

# Housing Nexus Study: Overview and Next Steps for San Leandro

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CITY COUNCIL

APRIL 16, 2018

# Why a Nexus Study?

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- 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

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- 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

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- 2004 - City enacted city-wide IZ Ordinance
  - *15% of new rental development projects  $\geq$  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  $\geq$  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?

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- 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?

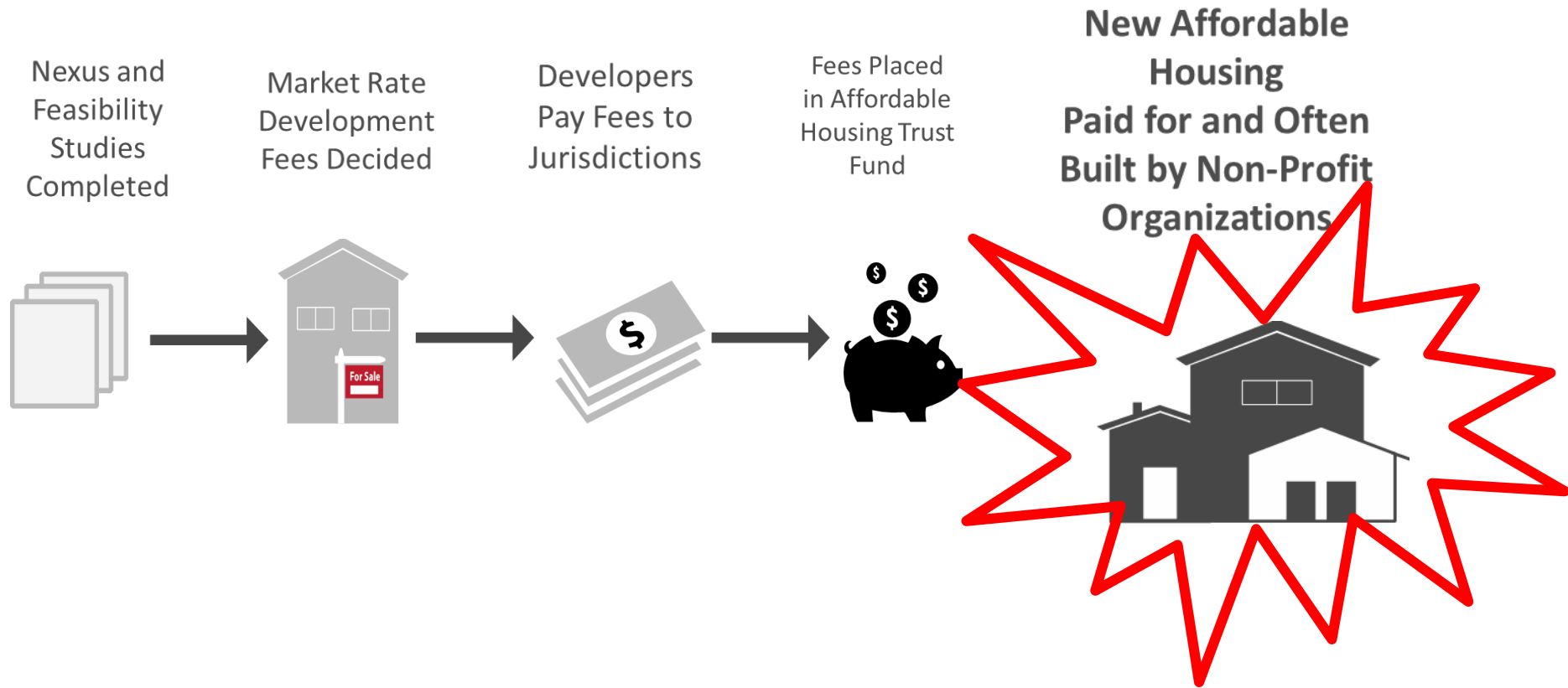
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- Assesses the connection between new development and the need for affordable housing
  - *Residents of new housing spend money on goods and services (restaurants, childcare, landscaping, etc.)*
  - *New commercial development needs new workers*
  - *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

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# Types of Development Subject to Housing Impact Fees

