



Department Source: Community Development - BSD

To: City Council

From: City Manager & Staff

Council Meeting Date: November 5, 2018

Re: Report on Affordable Housing and City Fees

Executive Summary

This report responds to a recent interest in building fee waivers in support of affordable housing and affordable living. An informational report on inclusionary zoning, a request for building-related fee waivers by the Show-Me Chapter of Habitat for Humanity, and a request for a fee waiver program to induce construction of accessory dwelling units have focused attention on the costs of construction permits. The report summarizes existing fees and the existing fee waiver program (for new construction receiving federal funds); describes the historical growth of the fees; and recommends a response to the Habitat request.

A related item introduces an ordinance amending the existing Affordable Housing Fee Waiver and Rebate Programs ordinance which was originally passed in 2016.

Discussion

Fee waivers and reductions as an affordable housing incentive

Reducing fees is one of a number of strategies cities may use to produce affordable housing. Typically waivers are granted as where there is an expectation that persons of low and moderate income will receive affordable housing at an affordable price, or at minimum an affordable product will be delivered (see related report on accessory dwelling units).

Existing fee waiver and rebate program

The city has a small-scale affordable housing fee waiver program and affordable housing fee rebate program. Both programs were created in 2016 by ordinance 22853. The ordinance was developed to leverage federal subsidies to affordable single-family home construction.

The fee waiver waives the entire fee schedule for eligible projects, which is currently limited to owner-occupied single-family affordable housing construction using city funds. Approximately 5-7 houses per year receive fee waivers from the existing program.

The affordable housing fee rebate program allows a rebate of up to \$3,500 for eligible projects that are receiving assistance through the homeownership assistance neighborhood development program and include energy efficiency upgrades which are itemized and sum \$3,500.



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Current City of Columbia building-related fees

In addition to the cost of land, labor, and capital to construct and deliver new housing, the City of Columbia collects a number of fees upon the construction of dwelling. City fees include:

- Building permit fees
- Right of way permit fee
- Water connection charge
- Water meter
- Wastewater connection charge
- Storm water charge
- Development (transportation) charge

The building permit and right-of-way charges pay for building permit application review and inspections and partially recover the Community Development Department costs of providing building safety services. Building permit fees were raised in 2015 and at that time a more objective basis for calculating construction valuation, on which permit fees are based, was included in the ordinance.

The connection charges for water and wastewater are the purchase of equity in the city's water works and wastewater treatment infrastructure respectively. The term system equity fee was adopted in 2015.

The development charge and storm water charge are charges that help fund new construction of transportation and storm water infrastructure throughout the city. The transportation charge is used to offset construction costs on the city's major roadway system.

To assure the public that the fee waivers will have public benefit, cities need to have a process in place to verify incomes of the occupants of the housing that is built with the benefit of the fee reduction.

History of fee increases

The growth in the cost of a residential building permit has grown significantly in the past 20 years.

Some of the significant changes include:

Sewer and water connection charges have grown from \$700 and \$560, respectively, in 1998 to \$2,400 and \$1,576 today.

The transportation development charge was \$.061 per square foot in 1998 and since 2009 has been \$0.50 per square foot. Following a 2005 ballot measure, the growth in this fee followed a schedule prescribed by ordinance.



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Building permit fees were increased in 2012 to ensure recovery of 75 percent of the city's cost to perform building permit processing, plan reviews and inspections. The increases in the building permit share of up-front construction costs alone were not significant.

The residential storm water charge has remained a constant \$0.09 per square foot since its inception in 1993.

In the last five years, the total building-related fees on a 1,500 square foot house with a 450 square foot garage have increased from \$3,953.69 to \$6,660.15, a five year increase of 68 percent.

Habitat Request

At a July 2018 City Council meeting, the City Council acknowledged a letter dated May 2, 2018 from the Show-Me Central Chapter of Habitat for Humanity in which the organization requested a waiver from building-related fees to support their mission of delivering affordable housing. Such waiver would apply to all housing constructed by Habitat in the city limits, including but not limited to houses that include a city subsidy (Community Development Block Grant or HOME funds). Council requested that staff provide information on the current fees, current waiver and rebate programs, and historical data on building-related fees

For a typical 1,248 square foot Habitat home with all city utilities, the total building-related fees are \$6,232.88; more than half of this amount is from the water and sewer connection charges. Fees vary by jurisdiction including water and sewer jurisdiction. By comparison, a 1,306 square foot Habitat house not in the city water or sanitary sewer service territory pays \$1,457.25 in city fees.

Staff believes that if the waiver policy is expanded to include all Habitat houses (unless they fail to meet affordable housing criteria), the same consideration should be made for similar organizations building affordable houses. The ordinance could state that eligibility requires recognition of the organization as a Community Housing Development Organization (CHDO), a HUD-defined term for housing agencies that have strong ties to neighborhoods where affordable housing is needed.

Fiscal Impact

Short-Term Impact: The fiscal impact for the existing fee waiver program is approximately \$15,000-\$22,000 per year. The housing units created would not be built but for the city's federal subsidy and therefore the fiscal impact is mitigated by new rates.

Long-Term Impact: There may be growth in the use of fee waivers in the future. This should be monitored to avoid adverse impacts on the fee schedule and its ability to cover city costs.



Strategic & Comprehensive Plan Impacts

Strategic Plan Impacts:

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

Comprehensive Plan Impacts:

Primary Impact: Livable & Sustainable Communities, Secondary Impact: Land Use & Growth Management, Tertiary Impact: Economic Development

Legislative History

Date	Action
June 20, 2016	An ordinance establishing an affordable housing permit fee waiver and fee rebate program.

Suggested Council Action

A portion of this report is information intended for reference considering the several fee waiver discussions Council has had or may have in the future.

As for the Habitat request for few waivers, staff recommends that the existing fee waiver program be expanded, provided 1. The agencies justify that the subsidy of a fee waiver is needed through analysis of the sources and uses of funding; and 2. The agencies show how the fee waiver will benefit a low- to moderate-income buyer.