Housing Nexus Study: Overview and Next Steps for San Leandro

CITY COUNCIL

APRIL 16, 2018

Why a Nexus Study?

- •2009 Municipal rental inclusionary zoning (IZ) ordinances placed on hold following a court decision that they violated California rental housing law (*Palmer vs. City of Los Angeles*)
 - Nexus studies needed to support affordable rental housing impact fees (or in lieu fees)
- •2012 State ended redevelopment along with annual affordable housing set-aside funding for local jurisdictions
 - City received approx. \$2.5/year in RDA housing set-aside funds
- •2015-16 City participated in regional nexus study to explore amending its IZ Ordinance to include an affordable rental housing in lieu fee component and enhance local affordable housing funding sources
- January 1, 2018 new State housing law (AB 1505) addressed Palmer vs. City of L.A. and re-instituted rental IZ Policies

Regional Housing Nexus Study

- Sponsored by the Silicon Valley Community Foundation (SVCF)
 - Consultants: Keyser Marston Associates & Baird + Driskill Community Planning
- •City Council approved MOU with SVCF in 2015 and allocated \$32,000 as pro-rata share
- •Participating jurisdictions (PJ): Alameda County, Albany, Campbell, Fremont, Hayward, Los Altos, Milpitas, Santa Clara City & County, Saratoga, and Union City
- Study completed in late 2016
 - each PJ received its own customized nexus and feasibility reports with recommendations for residential and commercial impact fees

Existing San Leandro IZ Ordinance

- 2004 City enacted city-wide IZ Ordinance
 - 15% of new rental development projects ≥ 4 units shall be affordable to low and/or very low renters for a minimum of 55 years
 - 15% of new ownership development projects of ≥ 2 units shall be affordable to moderate and/or low income buyers for a minimum of 45 years. In lieu fee allowed for 2 – 6 units
 - Design shall be integrated into the project and compatible with market rate units
 - Affordable Housing Trust Fund created from housing in-lieu fees
- •2006 amended Ordinance to include residential condo conversions



What Are Impact Fees?

- Charges assessed on new construction used to mitigate the impact of that development
- •Fees are used to pay for new infrastructure: transportation, parks, water & sewer, affordable housing (e.g., affordable housing in lieu fee)
- •Fees can be used for acquisition, construction costs purchase & rehabilitation
- Fees can be set per square foot, per unit or other measure
- Nexus study required

What Is A Housing Nexus Study?

- Assesses the connection between new development and the need for affordable housing
 - Residents of new housing spend money on goods and services (restaurants, childcare, landscaping, etc.)
 - New commercial development needs new workers
 - Market does not provide housing that is affordable for many of these new workers
- Determines the maximum impact fee that can legally be charged



Impact Fee Process

New Affordable Fees Placed Nexus and Housing Developers Market Rate in Affordable Feasibility **Paid for and Often** Pay Fees to Development **Housing Trust** Studies **Jurisdictions** Fees Decided **Built by Non-Profit** Fund Completed **Organizations** (3) 5 For Sale

Types of Development Subject to Housing Impact Fees

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



Nexus Study Process

STEP 5

Housing

Residential Commercial STEP 2 STEP 2 Household Number of Incomes of New Buyers & Workers **IDENTIFY** Renters STEP 1 STEP 3 STEP 3 What Type of Buyer and Number of Development Renter Impact **New Worker** to Study on Economy Households STEP 4 STEP 4 Wages of New Number of Workers and **New Worker** Household Households Incomes and Income

CALCULATE STEP 6 **New Demand** Maximum Subsidies for Affordable Needed to **Nexus Fee** Build

What Is A Feasibility Study?

- Considers local market conditions
- •Recommends a more appropriate fee that will not interfere with the profitability of a new development
- Not required, but recommended
 - The maximum legal fee determined by a nexus study may not be appropriate for a jurisdiction when local conditions are factored into the decision

How Fees Are Determined

Construction Costs

Market Conditions

Nearby Jurisdictions

Existing Fees

San Leandro Proposed Housing Impact Fee: Findings & Recommendations

	Single Family Detached	Townhome	Condominium	Apartments (low density)	Apartments (high density)			
Maximum Supportable Fee per Feasibility Study								
Per Market Rate Unit*	\$42,800	\$42,600	\$29,300	\$39,800	\$36,500			
Per Square Foot#	\$23.80	\$24.30	\$29.30	\$36.20	\$40.60			
Recommended Impact fee								
Per Square Foot	\$10-\$15	\$10-\$15	\$5-\$15	\$5-\$10	\$5-\$10			

^{*}Consultant recommends that the fee be per square foot to provide for greater consistency and predictability.

#Per square foot calculation would exclude parking, corridors and other common areas.

San Leandro Proposed Commercial Impact Fee: Findings & Recommendations

	Building Type								
	Office	Retail	Hotel	Light Industrial	Warehouse				
Maximum Supportable Fee per Feasibility Study									
Per Square Foot	\$144.90	\$250.30	\$117.70	\$113.30	\$40.90				
Recommended Impact fee									
Per Square Foot	\$2 - \$4	\$2 - \$4	\$2 - \$4	\$0.50- \$4*					
*If City seeks to encourage industrial uses, then the reduced rate could be considered.									

Next Steps

- Spring/Summer 2018
 - Staff to research comparative fees/policies & prepare draft
 IZ Ordinance amendments*
 - Developer roundtable with nonprofits & for-profits
- Summer 2018 City Council Work Session
- Summer/Fall 2018 Planning Commission Review
- Fall/Winter 2018 City Council Final Review

*Note: Along with new in lieu fee language, draft amendments will also include clean-up & updated edits to the IZ Ordinance

Issues/Questions to Be Addressed During IZ Amendment Process

- •Should the City also adopt a commercial impact fee along with the affordable rental housing in lieu fee (ILF)?
 - (Staff is not recommending the commercial impact fee due at this time due to its complexity and economic development sensitivities)
- •Should the ILF be an option to producing the 15% affordable rental housing set-aside or should producing the 15% units be the mandatory?
- •Should there be a project size threshold exemption for the ILF related to affordable rental housing?
- •Should residential teardowns/rebuilds pay an ILF?