



Affordable Housing Capital Facilities Fee Pilot Program

City Council Meeting
November 12, 2024

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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 ¹ | 12.8% |
| Storm Drainage | 12.7% |
| Fee Administration | 1.0% |
| | |
| | 100.0% |

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 v. 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

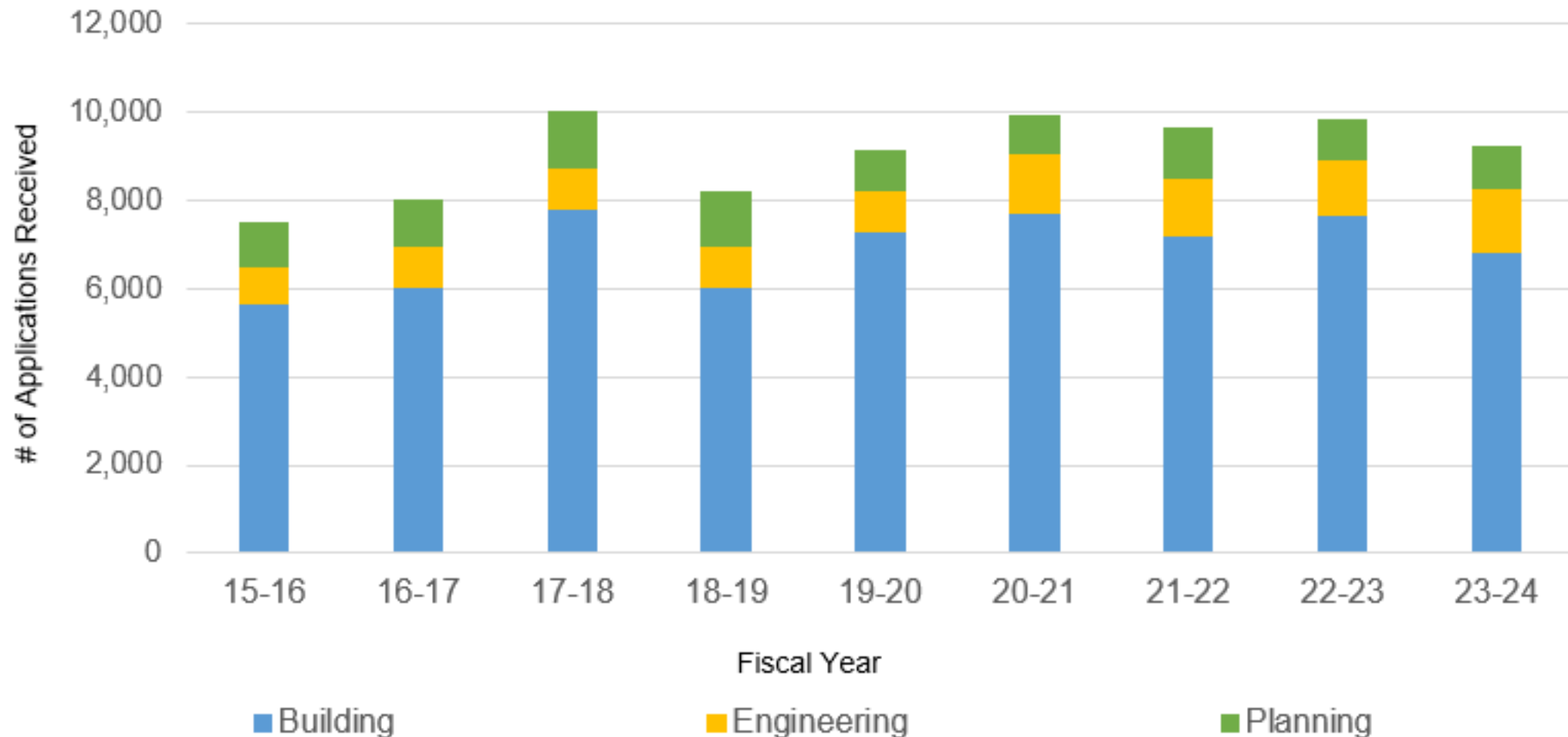
Regional Housing Needs Allocation (RHNA)

