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

- Extremely Low, 15%
- Very Low, 13%
- Low, 18%
- Moderate, 45%
- Above Moderate, 9%
- Over $123,000 for a family of four.
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

By Carson Bruno

February 12, 2015

California's Affordable Housing Crisis Is a Crisis for Business

By Richard Schein...
City and Regional Responses
City Responses

- Housing Element Policies and Programs
- Provide Land and Funds for Non-Profit Affordable Housing
- Ease Regulations for Accessory Dwelling Units
- Create Partnership Redwood City
- Area-Specific Strategies
- Find Additional Funding Sources
- Participate in Countywide Nexus Study
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

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)
- Nearby Jurisdictions
- Existing Fee Load

Feasible Fee
Proposed Redwood City Program
# Proposed Feasible Fee Amounts

<table>
<thead>
<tr>
<th>Unit Type</th>
<th>Fee Per Square Foot</th>
</tr>
</thead>
<tbody>
<tr>
<td>Condominiums and Apartments</td>
<td>$20</td>
</tr>
<tr>
<td>Single Family</td>
<td>$25</td>
</tr>
<tr>
<td>Townhome Developments</td>
<td>$25</td>
</tr>
<tr>
<td>Office</td>
<td>$20</td>
</tr>
<tr>
<td>Hotel</td>
<td>$5</td>
</tr>
<tr>
<td>Retail, Restaurant and Services</td>
<td>$5</td>
</tr>
</tbody>
</table>
Key Considerations

<table>
<thead>
<tr>
<th>Size of Development and Types of Uses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pipeline Projects</td>
</tr>
<tr>
<td>Surrounding Cities’ Fees</td>
</tr>
</tbody>
</table>
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

Projects Not Yet Submitted

Incomplete Planning Applications

Complete Planning Applications

Planning Approved

September 21, 2015
Council Initiation of Consideration of 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