

City of Calistoga

Staff Report

TO: Honorable Mayor and City Council
FROM: Lynn Goldberg, Planning and Building Director
DATE: December 20, 2016
SUBJECT: Incentives for Targeted Housing Development Proposals

APPROVED FOR FORWARDING

Dylan Feik, City Manager

1 **ISSUE:** Consider approving the use of certain incentives to encourage the development
 2 of housing for targeted households

3 **RECOMMENDATION:** Adopt attached resolution

4 **BACKGROUND:** A City Council ad hoc housing committee has been exploring ways to
 5 facilitate and encourage the development of housing for current and future members of
 6 the local workforce.

7 The 2015 *Calistoga Median Household Income Survey* concluded that 59.36% of
 8 Calistoga's residents are considered "low income"¹. Furthermore, the 2014 *Housing*
 9 *Linkage Fee Nexus Study* found that most of the jobs created locally over the next 20
 10 years in the hospitality, restaurant, retail and winery industries would fall into this
 11 category. Low-income households are very unlikely to qualify for ownership housing
 12 (except for new self-help units) and therefore primarily need rental units in a range of
 13 sizes.

14 There is also a need for housing for moderate-income households². These households
 15 may have difficulty purchasing and maintaining ownership housing due to down
 16 payment and real estate charges; tightened lending practices; monthly mortgage,
 17 property tax and insurance payments; and ongoing maintenance costs. Although they

¹ Up to \$62,950 for a three-person household

² Up to \$92,951 for a three-person household

18 may be able to accrue the funds necessary to rent a unit, they are likely to spend more
19 than the desired maximum of 30 percent of their income on housing costs.

20 Potential developers of housing that is affordable to these households have identified
21 two significant constraints on its development: the limited availability of Growth
22 Management System allocations, and high utility connection and development impact
23 fees.

24 The housing committee has identified the following incentives that could help address
25 these constraints and attract desired development:

26 • **Utilize Memoranda of Understanding (MOUs) and Development Agreements**
27 **(DAs) to define and achieve desired housing goals and objectives.**

28 The City could use its existing practices of MOUs and DAs, similar to the
29 agreements used for commercial projects in the past, to achieve desired housing
30 projects. The City Council must approve MOUs and DAs in public meetings.
31 They would outline and specify the desired goals and objectives, focus on
32 sustainability objectives (reduced water/electricity demand, green projects, etc.)
33 and be strictly tied to workforce housing.

34 • **Earmark all or a portion of the 237 backlogged Growth Management**
35 **System allocations for target housing by income and product type.**

36 Council recently authorized the use of housing allocations that have not been
37 assigned over the last 10 years, and could “carve out” a large portion of these
38 allocations for specific projects. For example, 80% (190) of the allocations could
39 be reserved for the development of rental housing that is affordable to very low-
40 and low-income households, and the remaining 20% (47) could be reserved for
41 moderate-income households.

42 • **Subsidize or defer utility connection and/or development impact fees for**
43 **target units.**

44 Affordable Housing Fund and/or General Fund funding could be earmarked for
45 this purpose. A minimum amount of \$1 million would probably be needed to have
46 a sufficient impact.

47 **DISCUSSION:** If the Council supports the implementation of these incentives, staff
48 would advise potential developers of their availability and direct that they submit a letter
49 of interest that outlines their proposal. Projects which are currently being reviewed or
50 have already received entitlements will not be eligible for these incentives.

51 The Council could then enter into a memorandum of understanding (MOU) with
52 interested developers to provide assurance that the City is supportive of their proposals
53 in concept. In addition to including details on the proposed rents/prices and types of
54 target units, the MOUs could promote the City’s desire for environmentally-friendly
55 development that is compatible with the community’s character.

56 The MOUs would direct the City Manager to participate in negotiations for a
57 development agreement predicated on a particular development. The City’s practice is
58 to appoint two councilmembers to participate in these negotiations.

