

Affordable Housing Impact Fees

City Council Hearing, Redwood City
October 26, 2015



Overview

1. Recent Housing Affordability and Construction Trends
2. City and Regional Responses
3. Nexus Studies and Impact Fees – How They Work
4. Proposed Redwood City Program
5. Public Comment and Staff Recommendation



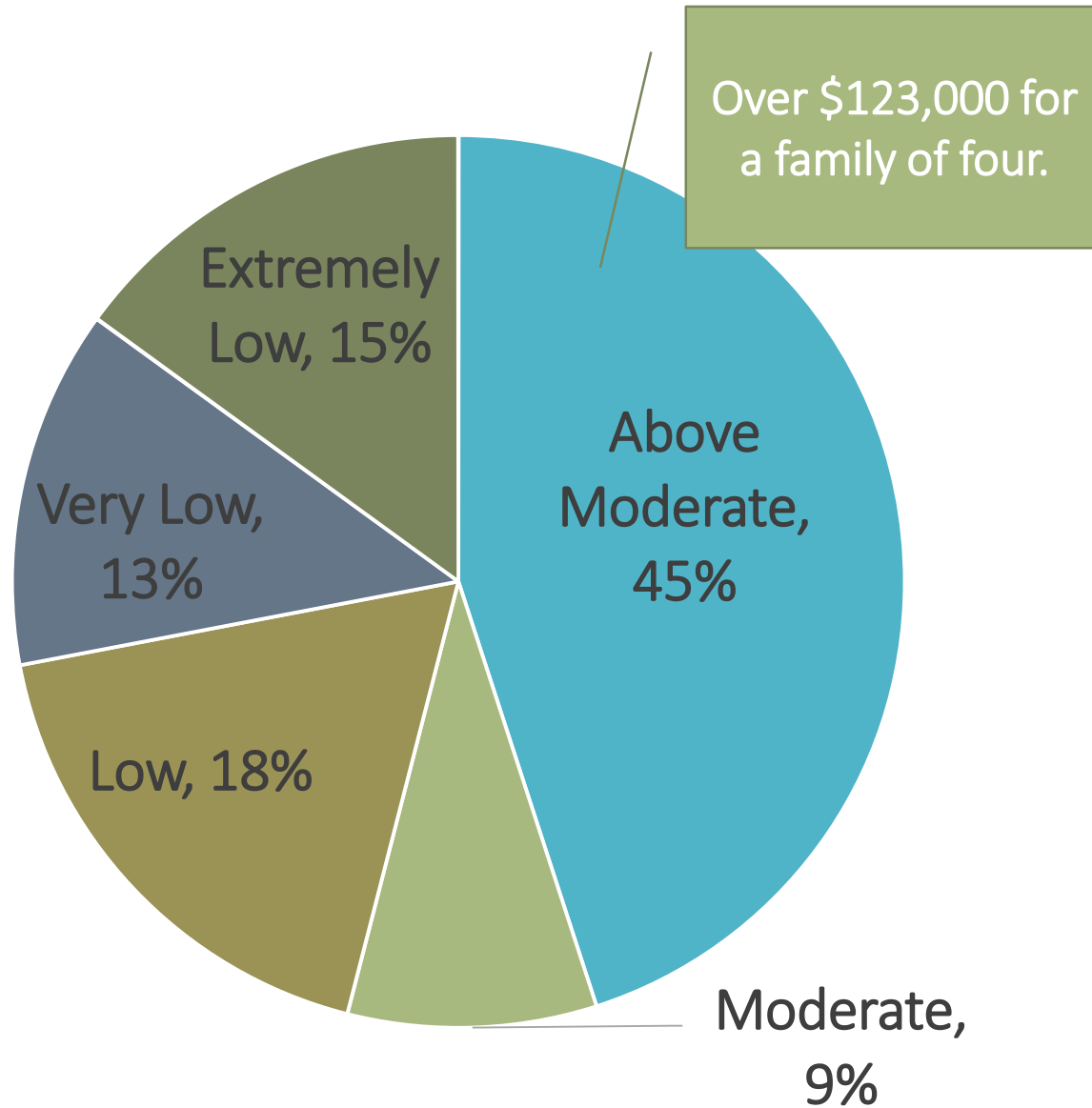
Housing Affordability and Construction Trends



