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Staff Report for a City of San Leandro City Council Resolution to Approve a Partial Waiver of Park Facilities Development Impact Fees for Residential Developments at 15693 East 14th Street and 110 East 14th Street in the total amount of \$4,454,346

SUMMARY AND RECOMMENDATIONS

Staff recommends that the City Council adopt a Resolution approving a partial waiver of Park Facilities Development Impact Fees for residential developments at 15693 East 14th Street and 110 East 14th Street in the total amount of \$4,454,346.

BACKGROUND and DISCUSSION

The San Leandro General Plan establishes a parkland standard of 4.86 acres of parkland per 1,000 residents. In order to achieve this standard, the City of San Leandro requires new residential development to pay a Park Facilities Development Impact Fee (the "Park Impact Fee"). The purpose of this requirement is to ensure that there is adequate parkland to serve new residential developments. Developers that dedicate land to the City for park purposes are given a credit against the amount of Park Impact Fees owed. The Park Impact Fee is authorized by State law, including the Mitigation Fee Act and Quimby Act. The City adopted the current Park Impact Fee in 2005 and was supported by a fee study completed at the time. The amount of the fee increases every year to account for inflation.

Because the purpose of the Park Impact Fee is to maintain the amount of park facilities for San Leandro residents on a per capita basis, the Park Impact Fee is based on certain assumptions about residential occupancy rates. Specifically, the Park Impact Fee was established based on an assumed occupancy rate of 2.02 people per multifamily unit and 2.53 people per single family unit.

The City recently approved two multi-family residential projects submitted through the SB 35 streamlined review process by the same applicant, AMG & Associates (the “Applicant”). The first project is located at 110 East 14th Street and consists of 221 units, all of which are studios. The project, which utilized a state density bonus, will be one hundred percent (100%) affordable at the moderate, low and very low-income levels. The second project is located at 15693 East 14th Street and consists of 497 units, of which 405 units are studios and 92 units are one-bedrooms. This project is the first multi-family development to be approved under the Bay Fair TOD Specific Plan and will be fifty percent (50%) affordable at the low and very low-income levels. Under the City’s existing fee schedule, the Park Impact Fees for the two projects are \$3,923,192 and \$8,822,744 respectively. The two projects are collectively referred to as the “Projects.”

The Applicant requests that the City waive a portion of the Park Impact Fees for the Projects. The Applicant contends that because the Projects are primarily composed of studio apartments, the anticipated occupancy factor is well below the 2.02 people per multi-family unit upon which the Park Impact Fee is based. Specifically, the Applicant reports that the average occupancy factor for its portfolio of units is 1.25 people per studio and 1.75 people per one bedroom.

Analysis

The City Council has discretion to waive impact fees for particular projects. Staff carefully reviewed the request for a partial fee waiver from the Applicant and believes that granting a partial waiver of the Park Impact Fee is appropriate. The Projects are unique in that they are overwhelmingly studio apartment units. The Park Impact Fee was established based on an assumed occupancy rate of 2.02 people per multifamily unit. That assumed occupancy rate is not supposed to be an exact measure of the average occupancy of each unit in a specific project, but rather the average occupancy rate of new multi-family units generally. Some projects may have a slightly higher average occupancy rate, and some projects may have a slightly lower occupancy rate. However, while most residential projects have a range of unit sizes, often including 2-bedroom and 3-bedroom units, the Applicant’s Projects are comprised of smaller studio units. Staff is not aware of any past or proposed project in San Leandro that is similarly comprised of mostly studio units.

The Applicant requests that the Park Impact Fee be reduced proportionately to reflect an assumed occupancy of 1.25 people per studio and 1.75 people per one bedroom. Staff believes this request is reasonable given that all units in the Projects are restricted as affordable units (except for manager’s units). California law establishes assumed household sizes for affordable housing units. Specifically, state law assumes an affordable studio unit is occupied by a household of 1 person, and that a one-bedroom unit is occupied by a household of 2 people. While these assumed occupancy rates are not directly applicable to the Applicant’s request, they are a relevant point of comparison. The assumed occupancy rates requested by the Applicant are roughly comparable to similar standards established by State Law.

