



CITY of NAPA

# Converting to an Affordable Housing Impact Fee Ordinance

Bay Area Planning Directors Association

May 30, 2014

# History

- Inclusionary Ordinance adopted in 1999
  - Required affordable housing be included in new development
  - Commercial development paid in-lieu fees
  - Residential development built affordable units (10% of total) on site (or ownership units could opt to pay an in-lieu fee)
  - Fees collected deposited into Housing Trust Fund
  - 2006 – Residential fees updated (no change to commercial fees)
  - 151 on-site units created
  - 1,059 off-site units created through Trust Fund



# Why Change?

- Needed to become Palmer-compliant
- Also facing:
  - Pricing issues in housing market during recession
    - BMR prices > market prices in for-sale homes
  - Philosophical question: is it preferable to have a larger project located near services or a scattered units in more remote location?

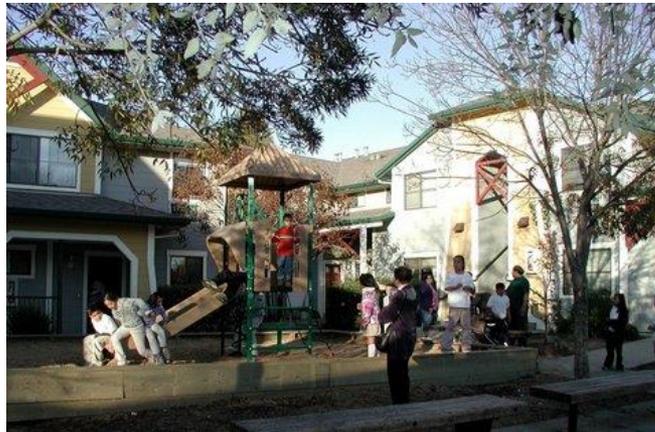


# Conversion to Impact Fee Ordinance

- Fall 2010 – City selected Vernazza Wolfe Associates to conduct nexus studies for Commercial and Residential fees
- Fall 2011
  - Nexus studies completed
  - Initial recommendations presented to stakeholder groups for feedback and input
  - Work with sub-committee of real estate agents and developers on recommendations
- Spring 2012
  - Proposed change from on-site inclusionary ordinance to housing impact fee ordinance with minimal changes to fees
  - Meetings with stakeholders to review and get feedback
- Summer 2012 – ordinance presented to Council
- Fall 2012 – ordinance adopted

# Impact Fee Ordinance

- Switched all fees to impact fees, assessed per square foot
- Maintained existing fee levels for commercial development
- Maintained existing fee levels for ownership residences
- Created a rental housing fee at level at what developers reported is equivalent to cost of providing on-site
- Affordable Housing Task Force would evaluate fee levels



# Impact Fee Ordinance: Commercial

- Industrial, warehouse and wine production categories combined into one “Industrial” category
- Commercial fees maintained at their current rate (set in 1999)

Fee	Office	Hotel	Retail	Industrial
Nexus	\$84.07	\$146.34	\$188.15	\$63.84
Napa County	\$2.00	\$3.00	\$2.00	\$1.00
<b>City of Napa</b>	<b>\$1.00</b>	<b>\$1.40</b>	<b>\$0.80</b>	<b>\$0.50</b>

# Impact Fee Ordinance: Residential

- Fees converted from per unit fees to an equivalent square foot fee
- Ownership (single family or condominium) fees maintained at their current level, adapted to square footage-based fees
- Rental fees created, with input from multifamily developers
- Developers have the option to provide an alternative equivalent to fee

	Single Family	Condo	Rental
Inclusionary Ordinance	\$2.20	\$2.20	N/A*
Nexus	\$14.00	\$11.00	\$12.00
Napa County	\$9.00-\$12.25	\$9.00**	\$5.50
<b>City of Napa</b>	<b>\$2.20</b>	<b>\$2.20</b>	<b>\$3.75</b>

\*Units were previously required to be built on site, no in-lieu fee option available

\*\* County fee for residential ownership projects ranges by size of house. Chart presumes condos are <2001 square feet

# Result = Less Affordable Housing Created

- Current fee does not cover cost to build same number of affordable units
- Example – 20 unit market rate apartment project
  - Under Inclusionary Ordinance – 2 affordable units built in project
  - Under Impact Fee Ordinance – Developer pays \$80,000
    - Average local subsidy required to develop affordable housing = \$86,000-\$104,000 per unit
    - Local subsidy required to develop 2 affordable units = \$172,000-\$208,000
    - Cost to develop units equates to \$8.00-\$9.75 per square foot (versus current fee of \$3.75)

# Other Issues

- Time required to develop affordable housing projects
- Higher cost to build affordable housing
- NIMBY / CEQA challenges

