

City of Sacramento

Legislation Text

File #: 2018-01434, **Version:** 1

Title:

Reduction of Existing Development Impact Fees for New Affordable Dwelling Units to a Zero-dollar Rate

File ID: 2018-01434

Location: City-wide

Recommendation:

Pass a Resolution reducing certain development impact fee residential rates for new affordable dwelling units to a zero-dollar rate.

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Attachments:

- 1-Description/Analysis
- 2-Resolution
- 3-FAQ

Description/Analysis

Issue Detail: Funding for affordable housing has fallen dramatically since the dissolution of the state's redevelopment agencies in 2012, and as a result, affordable housing production has dropped precipitously.

The City collects development impact fees to finance the design, construction, installation, and acquisition of public infrastructure or to recover the costs of adding capacity in existing public infrastructure. While development impact fees are necessary to support public infrastructure, payment of development impact fees may constitute a barrier for the construction of affordable housing dwelling units.

This resolution would reduce certain development impact fee residential rates to a zero-dollar rate for qualified affordable units. The City plans to keep this reduction in place until a more permanent solution can be found or until the City determines that reduced revenues within individual fee programs are significantly impacting the ability to fund necessary infrastructure. In this case, the incentive rates will be discontinued in those fee programs.

Policy Considerations: The proposed reduction in development impact fees is consistent with the City's goals and policies as established in the 2035 General Plan. These policies include:

Housing-2.2.5 Review and Reduce Fees for Affordable Housing. The City shall work with affordable housing developers as well as other agencies and districts to review and reduce applicable processing and development impact fees for very low and low-income housing units.

Economic Considerations: Reducing development impact fees for affordable dwelling units is expected to reduce barriers for the construction of qualified new affordable housing.

Environmental Considerations: The proposed resolution is exempt from the provisions of the California Environmental Quality Act (CEQA), consistent with section 15378(b)(4) of the CEQA Guidelines, which provides that the creation of government funding mechanisms or other government fiscal activities that do not involve commitment to any specific project are not subject to environmental review.

Sustainability: The reduction of development impact fees for affordable dwelling units may increase housing opportunities near the urban core, which would help to reduce long commutes and dependence on the use of the private automobile, reduce the use of fossil fuels and greenhouse gas emissions, and help meet air quality standards.

Commission/Committee Action: Not applicable

Rationale for Recommendation: The reduction of certain development impact fees imposed by the City would reduce financial barriers for affordable dwelling unit construction. The City will evaluate the fee reduction after three years to determine if the zero-dollar rate is effectively incentivizing affordable housing development.

Financial Considerations: Additional City funds may be needed to backfill revenue losses due to the reduction of development impact fees for affordable housing units to a zero-dollar rate. It is estimated that an average of 100 affordable dwelling units will be constructed per year over the next decade. It is assumed, therefore, that the impacts will be less than significant. The City will monitor the production of affordable dwelling units which qualify for zero-rate fees and evaluate potential impacts to affected finance plans annually.

City staff will monitor affordable housing production and the impacts to fee revenue to consider when development impact fees will need to be raised for the various finance plans.

Local Business Enterprise (LBE): No goods or services are being purchased in association with this report

Background: The following tables provide an overview of proposed development impact fee changes and estimated fee reductions for projects from citywide and individual fee programs.

Development Impact Fees		
Change to Zero-dollar Rate	Affordable Housing Already Exempt	No Change or Outside of City's Control
65th Street Area Impact Fee	Citywide Transportation Development Impact Fee	Construction Excise Tax (Major Streets Construction Tax)
Central City Impact Fee	Housing Trust Fund	Sacramento Area Flood Control Agency Fees
Combined Sewer Development Fee	I-5 Sub-regional Corridor Mitigation Program	School Facilities Fee
Jacinto Creek Planning Area Impact Fee	Mixed Income Housing Fee/Housing Impact Fee	Other one-time taxes
North Natomas Planning Area Development Fees	Sacramento Countywide Transportation Mitigation Fee	
Park Development Impact Fee		
Railyards Impact Fee		
River District Fee		
Sewer Development Fee		
Water System Development Fee		
Willowcreek Impact Fee		

The fees that would be reduced include development impact fees which the City has control over that do not already have an exemption for affordable housing. Taxes and fees that the City collects for other agencies are not included.

Estimated Fees and Savings

The tables below provide examples of estimated development impact fees and savings for a hypothetical development project with 200 affordable dwelling units within selected specific plan areas.

SPECIFIC PLAN AREA FEES			
	Central City	River District	65 th Street Area
Total Fees per Multi-family Dwelling Unit	\$14,460	\$14,463	\$17,961
Savings per Qualifying Affordable Dwelling Unit at Zero-dollar Rate	\$9,486	\$10,023	\$13,443
Savings for Multi-family with 200 Qualifying Units	\$1,897,250	\$2,004,600	\$2,688,600

The remaining fees that affordable dwelling units will pay are processing fees and development impact fees that the City does not control (such as school fees and SAFCA fees). It should also be noted that there are other fees, such as the Citywide Transportation Development Impact Fee and Sacramento Countywide Transportation Mitigation Fee that are not charged on affordable dwelling units.

Development impact fee amounts are determined by nexus studies and are subject to the legal requirements of the Mitigation Fee Act (Gov. Code § 66000(b)). Due to this legal framework, the calculation of the various development impact fees amounts for development projects is complex and varies depending on the project location and the attributes of the specific project.

The table below shows estimated city-wide development impact fees for a hypothetical project with 200 affordable dwelling units:

CITY-WIDE FEES				
	Citywide Park Development Impact Fee	Sewer Development Fee	Combined Sewer Development Fee	Water System Development Fee
Estimated Fee Reduction for a Development Project with 200 Qualifying Units	\$288,000	\$391	\$615,508	\$169,804