

Housing Impact Fee

Summary and Benefits:

In the wake of the Palmer decision, which limits the ability of cities to apply inclusionary zoning requirements to rental housing unless some form of financial assistance is provided, many cities have turned instead to the use of development impact fees charged on new, market-rate housing development. Known as “Housing Impact Fees”, these fees are based on an assessment of the extent to which the development of new market-rate housing generates additional demand for affordable housing.

As is the case with Commercial Linkage Fees, adoption of a Housing Impact Fee requires the preparation of a nexus study. Typically, this study will assess the extent to which new market-rate development attracts higher income households who will spend more on retail and services. That increased spending creates new jobs, attracting new workers to live in the city, some of whom will be lower income and require affordable housing..

A financial feasibility study is also recommended to ensure that any Housing Impact doesn't render development infeasible.

Potential Policies:

- Commit to conducting a nexus study and financial feasibility study for a Housing Impact Fee to assess new market rate development for the increased demand that it creates for affordable housing.
- Adopt a Housing Impact Fee, with funds dedicated to an affordable housing trust fund to be used to preserve and expand the supply of affordable housing.

Model Ordinances/Useful Sources:

- City of San Carlos Housing Impact Fee, Affordable Housing Program - Zoning Code Chapter 18.16, Link: <http://www.codepublishing.com/ca/SanCarlos/html/SanCarlos18/SanCarlos1816.html#18.16>, Nexus Study and Fee Analysis: <http://www.21elements.com/Download-document/492-San-Carlos-Nexus-Study-Fee-Analysis.html>
- City of Fremont Housing Impact Fee, Affordable Housing - Establishment of Fees - Zoning Code 18.155.090, Link: <http://www.codepublishing.com/ca/fremont/html/Fremont18/Fremont18155.html#18.155.090>
- City of Berkeley Housing Impact Fee Nexus Study, Link: http://www.ci.berkeley.ca.us/uploadedFiles/Clerk/Level_3_-_City_Council/2011/01Jan/2011-01-25_Item_14a_Affordable_Housing_Impact_Fee.pdf
- San Luis Obispo County Housing Impact Fee Nexus Study, Link: <http://agenda.slocounty.ca.gov/agenda/sanluisobispo/1612/QXR0YWNobWVudCBCIC0gUmVzaWRlbnRpYWwgSG91c2luZyBJbXBhY3QgRmVlIE5leHVzIFN0dWR5X0EucGRm/12/n/9978.doc>
- San Mateo County 21 Elements, Development Impact Fee 21 Jurisdiction Grand Nexus Study, Link: *To be added in 2014 to www.21elements.com.*