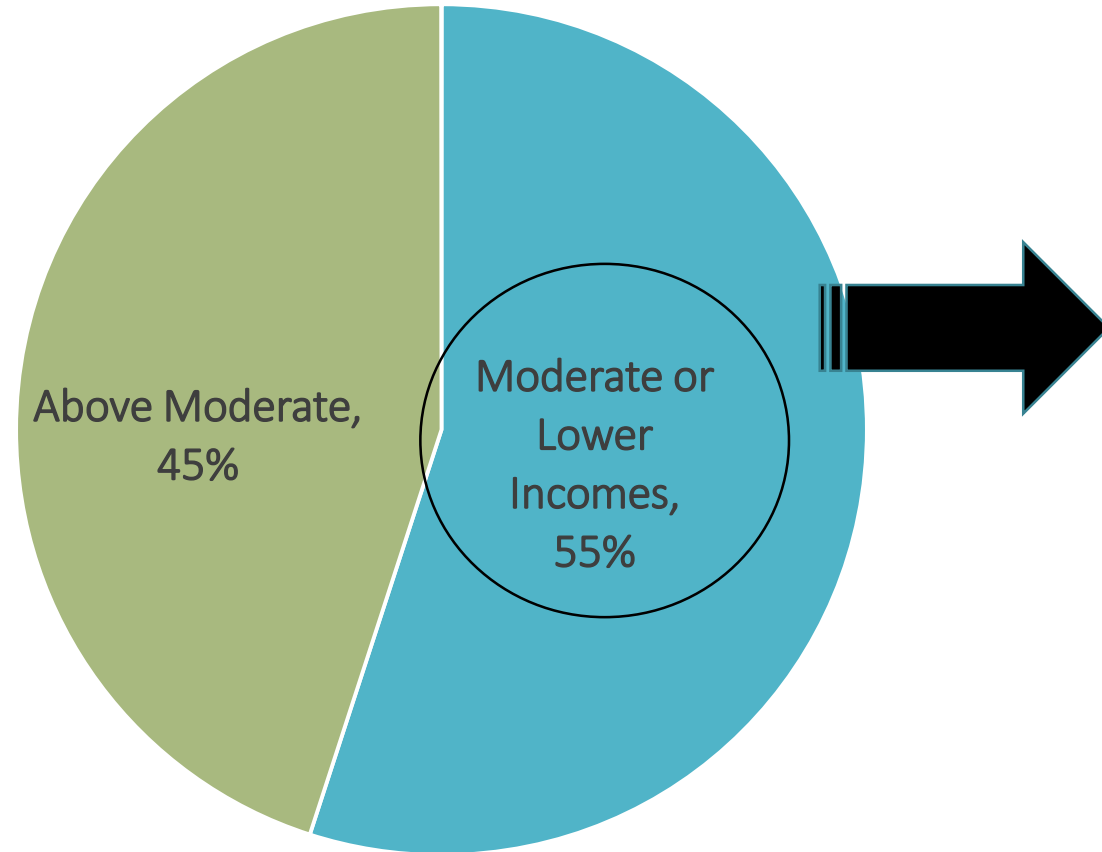
Redwood City Households

Range of Incomes

Housing Element, CHAS Data 2010



Housing Construction



Less than **5%** of all housing construction in the last 5 years has served this income category.



Factors in Housing Affordability

- Funds for Affordable Housing
- Market Conditions
- Supply and Demand

The City has approved over 2,000 units in the last four years.