Proportionately decreasing the Park Impact Fee based on the Applicant’s request would result in a fee reduction of approximately 38% percent for studio units and a fee reduction of approximately 13% for one-bedroom units. This would result in a waiver of \$1,495,474 for 110 East 14th Street, resulting in a Park Impact Fee of \$2,427,718 for FY2021-2022, and a waiver of \$2,958,872 for 15693 East 14th Street, resulting in a Park Impact Fee of \$5,863,872 for FY2021-2022. The total combined fee waiver for both Projects would be \$4,454,346 and the total Park Impact Fees collected would be \$8,291,590, if fees are paid in FY2021-2022.

The Park Impact Fees are increased every year on July 1 to account for inflation, as measured by the San Francisco Bay Area Consumer Price Index for All Urban Consumers or the Construction Cost Index, whichever is higher at the time of adjustment. Because the Park Impact Fees are due at the time the certificate of occupancy is issued, it is possible that the amount of fees owed by the Projects will increase if certificates of occupancy are not issued until FY 2022-2023 or later. The proposed resolution would authorize the fee waiver to increase proportionately based on future increases to the rate of the Park Impact Fees (i.e., a 5% increase in the fee rate will also result in a 5% increase in the total dollar amount of the fee waiver).

The City Council has the discretion to waive impact fees for particular projects, and it is not unusual for a city to decide to waive some or all of the fees for affordable housing projects. Providing a partial fee waiver for the Projects will help make these affordable housing developments more financially feasible and further the City's goal of creating more affordable housing units. If the City Council decides to partially waive the Park Impact Fees for the Projects, that will not create binding precedent for future applicants. The currently established Park Impact Fee will continue to apply to all new residential development projects, and future requests for fee waivers will continue to be considered on a case-by-case basis.

Current Agency Policies

- Advance projects and programs promoting sustainable economic development, including transforming San Leandro into a center for innovation
- Support and implement programs, activities and strengthen communication that enhances the quality of life and wellness, celebrates the arts and diversity and promotes civic pride

Applicable General Plan Policies

- General Plan Housing Element GOAL 53: AFFORDABLE HOUSING DEVELOPMENT
Increase the supply of ownership and rental housing in San Leandro affordable to extremely low, very low, low, and moderate income households.
 - Policy 53.06 NEW RENTAL HOUSING Strongly encourage the development of additional rental housing in the City, including both market rate units and affordable units. It should be recognized that many market rate rentals meet the affordability criteria for moderate income households. Expanded production could increase the supply of workforce housing and address the deficit in housing production for households earning between 60 and 120 percent of the area median income.
 - Action 53.03 B: Support for Non-Profit and For-Profit Affordable Housing Developers - Continue to provide support and information to non-profit and for-profit developers seeking to create affordable housing in San Leandro, including assistance in applications for Low Income Housing Tax Credits, Mortgage Revenue Bonds, Affordable Housing Program funds, and other funding sources.
 - Action 59.04 B: Fee Reductions for Affordable Housing - City
Develop a policy to reduce certain fees for affordable housing projects, provided that such reductions will not adversely affect the City's ability to provide services to the project.

Environmental Review

The proposed Resolution is exempt from the requirements of the California Environmental Quality Act ("CEQA") under Section 15061(b)(3) State CEQA Guidelines because it can be seen with certainty that there is no possibility that the resolution may have a significant effect on the environment.

Legal Analysis

The City Attorney's Office drafted the proposed Resolution.

Fiscal Impacts

Council adopted the Fiscal Year 2021-22 Park Facilities Development Impact Fee revenues (account 122-3809) set at \$1,000,000. Year to date, the city has recognized just over \$57,000 in Park Impact Fee revenues.

While this fee waiver would yield a decrease in revenue received by the City for the Projects, the waiver itself supports the financial viability of the Projects and aligns with the City Council's desired increased investment in affordable housing in San Leandro.

ATTACHMENT

- None

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