



City Council Agenda Item Staff Report

CITY OF SAN BRUNO

DATE: September 24, 2019

TO: Honorable Mayor and Members of the City Council

FROM: Jovan D. Grogan, City Manager

PREPARED BY: Keith DeMartini, Finance Director

SUBJECT: Hold Public Hearing, Adopt a Resolution Adjusting the Affordable Housing Impact Fees for Residential and Nonresidential Development Projects

BACKGROUND

On December 13, 2016, the City Council adopted Resolution No. 2016-115 establishing affordable housing impact fees for residential and nonresidential development projects and establishing a standardized list of uses and exemptions with respect to the payment of nonresidential housing impact fees. These impact fees were established to implement the City's adopted 2015-2023 Housing Element. The Housing Element includes programs 3-J and 5-J that required the City to adopt new strategies to increase the supply of affordable housing in the City, including the adoption of affordable housing impact fees for residential and non-residential development projects.

The related ordinance (Chapter 12.230 of the Municipal Code) imposes affordable housing impact fees and rules for construction of affordable units, alternatives to comply with the ordinance, and the use of the fees. The ordinance applies to residential ownership or rental developments of five (5) new units or more, and all nonresidential developments throughout the City. The ordinance excludes fees for public uses such as hospitals and community facilities and quasi-public uses such as child care centers, community facilities, churches and schools.

Residential rental and commercial projects are required to pay impact fees, with the possibility of an alternative compliance method, such as the provision of affordable units on- or off-site, with the approval of the City Council. Residential for-sale projects are required to include affordable units within the project, with the possibility of an alternative compliance method, such as the payment of residential impact fees, with the approval of the City Council.

ITEM 6.a.

Table 1 shows the fee levels for residential impact fees and commercial linkage fees for each development type that were adopted in the original resolution and referred to in the associated ordinance. All fees are assessed per square foot of net new residential/gross floor area.

Table 1. Adopted Impact Fees

Unit Type	Fees per Square Foot	Minimum Project Size
Single Family	\$27.00	Residential projects with 5 or more net new units
Condominium	\$25.00	
Apartment	\$25.00	
Office	\$12.50	All new commercial development
Retail	\$6.25	
Hotel	\$12.50	

DISCUSSION

All City fees, including the affordable housing impact fees, are included in the Master Fee Schedule posted on the City’s website. Section 12.230.040A of the Municipal Code allows the City Council to consider a resolution to adjust the affordable housing impact fees from time to time. The adjustment shall be based on the percentage increase in the Engineering News-Record Construction Cost Index for San Francisco, California. The affordable housing impact fees have not been adjusted since the resolution was adopted on December 13, 2016.

According to the Engineering News-Record Construction Cost Index for San Francisco, California, the rate increase from 2016 to 2017 was 2.74%. And the rate increase from 2017 to 2018 was 2.02%. The cumulative, effective rate increase from 2016 to 2018 is 4.82%.

Table 2 shows the adjusted fee levels for residential impact fees and commercial linkage fees for each development type to bring the fees in line with the indexing as of the end of 2018 which is 4.82%.

Table 2. Adjusted Impact Fees

Unit Type	Adopted Fees	Adjusted Fees	Change
Single Family	\$27.00	\$28.30	\$1.30
Condominium	\$25.00	\$26.21	\$1.21
Apartment	\$25.00	\$26.21	\$1.21
Office	\$12.50	\$13.10	\$0.60
Retail	\$6.25	\$6.55	\$0.30
Hotel	\$12.50	\$13.10	\$0.60

Resolution No. 2016-115 adopted in 2016 including the ability to automatically index the fees if no City Council action was taken. The attached resolution eliminates the

automatic indexing so that the City Council can receive a report and recommended rate increase for the affordable housing and all other development impact fees during the annual budget cycle going forward.

Additionally, the City has initiated participation in an update to the commercial linkage fee feasibility (or nexus) study. This is being completed with the County's 21 Elements, a multi-jurisdictional planning collaborative. The study will examine the feasibility of modifying the fees for new commercial development to further support increasing the supply of affordable housing in cities throughout San Mateo County. The City participated in a similar effort that started back in 2015 and was completed in 2016 and provided the required legal basis for the adoption of the current fees.

The adjusted fees will be applicable for all development projects that are currently in the development pipeline, where a building permit has not been issued and the fee has not yet been paid. As of the date of this staff report, there are no pending building permit applications submitted with the City where the development project is subject to paying the affordable housing impact fee. However, the current development pipeline suggests the City could receive several million dollars in affordable housing impact fees in the upcoming 5 fiscal years in the current economic cycle. These amounts will vary widely over time based on the level of development activity.

The adopting Resolution states that the "fees shall be paid that are in effect at the time of issuance of the building permit for the residential development, based on the effective rate at the time of building permit issuance." in accordance with Government Code Section 66019, a public hearing is required in order to receive the fee adjustment resolution to adopt. If the City Council adopts the resolution to adjust the fees, the new fees would take effect 60 days after the adoption date.

FISCAL IMPACT

The exact amount of the fiscal impact is unknown due to the fact that it is dependent on the amount and type of development projects that are submitted to the City and ultimately approved and constructed. As stated above, the current development pipeline suggests the City could receive several million dollars in affordable housing impact fees in the upcoming 5 fiscal years in the current economic cycle. These amounts will vary widely over time based on the level of development activity.

ALTERNATIVES

1. Do not adopt the resolution and provide direction to staff.
2. Adopt a resolution adjusting the fee by a rate lower than prescribed in the Engineering News Record Construction Cost Index.