59 It should be noted that an MOU is not binding on either party and does not grant project
60 approval; it is a vehicle by which the Council is able to express its support for a proposal

61 in concept and to direct staff to devote resources to prepare a draft development
62 agreement that addresses the various aspects of the project. Actual project review
63 (including an environmental assessment and land use entitlements would be subject to
64 the normal public hearing process before the Planning Commission and the City
65 Council.

66 **CONSISTENCY WITH COUNCIL GOALS AND OBJECTIVES:** Offering incentives to
67 promote the development of housing targeted to local needs would be in conformance
68 with Goal 7, Objective 2 of the City Council's goals and objectives for Fiscal Year 2016-
69 17, which calls for expanding housing opportunities, including workforce housing.
70 Priority Project 5 of this Goal calls for the City to identify sites and funding for a housing
71 project that supports moderate-income households.

72 **FISCAL IMPACTS:** This action item does not have a fiscal impact but may lead to
73 future impacts for Council consideration at a later date. For example, providing
74 subsidies or deferrals for utility connection and/or development impact fees for target
75 units would require funding from the Affordable Housing Fund and/or General Fund.
76 Funding may also be available under the Statewide Community Infrastructure Program
77 (SCIP).

78 **ATTACHMENT**

- 79 1. Draft resolution

RESOLUTION NO. 2016-XXX

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CALISTOGA, COUNTY OF NAPA, STATE OF CALIFORNIA APPROVING THE USE OF CERTAIN INCENTIVES TO ENCOURAGE THE DEVELOPMENT OF HOUSING FOR TARGETED HOUSEHOLDS

1 **WHEREAS**, the City Council’s goals and objectives for Fiscal Year 2016-17, calls
2 for expanding housing opportunities, including workforce housing; and

3 **WHEREAS**, most of the jobs created locally over the next 20 years are
4 anticipated to fall in the “low income” category and will generate a substantial need for
5 rental units in a range of sizes; and

6 **WHEREAS**, there is also a need for all types of housing for moderate-income
7 households who cannot afford the median local sales price of a home; and

8 **WHEREAS**, potential developers of housing that is affordable to low- and
9 moderate-income households have identified the limited availability of Growth
10 Management System allocations, and high utility connection and development impact
11 fees as significant constraints on its development; and

12 **WHEREAS**, the City wishes to offer incentives that could help address these
13 constraints and attract desired housing development; and

14 **WHEREAS**, on September 20, 2016, the Council adopted Resolution No. 2016-
15 078 authorizing unused allocations to be made available for residential development in
16 an amount that does not result in a population growth rate of more than 1.35 percent;
17 and

18 **WHEREAS**, the City also desires to promote residential development that
19 incorporates sustainability measures that result in lower water and electricity usage, and
20 wastewater generation than those of typical development.

21 **NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of
22 Calistoga that the following incentives shall be offered to promote the development of
23 units targeted to low- and moderate-income households:

- 24 1. The City Council shall consider entering into memorandums of understanding
25 and development agreements with developers who propose projects that
26 meet the goals of providing workforce housing to low- and moderate-income
27 households in a sustainable manner to provide assurance that the City is
28 supportive of their proposals.
- 29 2. Two hundred and thirty-seven (237) of the currently unused Growth
30 Management System allocations are hereby reserved for the development of
31 rental housing that is affordable to low-income and moderate-income
32 households.

33 3. The City Council shall consider the expenditure of City funds to subsidize or
34 defer utility connection and/or development impact fees in order to promote
35 targeted housing.

36 **NOW, THEREFORE, BE IT FURTHER RESOLVED** by the City Council that the
37 assignment of Growth Management System allocations and/or the expenditure of City
38 funds shall occur through the execution of memoranda of understanding and/or
39 development agreements in order to ensure that the City's goals as described above
40 are met.

PASSED AND ADOPTED by the City Council at a duly-noticed meeting held the
20th day of December, 2016, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

CHRIS CANNING, Mayor

ATTEST:

KATHY FLAMSON, City Clerk