
- Created an **UP Downtown** toolbox
- Adopted a city-wide **Resilient City** Ordinance
- **2018 - Adopted Downtown Residential Incentive Program**
- **2019 - Adopted Amendments to Incentive Program**
- 2020 - Adopted the **Downtown Station Area Specific Plan**
- Maintained **Housing for All** as a Council Goal
- CC Goals Work Plan 22-23 - Review Downtown Fee Incentive Program

UP DOWNTOWN SANTA ROSA

- Council Priority
- Permit Streamlining
- CEQA Streamlining
- **Fees & Incentives**
- Opportunity Zone
- Downtown Plan Update
- City owned assets
- RED Housing Fund
- Staffing & Professional Services



2018 ESTIMATED IMPACT FEES PER UNIT DOWNTOWN RESIDENTIAL PROJECTS



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.

DOWNTOWN RESIDENTIAL FEE INCENTIVE PACKAGE

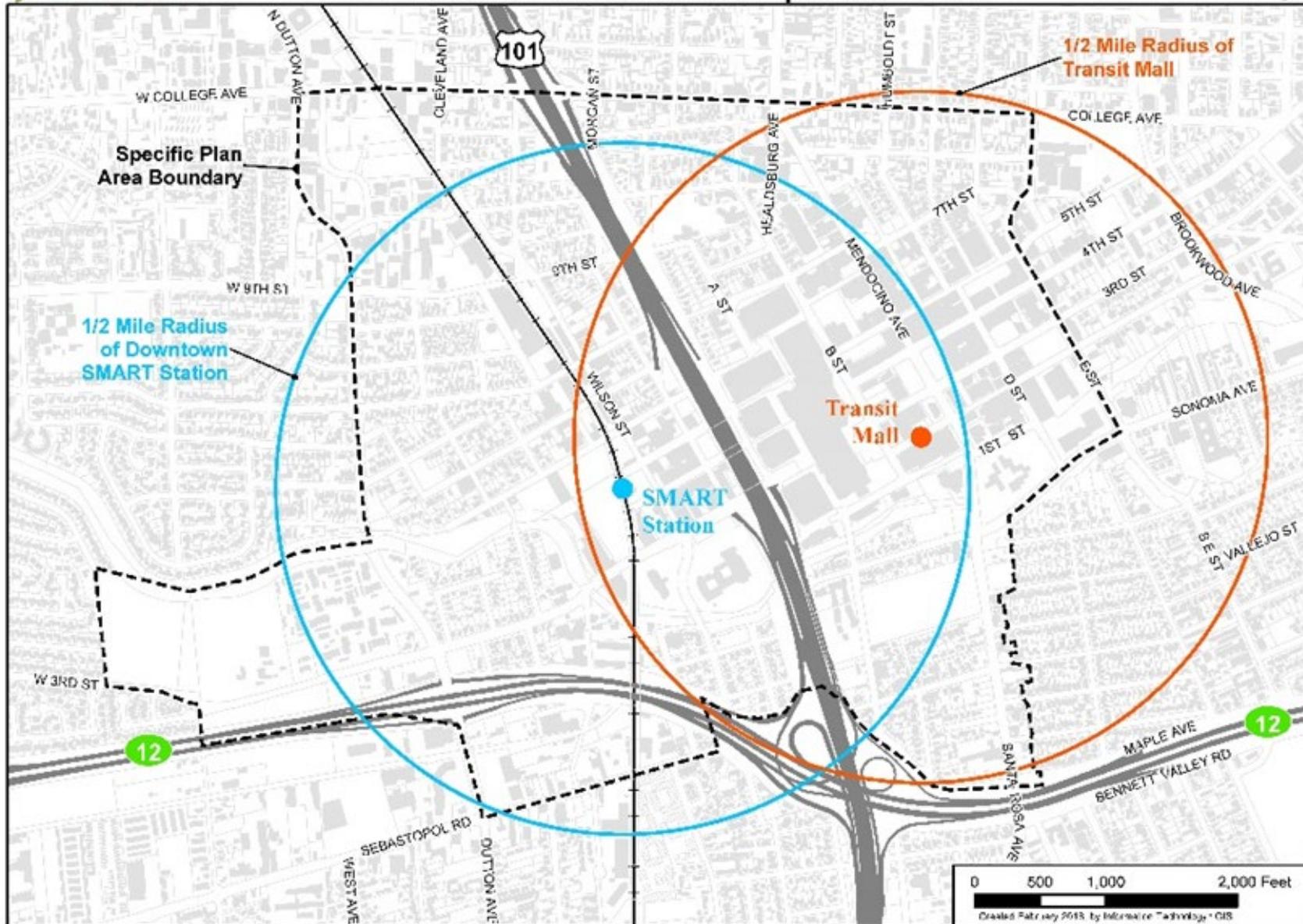
On **September 25, 2018**, the City Council adopts:

