



A Tradition of Stewardship
A Commitment to Service

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NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors

FROM: Lawrance Florin - Director
Housing and Intergovernmental Affairs

REPORT BY: Nancy Johnson, Housing and Community Development Program Manager - 707-299-1352

SUBJECT: Adoption of a resolution updating Non-Residential Impact Fees

RECOMMENDATION

Director of Housing and Intergovernmental Affairs requests adoption of a resolution updating the nonresidential (commercial) impact fees per Housing Element Program H-2d and the Nexus Study prepared by Keyser Marston at the level recommended by the Planning Commission.

EXECUTIVE SUMMARY

The current Housing Element was adopted in 2009 and contains program H-2d that states that the County will update the Affordable Housing Ordinance to adjust the commercial housing impact fee not less frequently than every time the Housing Element is updated.

To determine whether these fees should be increased or modified, the County contracted with Keyser Marston Associates (KMA) to prepare a nexus study to review the jobs/housing balance in the County. The study analyzes the impact commercial development has on the housing market and more specifically on affordable housing. By using a model that incorporates job types, pay rates, household income limits, building types and occupational distribution of employees, the report presents affordability gaps, which illustrates the total cost of assistance required to make housing affordable.

Housing Fees for commercial development are set by resolution of the Board of Supervisors based on the following land use categories: office, retail, warehouse, industrial and hotel. Fees for affordable housing related to nonresidential development were last amended in 2004 with the previous Housing Element adoption. The current proposal does not contain any changes to the residential fees, which were amended in 2010.

This item was heard before the Planning Commission on October 15, 2014 and again, with a representative from Keyser Marston on November 5, 2014. The Planning Commission voted unanimously to increase the fee further

than the recommendation from Keyser Marston across all types of commercial development.

PROCEDURAL REQUIREMENTS

1. Staff reports.
2. Public comments.
3. Motion, second, discussion and vote on the item.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	Yes
Where is it budgeted?	Commercial Impact Fees are collected with each building permit issued for nonresidential construction and deposited in the Affordable Housing Fund.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	The Board of Supervisors can choose to not increase fees as suggested in the Nexus Study and Commercial Impact Fees would stay at their current rate.
Is the general fund affected?	No
Future fiscal impact:	Each year the Housing and Intergovernmental Affairs Division budgets for use of Affordable Housing Funds and uses those monies for affordable housing projects.
Consequences if not approved:	Commercial Impact Fees would continue to be collected on building permits for nonresidential construction at the current rates.

Additional Information:

ENVIRONMENTAL IMPACT

The project is intended to implement some of the programs in the 2009 Housing Element Update and falls within the scope of the 2009 Housing Element Update EIR adopted June 23, 2009. The program-level Environmental Impact Report (EIR) prepared for the 2009 Housing Element Update certified on June 23, 2009 adequately describes the activities for the purposes of the California Environmental Quality Act (CEQA). [See CEQA Guidelines 15168(c)]. Further, under the General Rule, it can be seen with certainty that there is no possibility the proposed action may have a significant effect on the environment and therefore CEQA is not applicable. (See CEQA Guidelines 15061(b)(3)]. Additionally, the proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION

In 1992, the Board of Supervisors adopted Ordinance 1026 creating a housing trust fund and establishing housing fee requirements for both residential and nonresidential development. The County maintains an Affordable Housing Fund where all the affordable housing fees required by the Affordable Housing Ordinance are to be

deposited. The Affordable Housing Fund monies are to be administered by the Housing Director under the direction of the Board of Supervisors. The Board, if it chooses, may establish an Affordable Housing Advisory Board. Affordable Housing Fund monies must be used to increase, improve, or preserve affordable housing in the County. On an annual basis, the Housing Director is required to prepare a report for the Board of Supervisors that lists all monies in the fund, describes the source of such monies, and details any activities undertaken with the Affordable Housing Fund during the reporting period. Since the Ordinance was adopted, Napa County has loaned over \$21 million dollars to construct or rehabilitate almost 1,000 units of affordable housing.

The current Housing Element of the General Plan was adopted in 2009 and contains Program H-2d, which states that "The County will update the Affordable Housing Ordinance to adjust the commercial housing impact fee not less frequently than every time the Housing Element is updated." The Residential Impact Fees were updated in 2010 and the fees were gradually increased over the course of three years.

Commercial development creates low-income jobs and so increases demand of affordable housing. A nexus analysis is able to quantify and document the linkage between construction of new work place buildings (office, retail, etc.), the employees that work in them and the demand for affordable housing.

While the residential fee was updated in 2010, it was determined, due to the state of the economy, that waiting to update the commercial fees would ensure that any fee increase would not hinder economic recovery. Last year, the County contracted with Keyser Marston Associates (KMA) to create a nexus analysis for commercial development and in addition, per a request from the Affordable Housing Task Force, an analysis of the effect of new vineyard planting and replanting and their impact on the need for affordable housing for agricultural workers.

Once the draft reports were prepared, outreach was started, which included the Napa-Solano Builder's Exchange, the Architect's Exchange, the Napa Chamber of Commerce and all four wine industry groups. After input from the industry groups, it was decided that while the nexus analysis determined a connection between agricultural workers and vineyard planting, the amount of remaining vineyard land and the minimal amount of fees anticipated to be collected are not enough to require a new program.

The last time the commercial impact fees were updated was in 2004. The fee is based on square footage of projects that fit into the following categories: Office, Retail/Restaurant, Industrial/Manufacturing and Warehousing/Storage.

The Planning Commission met twice to discuss the proposed increase in commercial fees and after a presentation and discussion with Kate Funk from Keyser Marston Associates ("KMA"), decided to recommend a fee schedule higher than recommended by staff and the KMA nexus study. The Planning Commission's recommended increase is still within the scope supported by the nexus study, (in the lower range of 3% of building costs per square foot), and below what is considered an amount that would cause a decrease in development. The Planning Commission was confident that the businesses who chose to locate in the County would do so because of the name recognition and desire to be part of the Napa Valley.

Existing Fees		Proposed Fees Per KM report		Proposed Fee recommended by Planning Commission
Office	\$2.00 per square foot	Office	\$5.00 per square foot	\$5.25 per square foot
Retail	\$2.00	Retail/Restaurant	\$5.00	\$7.50
Hotel	\$3.00	Hotel	\$6.00	\$9.00

Industrial	\$1.00	Industrial/Manufacturing	\$3.00	\$4.50
Warehouse	\$0.80	Warehousing/Storage	\$2.00	\$3.60

Warehouse is \$1.00 if under 30,000 sq.ft.

With the demise of redevelopment agencies, it has become more important than ever to have local funding for affordable housing projects. Many believed competition for 9% Tax Credit financing would decline as projects that had a commitment of redevelopment funding made their way through the first few funding cycles, but that has not been the case. To continue to compete for tax credits, a project still requires a substantial commitment of local funding to be successful. The last two projects the County has committed funding for are the Oak Creek Terrace development of 41 units and the Napa Creekside proposal of 57 units. The County has reserved \$1,863,537 and \$2,903,862 respectively for these projects. Historically, the commercial impact fees generated 85% of the funds collected, but since the residential fees were increased in 2010, the fund now is split roughly 50/50. With more commercial development in the pipeline, an update of the fees is appropriate.

This item is specifically exempt from the voting requirements of Article XIIC of the California Constitution because it is a charge imposed as a condition of property development

SUPPORTING DOCUMENTS

- A . Commercial Impact Fee Study
- B . Vineyard Study
- C . Support letter
- D . Resolution

CEO Recommendation: Approve

Reviewed By: Molly Rattigan