



Department Source: Community Development - BSD

To: City Council

From: City Manager & Staff

Council Meeting Date: November 4, 2019

Re: Affordable Housing Fee Waivers in FY 2019

Executive Summary

As provided by Council Ordinance, this report provides a review of affordable housing building permit fee waivers and abatements approved during fiscal year 2019 (approximately ten months). The Community Development Department provided complete building permit fee waivers for five new dwellings at a total value of \$31,103.36, or an average of \$6,220 fees waived per house. Fees waived include building permit processing fees, water and sewer charges, transportation development charge, and storm water development charges. The FY 2019 waivers are a very small percentage of total fee revenues while delivering some modest financial assistance to affordable housing construction. Staff does not recommend any changes to the program at this time.

Discussion

On November 19, 2018, the City Council approved an ordinance that expanded the Affordable Housing Fee Waiver and Rebate Programs to include a fee waiver incentive for Accessory Dwelling Units (ADUs) and extend the waiver of fees to affordable housing units produced by certified Community Housing Development Organizations (CHDOs), whether or not they are receiving funding from the City's CDBG and HOME programs.

During FY 2019, the City waived \$31,103.36 in fees for five new dwellings, an average of \$6,220 per dwelling. Of the total, \$3,780.96 (12%) are building permit fees, \$3,942.40 (13%) are transportation and storm water development charges, and \$23,380.00 (75%) are utility charges.

Of the five houses that obtained fee waivers in FY 2019, four received substantial other forms of City assistance from HOME and CDBG funds. Those units are required to certify the low-income status of households. The fifth waiver was an accessory dwelling unit which by policy is not required to be sold to a low-income resident. Production of accessory dwelling units are thought to be worth the incentive because they make fewer demands on the environment and, other things being equal, should be more affordable because of their small size.

Fee waivers are one of a large number of tools used to assist the construction of affordable housing units. They are not a stand-alone program. This kind of incentive works best in combination with other programs and incentives. The gap between housing construction costs and affordable pricing for low-income households, without creating resident cost burdens, typically exceeds the amount of the permit waiver alone.



When combined with CDBG and HOME funding, the value of the permit-related fees waived increases the City's local match (local dollars to federal dollars) which is an additional benefit of the program.

Fiscal Impact

Short-Term Impact: At the current rate of activity, building and building-related fees forgone will total approximately \$62,000 over two years, approximately three-quarters of which are enterprise funds.

Long-Term Impact: If current trends continue the amount of fees waived will be \$31,000 per year. As affordable units are added to the inventory the City will offset the cost with the social and environmental benefits of more households living in affordable housing.

Vision & Strategic Plan Impact

Vision Impacts:

Primary Impact: Health, Social Services & Affordable Housing, Secondary Impact: Development, Tertiary Impact: Tertiary

Strategic Plan Impacts:

Primary Impact: Social Equity, Secondary Impact: Infrastructure, Tertiary Impact: Tertiary

Legislative History

Date	Action
6/20/16	Approval of Ordinance 22853 Creating the Affordable Housing Fee Waiver and Permit Fee Rebate Programs
11/19/18	Approval of Ordinance 023715 Repealing Ord. 22853 and Establishing the Affordable Housing Fee Waiver Program

Suggested Council Action

Based on this first year's review of housing fee waivers, staff suggests no changes to the program. Future year reports will provide cumulative data on fees waived as well as numbers of affordable housing units built that use the program.

This report is information. Unless Council directs otherwise, staff will continue the fee waiver program with no changes to the policy.