

COMMUNITY OUTREACH MEETING NOTES

**Commercial Linkage Fee and Rental Impact Fee
Stakeholder Outreach Meeting**

May 19, 2015 at 1:30 p.m.
Sunnyvale Community Center Board Room

Attendees:

Pat Sausedo, Building Industry Association South Bay Chapter
Dennis Martin, NAIOP
Peter Larko, JP Napoli Companies
Joe Sordi, Irvine Company
Chase Eskel, St. Anton Partners
Geoff Bradley, M-Group

Presenters:

Ernie DeFrenchi, Affordable Housing Manager

Other Staff Present:

Hanson Hom, Community Development Director
Suzanne Isé, Housing Officer
Robert Boco, Sr. Assistant City Attorney
Danielle Greene, Housing Intern

Presentation:

Staff provided a slide presentation with a brief overview of the proposed ordinance and resolutions drafted to codify the proposed new commercial linkage and rental impact fees. These documents were drafted to implement the Council policy direction on these fee proposals provided at hearings in December 2014 and March 2015, based on the findings of the nexus studies that were completed in the prior months. The presentation also reviewed details of the proposed new fee programs, such as the fee rates, applicability to various land uses and project types, exemptions, pipeline provisions, alternatives to payment of the fee, the City's planned use of the fee revenues, and a timeline for potential adoption of the ordinance and fee resolutions.

Attendee Comments/Questions/Discussion:

1. What is the timeline for the Ordinance to be adopted?

Response: June 23 is the tentative date for the first reading of the ordinance and adoption of the fee resolutions. Second reading will likely occur on July 14. The ordinance would take effect 30 days after the second reading upon Council adoption or August 14. Fee resolutions would take effect 60 days after adoption.

2. Is there any history of City Council adopting an Ordinance that provides different direction than what they previously approved?

Response: This is always possible. The Council could adopt higher or lower fees than previously directed in December 2015 and March 2016.

3. What does staff consider a pipeline project?

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Response: Projects approved or for which a planning application has been deemed complete by the Planning Division before the effective date of the ordinance qualify as pipeline projects. However, pipeline projects located in industrial zones may still be subject to the current Housing Mitigation Fee for high-intensity industrial projects.

4. How will the fee revenues be used by the City?

Response: As noted in the nexus studies, the fees would be used primarily for development of new rental housing affordable to lower-income households, however a range of housing project types, such as rehabilitation/preservation projects, acquisition, etc., may also be funded, as well as a small percentage for administration and possibly other programs, consistent with the housing goals and policies in the City's Housing Element, Consolidated Plan, and Council policies.

5. Will the fee revenues be used for homeless shelters or senior housing? Such projects would not seem to be consistent with the nexus studies.

Response: Homeless shelters are not considered housing, they are public facilities, and therefore the housing impact fee revenues are not generally used for shelters. However, as provided in attachments to the staff reports for the Council hearings in December and March, the City has in the past and anticipates continuing to use at least some of the funds for some special needs housing for seniors and/or disabled residents. Local residents on fixed incomes have been adversely affected by the rapidly increasing rents, which have been widely recognized as being driven up by the rapid growth in very high wage jobs in the area. In addition, many seniors or disabled residents do work and often in low-wage jobs such as those recognized by the nexus studies as increasing the need for additional affordable housing.

6. Does staff provide any sort of annual public review of how the City intends to spend the housing funds?

Response: Yes, multiple hearings of this sort are held before funds are spent, including the annual budget workshops and hearings before Council, the Housing and Human Services Commission's review of the housing portions of the budget, the Commission's review of requests for proposals for major projects to be funded with these funds, the Commission and Council hearings on major projects proposed to be funded, and the periodic hearings on the Housing Element, which includes policies and priorities for expenditure of local housing funds. In addition, the budget documents and policy documents are available online.

7. Has staff considered incorporating some of the incentives the City of Fremont recently included when it reduced its rental impact fee from \$19.50 to \$17.50, such as the option of providing on-site affordable units, and exempting units that were "affordable by design" (i.e., 700 square feet or less)? Fremont's on-site units option waives the fee if developers provide approximately 13% of the units as affordable to a range of income levels, from very low to moderate.

Response: As shown in the slide presentation, the City's draft ordinance and resolution provide developers with a fixed-amount dollar credit against the rental impact fee for each on-site affordable unit provided in the project, based on affordability level. The credit is \$300,000 for each Very Low-Income unit and \$150,000 for each Low-Income unit. When you do the math, this translates to about 7% of the units in the project, if the developer provides a combination of very low and low-income units. This would seem to compare favorably to the incentives provided by Fremont.

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8. Has staff considered providing some sort of incentives, such as a fee reduction or waiver, for mixed-use developments, and/or allowing developers to pay the fee at occupancy rather than at building permit issuance?

Response: The City is currently looking at updating some of its policies for mixed use developments through projects such as the El Camino Real Precise Plan update. Currently there is a lot of demand to build residential projects, and it is often hard to incorporate commercial uses without increasing the residential densities to make the project feasible. However, that type of increase can create other issues and complications. Regarding payment at occupancy, that was considered but not included in the final version of the draft ordinance. Another attendee noted there was some program to loan funds to developers for payment of impact fees.

9. Would the City consider extending the life of project entitlements for pipeline projects if there were another downturn in the economy?

Response: It's possible, but it would be entirely at the Council's discretion and, if extended, whether applicable fees would be grandfathered in.