Housing affordability crisis drives Bay Area middle-class exodus

Jan 2, 2015, 3:00am PST Updated Jan 2, 2015, 7:34am PST

February 12, 2015

California's Affordable Housing Crisis Is a Crisis for Business

By Carson Bruno

Bay Area commuting nightmares: jobs in city, affordable homes in exurbia

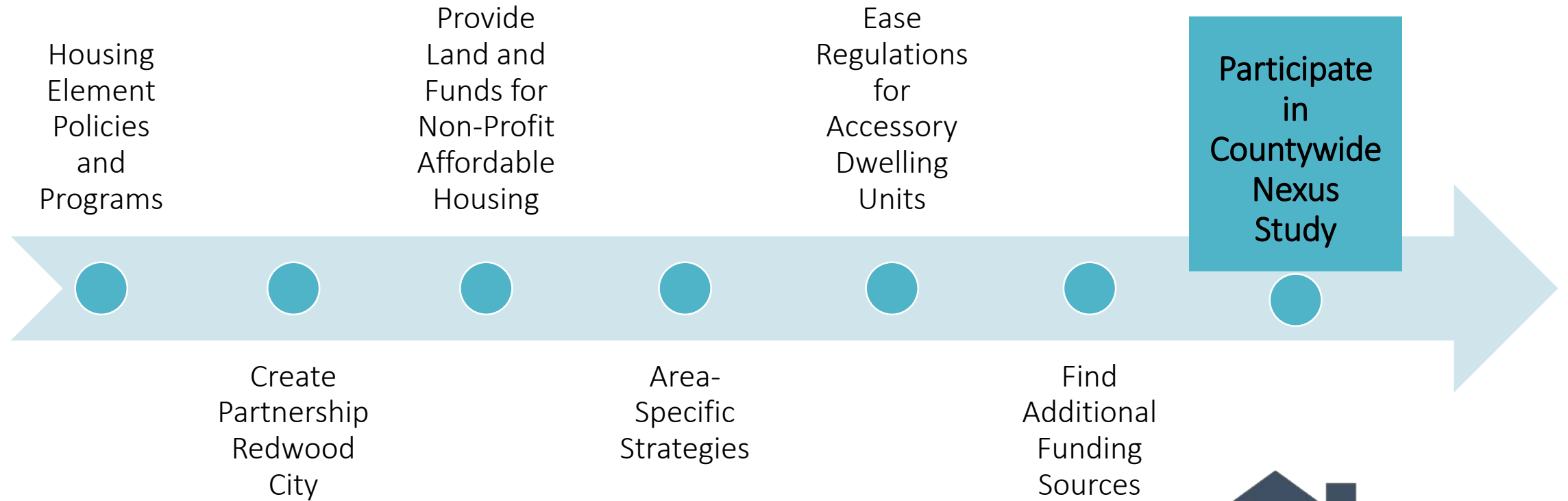
By Richard Scheinin | rscheinin@mercurynews.com



City and Regional Responses



City Responses



Countywide Nexus Study

- 12 participating jurisdictions
- Efficiencies and collaboration
- Tailored to individual city conditions



Redwood City
Foster City
San Mateo
San Bruno
South SF
Menlo Park
Belmont
Colma
Pacifica
County

Nexus Studies and Impact Fees



What are Impact Fees

Particular type of fee to **lessen impact** of new development.

Fees must be used to reduce the impact by making physical improvements. They do not cover operational expenses.

Requires a nexus study.

Current Impact Fees:

- Transportation
- Parks
- Water and Sewer

Potential:

- Affordable Housing



How Development Generates Affordable Housing Needs

1. Estimate demand for workers of various wage levels created by typical development.



2. Estimate demand for affordable housing from new worker households.



3. Determine the gap between worker's ability to pay and market rents.



4. Using the gap, calculate the maximum fee for different development types.



Types of Development Considered

- **Office** – Including medical office and R&D
- **Retail** – Including restaurants and services
- **Hotel**
- **Single-Family Detached**
- **Townhomes**
- **Apartments and Condominiums**



Study Findings

100%

Maximum
Nexus Fee

- Legally Permissible to charge

Feasible Fee

- Maintains feasibility of development

20-65% for residential
3-10% for commercial



Factors in Feasibility

Construction Costs

Rental Rates (Market Conditions)

