

Council Meeting On City Housing Fees

Mr. Mayor, council members, and Mr. Spitler; thank you for holding this public meeting to receive input from the community regarding various fees on housing development as well as discussion on our city's budget needs. CAH is appreciative of the city's recognition of a need to review the city's development impact fees especially as it relates to the development of affordable residential housing which some jurisdiction waive as part of their housing subsidies.

More specifically, I would like to address very high cost of housing for our city's existing workers who currently must commute each day from Solano, Lake, and Sonoma counties. This group of commuting workers is not just vineyard workers, they also include our restaurant and resort employees. They include those who work for the city of Calistoga as policeman, fireman, educators, and office staff. And they include some of our local business owners as well as their employees. It wasn't too long ago that the majority of our city's department heads were not able to live within our city limits because of a lack of basic average housing, not just affordable housing. We need basic average housing. There isn't sufficient housing to meet the existing needs of our average, low to moderate income work force.

And to compound this housing shortage, we have just approved, with good reason, the creation of three new major businesses that will increase our need for workforce housing by more than 300 workers. One example of one of our challenges is that one of our new resort developers wanted to be an integral part of our community yet had to settle for a house in St. Helena because of our lack of adequate housing in Calistoga.

I have heard some of our community leadership state that it is their desire to make sure that Calistoga makes these current financial decisions in a very smart and workable business-like manner. You want to be prudent with these funds as well as the fee structure. I think the majority of our community can agree with that. But we also must consider the impact of your decisions upon the many existing working families as well as the 300 plus new families that will be impacted as they join the growing list of commuters into Calistoga each day.

The challenge the council faces is how do you get the city's finances back on track, make the needed repairs and improvements to our city's physical infrastructure (water/sewer and streets/sidewalks), handle the myriad of other community needs, and still allow for the growth of adequate housing within a reasonable period of time?

CAH believes there is a very workable solution for the urgent need for housing that will allow for the paying down our large indebtedness, care for the infrastructure and other community needs, and still create more housing options for our workforce. This would be a win-win situation.

CAH is proposing that the city collaborate with Napa County and the county agencies as well as local non-profit and public agencies to tackle the housing challenge and not try and do it alone. This partner concept is currently being used to handle many other community needs such as the construction and repair of our roads that are shared in common. Education and social services are other examples of how small rural communities partner with the county to care for these needs. All local organizations and upper valley cities are experiencing a shortage of funding. And in such times of shortages small groups need to reach out and join forces. Regarding housing, our region has a unique challenge. Our county has enacted a very large agricultural preserve which has greatly benefited our two core business-wine and hospitality. But an unintended consequence is that we have forced all of our residential housing needs to be built within a very small confined area within each city. Calistoga's confinement is 2.5 sq. mi. which is one of the highest population densities in the county. Our city not only has very high land costs but very little land being available for new housing development.

And the two largest up valley communities, St. Helena and Calistoga, are currently behind on their legal requirements for housing development. St. Helena is facing housing law suits while Calistoga is greatly increasing the size of its work force with the addition of new high end resorts. Neither city has sufficient funds for tackling the task of providing adequate housing plus Calistoga has some very expensive impact fees which can drive up the cost of new construction by 20% - 30%. For our planning on the Oaks project on lower Washington St. the costs of the land plus city impact fees equals 28% of the total costs of the project. In fact the land costs and city impact are almost equal. These two costs make development of any housing within Calistoga's city limits almost impossible.

~~The county is also under a time gun to create housing within its jurisdiction yet the AG preserve prohibits the construction of any housing on agricultural land. However, the county does have some funds available but no land to build upon. The cities have some available land but no funds. It would appear logical that the cities and county might be able to work together for their mutual benefit.~~

So the crux of CAH's proposal is that the county and up valley cities work together, now, in order to take advantage of the current lower construction costs. Housing costs have already begun moving higher but there is still a small window of opportunity.

Main challenges

Calistoga's main housing challenges are: 1) a lack of available or financially affordable land for development, 2) the city's lack of funds for subsidizing housing development for low to moderate income families which needs to include senior housing, 3) the city's lack of funds for the purchase of land for land banking purposes, and 4) the city's current inability to borrow for land banking or construction.

Proposed Solution

- Continue to process the development of the proposed 54 housing unit project on the former Nursing Home parcel on Washington St. This would be an excellent start to handling housing needs for very low to low income families. This project might also meet the new ABAG RHNA housing requirements for 2014-2019.
- Make a formal request to Napa County for the county for discussions on how the city and county might benefit from working together on housing needs. The county has already expressed an interest in doing this and has already spent a large amount of money on a similar concept with the city of Napa. In fact, the Napa Pipe project also includes a sharing concept regarding affordable housing. It seems logical that the upper Valley should also benefit regarding the development of affordable housing.
- The city should partner with CAH for completion of the existing housing project already underway on the lower Washington corridor- The Oaks Project. This project is already in the development process but is stalled because of a lack of funds for the land purchase and

construction gap funding. We have several local banks interested in providing basic long term funding but need the normal local funds to get started. The county has expressed an interest in working with the city on this project.

- CAH has made a purchase agreement with the land owner of The Oaks property with escrow to close by August 2014. This is an important step as it is the only feasible land that is available for purchase and the purchase price is within the CAH's land cost perimeters. Land costs have already begun increasing. Within the past month, St. Helena began working their housing development plan and was surprised by the new increases in land cost within the past six months and had to a \$100,000 more than what the land sold for in December 2012.

CAH's plea to the council is that now is the time to begin working a plan on Calistoga's housing needs. By using the limited in lieu fees from the new resorts and partnering with the county on sharing land costs, the city would not need to use any funds from its general fund, nor deplete its housing funds. And our growing work force really can't wait until the new TOT funds begin to flow before they have access to housing. A wait will be a 3-4 yr. wait and there is no guarantee that any land will be available nor will the construction costs be less. The time for action is now. CAH would like an open discussion on this housing topic as soon as it can be placed upon the city council agenda. We also would like to invite the county to attend so all may hear of what the county may or may not be willing to do.

Thank you again for this opportunity to present another prospective on a community need.