- Resolution #1: [Capital Facilities Fees \(CFF\)](#)
- Resolution #2: [Water and Wastewater Impact Fees](#)
- Resolution #3: [Park Development Impact \(PDI\) Fees](#)

On **June 18, 2019**, the City Council adopts:

- Amendments to Resolutions #1 (CFF) & #3 (Park)
- Correct “downtown” boundary and add residentially eligible zoning districts

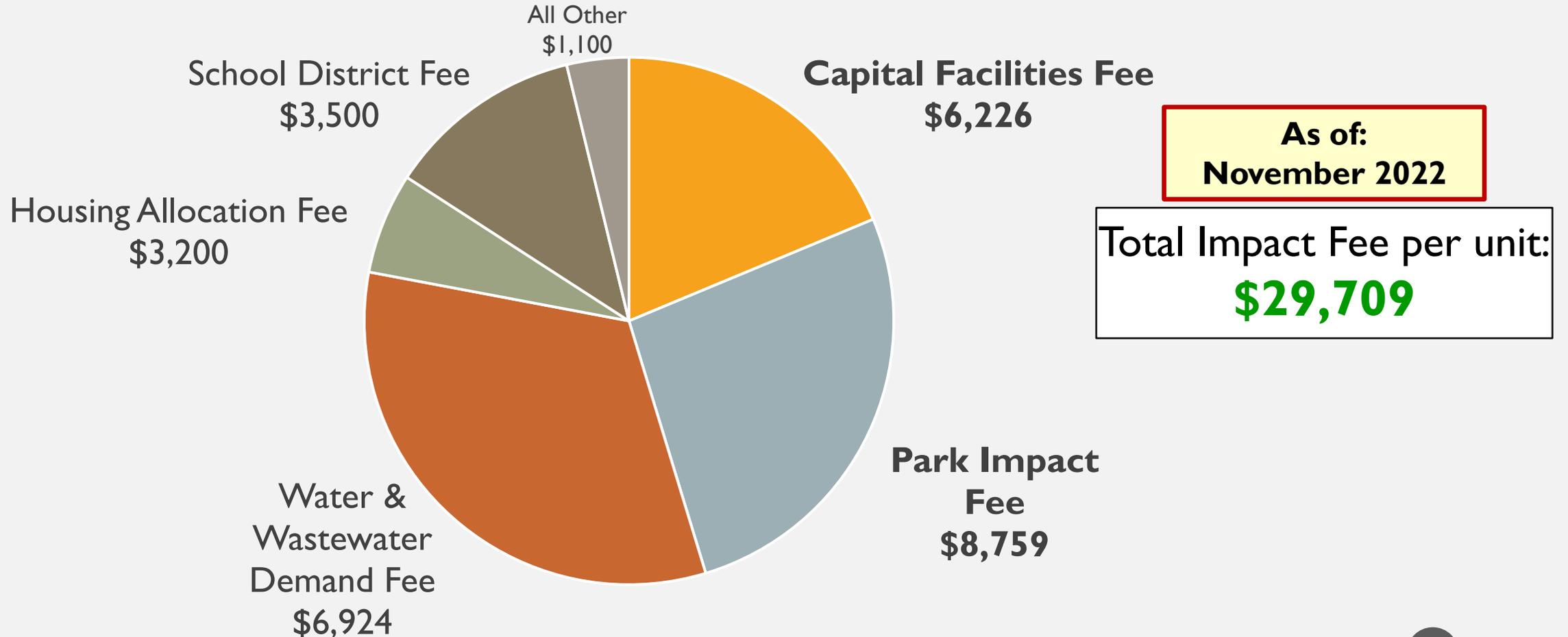
Downtown Station Area Specific Plan



2019 DOWNTOWN RESIDENTIAL FEE INCENTIVE CRITERIA

- Located in the Downtown – as defined by Station Plan
- Zoned **CD-7 or CD-10**:
 - 4 or more stories total; and 3 must be residential
- **CD-5, TV-M, TV-R, R-3-18, or R-3-30** Zoning:
 - 3 or more stories total; and 2 must be residential
- Breaking ground before **August 31, 2023**
 - “Breaking ground” is defined as securing a foundation permit

2022 ESTIMATED IMPACT FEES PER UNIT DOWNTOWN RESIDENTIAL PROJECTS



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.