Feasible Fee

Nearby Jurisdictions

Existing Fee Load



Proposed Redwood City Program

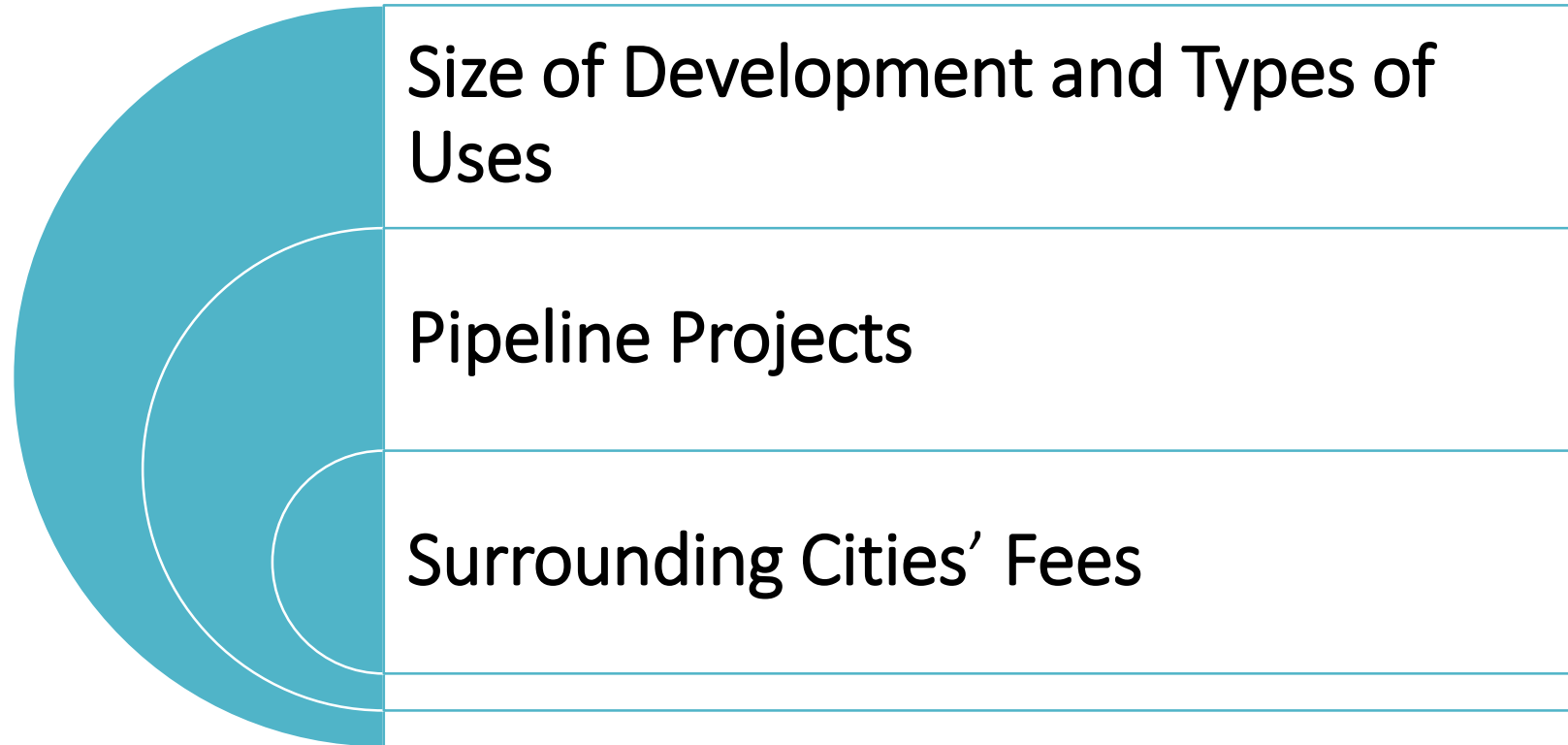


Proposed Feasible Fee Amounts

UNIT TYPE	FEE PER SQUARE FOOT
Condominiums and Apartments	\$20
Single Family	\$25
Townhome Developments	\$25
Office	\$20
Hotel	\$5
Retail, Restaurant and Services	\$5