RECOMMENDATION

Hold Public Hearing, Adopt a Resolution Adjusting the Affordable Housing Impact Fees for Residential and Nonresidential Development Projects

DISTRIBUTION

None

ATTACHMENTS

1. Resolution

DATE PREPARED

August 10, 2019

RESOLUTION NO. 2019-_____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN BRUNO ADJUSTING THE AFFORDABLE HOUSING IMPACT FEES FOR RESIDENTIAL AND NONRESIDENTIAL DEVELOPMENT PROJECTS

WHEREAS, on April 14, 2015 the City Council of the City of San Bruno adopted its 2015-2023 Housing Element. The Housing Element includes programs 3-J and 5-J that required the City to adopt new strategies to increase the supply of affordable housing in the City, including the adoption of affordable housing impact fees for residential and non-residential development projects;

WHEREAS, to implement the affordable housing goals, policies and programs of the City's 2015-2023 Housing Element, the City Council has adopted an Ordinance (Chapter 12.230 of the Municipal Code) and the related Resolution No. 2016-115 that, among other things, authorizes the imposition of affordable housing impact fees for certain residential and nonresidential development projects to mitigate the impact of such projects on the need for affordable housing in the City (the "Affordable Housing Ordinance");

WHEREAS, the Affordable Housing Ordinance authorizes the City Council to adopt by Resolution affordable housing impact fees for residential and nonresidential development, and the City Council desires to adjust these fees for the first time since their original adoption date on December 13, 2016. The adjustment is calculated based on the Engineering News-Record Construction Cost Index for San Francisco, California, as required Resolution No. 2016-115. The effective rate increase from 2016 to 2018 is 4.82%;

WHEREAS, at least ten days prior to the date this resolution is being heard, data was made available to the public indicating the amount of cost, or estimated cost, required to provide the service for which the fee or service charge is levied and the revenue sources anticipated to provide the service, including general fund revenues, in accordance with Government Code Section 66019;

WHEREAS, at least fourteen days prior to the date this resolution is being heard, notice was provided to any persons or organizations who had requested notice, in accordance with Government Code Section 66019;

WHEREAS, notice of the hearing on the proposed fee was published twice in the manner set forth in Government Code Section 6062a as required by Government Code Sections 66004 and 66018; and

WHEREAS, the City Council has reviewed the information contained in this Resolution and the accompanying staff report and any attachments at a meeting held on September 24, 2019.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of San Bruno as follows:

1. The foregoing recitals are true and correct and incorporated into this Resolution by this reference.

2. The City Council hereby adopts those affordable housing impact fees for residential development projects shown on Exhibit "A", attached hereto and incorporated by reference herein.

3. The City Council hereby adopts those affordable housing impact fees for nonresidential development projects shown on Exhibit "B", attached hereto and incorporated by reference herein.

4. All affordable housing impact fees collected shall be deposited into the City's Affordable Housing Fund to be used to increase and preserve the supply of housing affordable to households of extremely low, very low, low, and moderate incomes (including necessary administrative costs).

5. Adoption of this Resolution is exempt from the California Environmental Quality Act because the adoption of this resolution is not a project, in that it is a government funding mechanism which does not involve any commitment to any specific project (CEQA Guidelines Section 15378(b)(4)), and because it can be seen with certainty that there is no possibility that the fees may have a significant effect on the environment, in that this resolution contains no provisions modifying the physical design, development, or construction of residences or nonresidential structures (CEQA Guidelines Section 15061(b)(3)).

6. This Resolution shall take effect on November 25, 2019, 60 days after its adoption.

THE FOREGOING RESOLUTION WAS DULY AND REGULARLY ADOPTED by the City Council of the City of San Bruno, at a regular meeting of said City Council held on September 24, 2019, by the following vote:

AYES:

NOES:

ABSENT:

APPROVED AS TO FORM:

ATTEST:

Marc Zafferano
City Attorney

Melissa Thurman, CMC
City Clerk

EXHIBIT A

Housing Impact Fees for Residential Development Projects

Type of Residential Unit	Adjusted Fee per Square Foot of Net New Residential Floor Area
Single-Family Detached Home	\$28.30
Apartments and Condominiums	\$26.21

*Residential impact fees for residential projects shall be calculated using the net new square footage of Residential Floor Area for the dwelling unit to which the housing impact fee relates.

As used in the Nexus Study, "Residential Floor Area" for Single-Family Detached Homes, Townhomes, Duplexes, and Triplexes includes all horizontal areas of the several floors of such buildings measured from the exterior faces of exterior walls or from the center line of party walls separating two (2) buildings, minus the horizontal areas of such buildings used exclusively for parking.

As used in the Nexus Study, "Residential Floor Area" for Apartments and Condominiums includes all horizontal areas of the several floors of such buildings measured from the exterior faces of exterior walls or from the center line of party walls separating two (2) buildings, minus the horizontal areas of such buildings used exclusively for parking, elevators, stairwells or stairs between floors, hallways, and between-unit circulation.

Fees shall be paid that are in effect at the time of issuance of the building permit for the residential development, based on the effective rate at the time of building permit issuance.

EXHIBIT "B"

Commercial Linkage Fees for Nonresidential Development Projects

Nonresidential Use	Adjusted Fee per Square Foot of Net New Gross Floor Area
Hotel	\$13.10
Retail, Restaurants and Services	\$6.55
Office, Medical Office and Research and Development Uses	\$13.10

*All commercial linkage fees for nonresidential projects, including new construction and conversion of a residential use to a nonresidential use shall be calculated using the gross floor area of net new nonresidential space, excluding structured parking.