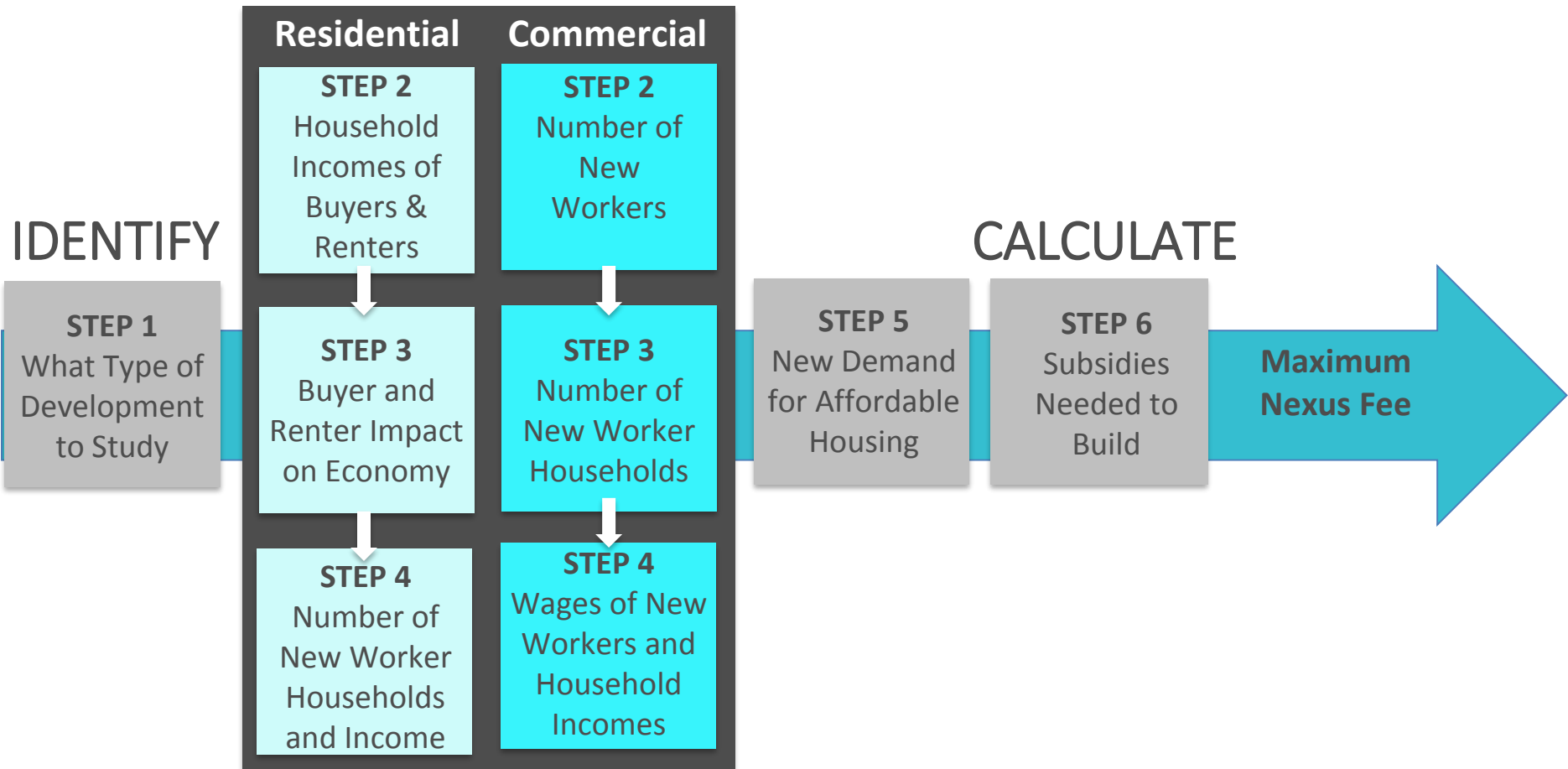
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- Residential
  - *Single-Family Detached*
  - *Townhomes*
  - *Apartments and Condominiums*
- Commercial
  - *Office – Including medical office and R&D*
  - *Retail – Including restaurants and services*
  - *Hotel*





# Nexus Study Process



# What Is A Feasibility Study?

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- 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

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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)
<b>Maximum Supportable Fee per Feasibility Study</b>					
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
<b>Recommended Impact fee</b>					
Per Square Foot	\$10-\$15	\$10-\$15	\$5-\$15	\$5-\$10	\$5-\$10
<p>*Consultant recommends that the fee be per square foot to provide for greater consistency and predictability.</p> <p>#Per square foot calculation would exclude parking, corridors and other common areas.</p>					

# 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

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- 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

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- 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?