Key Considerations



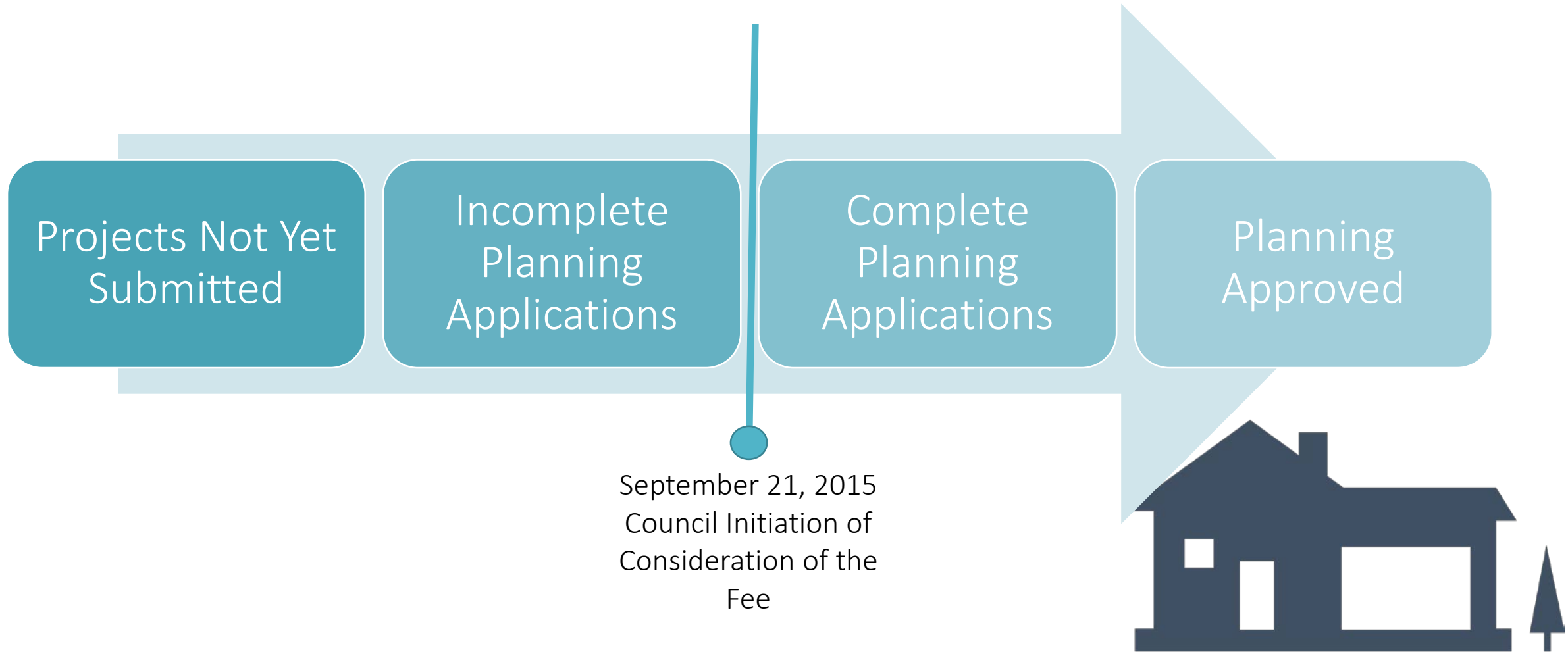
Eliminate cost burden for homeowners or small duplexes or triplexes.

Encourage commercial improvements that benefit neighborhood quality.

Size of Development and Use Types

- 5 or more residential units
- More than 5,000 square feet for commercial
- Schools, churches, child care and other public and quasi-public uses are exempt.

Pipeline Projects Subject to the Fee



Surrounding Cities

San Carlos
Palo Alto
Daly City
Cupertino
Sunnyvale
San Jose
Mountain View

Recent Changes in Sunnyvale, San Jose, and Mountain View.

Ranging from

\$14-25 and above for residential

\$15- \$25 for office

\$2.50-\$20 for hotel

and retail services



How Funds May be Used

Land Purchase

Construction Costs

Rehabilitation of Existing Development



Alternatives to Fee Payment

Ordinance provides for alternatives such as:

Provision of units on or off-site

Other alternatives if similarly valued



Public Comment and Staff Recommendation



Recommended Actions

Adopt Ordinance

- Requires collection of the fee
- Establishes exemptions
- Allows alternatives to payment
- Creates housing fund

Adopt Resolution

- Sets actual fee amount
- Describes method of calculating fees
- Exempts particular land uses



Questions

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