- 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

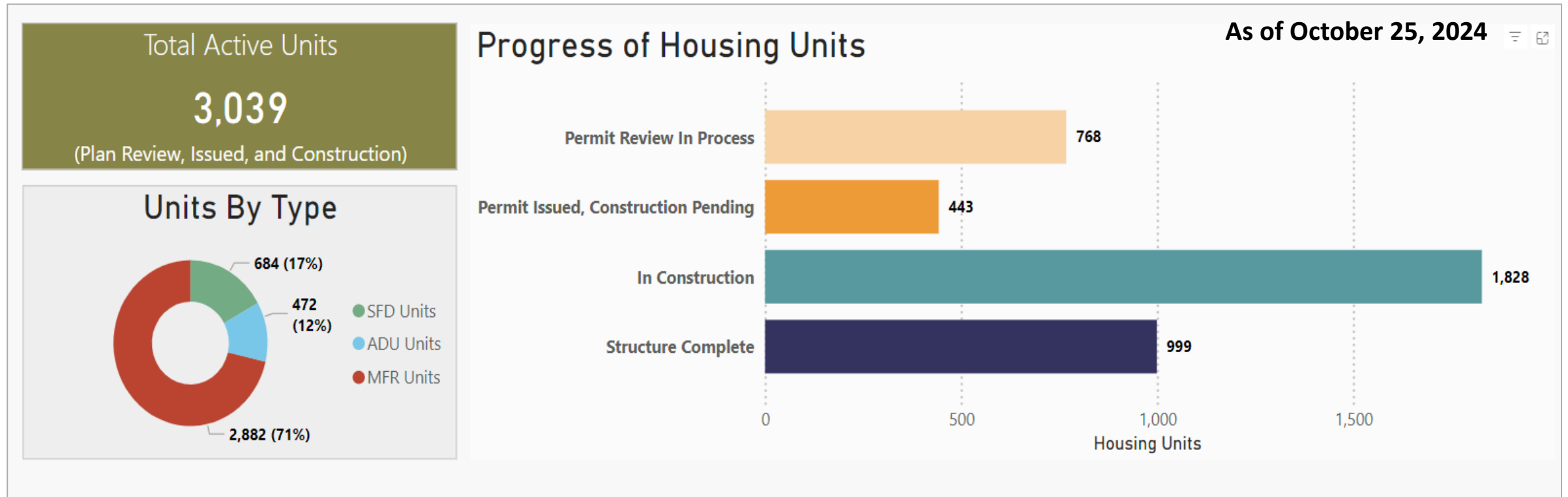
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Accessory Dwelling Units (ADU)

As of October 25, 2024

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

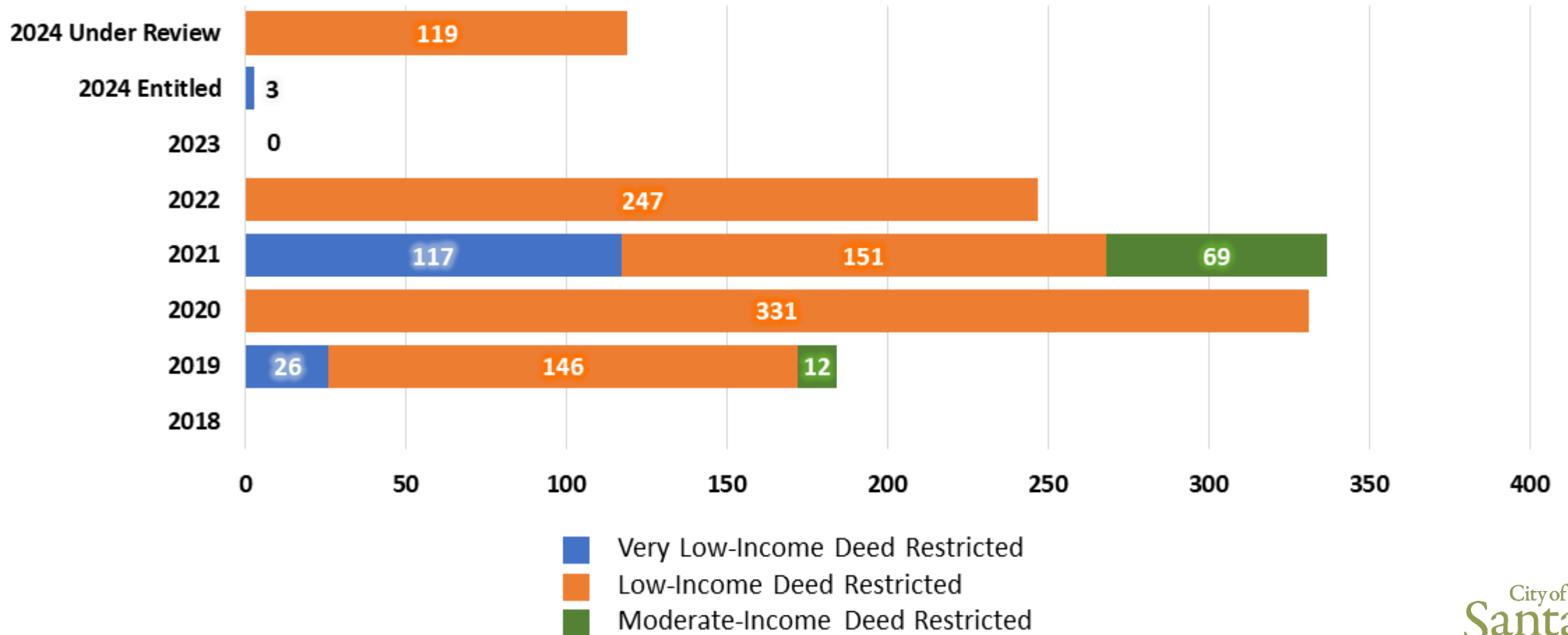
New Housing Unit Building Applications



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:
 - Zero fee will apply to the conversion of existing temporary housing allowed under code section 20-16.030 to permanent housing units, when the proposal meets affordability requirements and approval for the conversion is obtained during program's lifespan
 - Residential units receiving locally sourced financial assistance from the City or the Housing Authority's loan programs will not be eligible for the zero fee
 - 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

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