2022 DOWNTOWN INCENTIVE EXAMPLE (CFF & PARKS)

MARKET RATE VS. AFFORDABLE

	4 Stories	5 Stories	6 Stories	7 Stories	10 Stories
Residential Floors	3	4	5	6	9
BEFORE INCENTIVES					
Fee Per Unit (All Floors)	\$14,985	\$14,985	\$14,985	\$14,985	\$14,985
AFTER INCENTIVES					
MARKET RATE					
Fee Per Unit	\$14,985	\$14,985	\$14,985	\$14,985	\$14,985
% Units Subject to Fee	100%	75%	60%	50%	33%
Net Fees/ Unit	<u>\$14,985</u>	<u>\$11,239</u>	<u>\$8,991</u>	<u>\$7,493</u>	<u>\$4,945</u>
Fee Incentive/ Unit	\$0	(\$3,746)	(\$5,994)	(\$7,493)	(\$10,040)
AFFORDABLE					
Base Fee /SF	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00
Base Fee/ Unit (800 SF/ Unit)	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200
% Units Subject to Fee	100%	75%	60%	50%	33%
Net Fees/ Unit	<u>\$3,200</u>	<u>\$2,400</u>	<u>\$1,920</u>	<u>\$1,600</u>	<u>\$1,067</u>
Fee Incentive/ Unit	(\$9,967)	(\$10,767)	(\$11,247)	(\$11,567)	(\$12,100)

ADDITIONAL PARK FEE INCENTIVE

- In addition to reduced fees, 100% of Park fees collected from *qualifying projects* are to be used Downtown
 - This is *in addition* to park funds already allocated to downtown through standard city-wide budget process
 - This is *in addition* to opportunities already available city-wide for development agreements and public/private partnerships
 - Tracking method for Downtown park funds is in development
 - Application of “Downtown” funds is under review

WATER AND SEWER IMPACT FEE INCENTIVE/DEFERRAL

Water and Sewer Impact Fee Deferral Program is eligible for housing projects in the Downtown that are a minimum 3 floors dedicated to housing:

- **Option 1:** Deferral of water and wastewater demand fees for eligible projects until 75% of the residential units are occupied or for 6-months after final inspection, whichever is sooner.
- **Option 2:** Finance the water and wastewater fees for 5-years with interest.

Deferral provides a \$1,700 per unit incentive

Per Keyser Marston Associates Memo



IMPLEMENTATION ISSUED & PAID

- **The Cannery – 129 units, 6 stories, 100% affordable**
- **Total Incentive Value - \$1,627,856**
 - CFF - \$553,854
 - Parks - \$1,074,002
 - Park impact fees paid –
100% Downtown - \$63,778



ISSUED/PAYMENT PENDING

- Pullman Lofts Phase 1 – 74 units, 3 stories
 - **Total Incentive - \$377,379**
- 888 4th Street – 90 units, 6 stories
 - **Total Incentive - \$487,972**



IN PLAN REVIEW

- Pullman Lofts Phase 2 – 40 units, 5 stories
 - **Estimated incentive \$382k**
- 425/431 Humboldt Street – 88 units, 7 stories
 - **Estimated incentive \$1.3 M**
- 420 Mendocino Ave – 161 units, 8 stories
 - **Estimated incentive \$969k**

IMPLEMENTATION ENTITLED & ELIGIBLE

- **Ross Street Development**
 - 109 units, 8 stories
- **I Santa Rosa Avenue**
 - 120 units (5 affordable)
 - 7 stories
- **SMART Village, Phase I**
 - 114 units (12 affordable)
 - 6 stories
- **DeTurk Winery Village**
 - 185 units (15 affordable)
 - 4 stories
- **Avenue 320 Apartments**
 - 36 units, 3 stories
- **The Flats**
 - 24 units, 5 stories

COMMUNITY FEEDBACK

- 2022 – **Economic Development Subcommittee**
 - Continue to monitor implementation
 - Continue to collect feedback
 - Consider renewing prior to program’s “expiration”
- 2022 – **Developer Roundtable Series**
 - **Downtown Toolbox** – continue the layers of incentives
 - Continue to provide incentives that address **Time-Cost-Certainty**
 - Extend the timeframe of the program
 - Continue to invest in downtown parks and urban spaces

AMENDMENTS PROPOSED

1. The project must include primarily residential uses:
 - a) For projects located Downtown on parcel(s) **zoned CMU with a maximum base FAR requirement of 8.0**, as identified in Map LU-5 of the Downtown Station Area Specific Plan: the project must be four or more stories in height, with at least three floors dedicated to residential use.
 - 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.
2. The residential project must break ground before **August 31, 2026**.
“Breaking ground” is defined as securing a foundation permit;

RECOMMENDATION

- It is recommended by the Planning and Economic Development Department that Council, by three separate resolutions, adopt amendments to the High-Density Multi-Family Incentive Program to further support housing development and increased density in downtown Santa Rosa.