

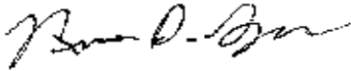
# City of Calistoga

## Staff Report

**TO** Honorable Mayor and City Council  
**FROM** Lynn Goldberg, Planning and Building Director  
**DATE** November 18, 2014  
**SUBJECT** Consider Consultant Fee Studies and Recommendations, Hold a Public Hearing, and Introduce Ordinances Updating the City's Development Impact Fees and Nonresidential Development Housing Linkage Fee

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APPROVAL FOR FORWARDING:




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Richard D. Spitler, City Manager

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1 **ISSUE:** Update of the City's development impact and nonresidential development  
 2 housing linkage fees.

3 **RECOMMENDATIONS**

- 4 1. Consider the Development Impact Fee Study, Nonresidential Development Housing  
 5 Linkage Fee Nexus Study, and Development Impact Fee and Affordable Housing  
 6 Fee Level Recommendations Memorandum
- 7 2. Hold a public hearing on the proposed fees
- 8 3. Move that the City Council read by title only the attached ordinances entitled  
 9 "Ordinance for the Assessment of Development Impact Fees" and "Ordinance  
 10 Amending the Nonresidential Development Housing Linkage Fee" and waive reading  
 11 beyond the title
- 12 4. Move introduction of the ordinances.

13 **BACKGROUND:** The City of Calistoga charges a number of development impact fees  
 14 (i.e., Public Safety, Quality of Life, Traffic Signal Mitigation) to new development that is  
 15 intended to defray its proportionate share of public facilities related to the development  
 16 project. It also assesses a linkage fee on nonresidential development to offset the  
 17 impact of the development on the community's affordable housing needs.

18 These fees were adopted 15 to 20 years ago and need to be updated to reflect the  
 19 current costs of public facilities and equipment, as well as affordable housing. There is

20 also a need to broaden the traffic signalization mitigation fee to a citywide transportation  
21 fee that would be used to fund all types of transportation improvements, including those  
22 related to walking and bicycling.

23 Fee adoption is required by state law to be based on a demonstrable, clear and  
24 reasonable relationship between new development and improvements needed to serve  
25 it. The fees also need to respond to economic realities. To this end, the City contracted  
26 with Economic & Planning Systems, Inc., (EPS) and W-Trans, Inc. to prepare  
27 development impact fee and nonresidential development housing linkage fee studies,  
28 and recommended fees.

29 The City Council held public study sessions on July 29, 2014 and September 23, 2014  
30 to receive public input on the proposed fees. During the second study session, the  
31 Council indicated its probable support for the fees recommended by EPS, which took  
32 into consideration, among other things, the fees assessed by comparable cities in order  
33 to determine their reasonableness and feasibility.

## 34 **DISCUSSION**

### 35 • Development Impact Fees

36 Capital facilities and equipment investments associated with City-provided police, fire,  
37 cultural/recreational, administrative and transportation functions are required to serve  
38 new development in the City during the next 20 years. Sources of City revenue other  
39 than development impact fees, including tax revenues that would be paid by new  
40 development, will be used for many public purposes and therefore will not be sufficient  
41 to offset the burdens on public facilities created by new development. Therefore, it is  
42 necessary to impose one-time charges on new development to defray its proportional  
43 cost of making available capital equipment and facilities that are required to serve the  
44 new development.

45 The power to exact development impact fees arises from the city's police power and the  
46 authority set forth in AB 1600, the Mitigation Fee Act ("Act"), codified at Government  
47 Code Section 66000 *et seq.* The Development Impact Fee Study was prepared  
48 consistent with the most recent relevant case law and the principles of the Act. The  
49 facts and evidence presented in detail in the Study establish that there exists a  
50 reasonable relationship between the need for police, fire, cultural/recreational, City  
51 administrative and transportation functions, and the impacts of the types of new  
52 development and redevelopment for which a corresponding fee is charged, and that a  
53 reasonable relationship exists between the fee's use and the type of new development  
54 and redevelopment for which the fee is charged.

### 55 • Nonresidential Development Housing Linkage Fees

56 Calistoga's historic market orientation towards single-family ownership has resulted in  
57 the limited availability of multi-family housing. Local workers compete for a limited  
58 housing supply with retirees who may have built substantial equity in their prior homes or

59 higher-income households who have more flexibility regarding where they choose to  
60 live. The vacancy rate is extremely low for all types of housing in Calistoga.

61 Much of Calistoga's nonresidential development in the future will primarily be in the  
62 tourist accommodation, commercial and restaurant sectors. The overwhelming share of  
63 jobs that will be generated by this development will pay wages in the very low- and low-  
64 income categories. Workers in these categories will likely only be able to afford rental  
65 multi-family housing.

66 As a result of this type of demand on the City's housing supply, it will be difficult for new  
67 lower-wage workers to find suitable housing in the City without a program designed to  
68 bring the cost of housing down to an affordable range.

69 The cost to construct new housing units is higher than can be supported by the rents  
70 that many workers will be able to pay. The difference between costs and affordable rent  
71 levels is considered an "affordability gap." The costs allocated to new nonresidential  
72 development through the nonresidential housing linkage fee reflect this affordability gap  
73 that needs to be filled in order to provide housing for additional workforce demanded by  
74 nonresidential development.

75 The nexus, meaning the facts and evidence establishing that there exists a reasonable  
76 relationship between new development and the need for the nonresidential housing  
77 linkage fee, is presented in detail in the Nonresidential Development Housing Linkage  
78 Fee Nexus Study prepared by EPS, consistent with the most recent relevant case law,  
79 the principles of AB 1600 (the Mitigation Fee Act) and Government Code Section 66000  
80 et seq.

81 • Proposed Calistoga Municipal Code amendments

82 The City's development impact fees are currently located in two different parts of the  
83 Calistoga Municipal Code (Title 3, Revenue, Finance and Expenditure and Title 17,  
84 Zoning). Staff proposes to consolidate all of the fees in Title 3. Other proposed changes  
85 include moving the school impact fee to a separate chapter in Title 3.

86 The nonresidential development housing linkage fee requirements are proposed to  
87 remain in Chapter 17.08 Affordable Housing, with some modifications to the Chapter's  
88 organization.

89 The Development Impact Fees and Nonresidential Development Housing Linkage Fee  
90 would be established by separate ordinances. The ordinances provide for the approval  
91 of fee exemptions, credits, adjustments and refunds under certain circumstances.

92 The process for adoption requires that the City Council, following a public hearing, hold  
93 a first reading of the ordinances. After the first reading of the title of the ordinances and  
94 of the title of the code to be adopted thereby, the ordinance will return to the Council at  
95 a subsequent meeting for a second reading and adoption.

96 The actual fees are proposed to be adopted by resolution to facilitate potential revisions  
97 in the future. The proposed resolution is attached to this staff report and would be

98 brought before the Council for adoption at the time of the second reading of the  
99 ordinances.

100 **ENVIRONMENTAL REVIEW:** The adoption of development impact fees is not a project  
101 within the meaning of Section 15378 of the State CEQA (California Environmental  
102 Quality Act) Guidelines, because it has no potential for resulting in physical change in  
103 the environment, directly or ultimately. In the event that this action were found to be a  
104 project under CEQA, it is subject to the CEQA exemptions contained in CEQA  
105 Guidelines section 15273 (a) (4), because it constitutes the establishment of charges for  
106 the purpose of obtaining funds for capital projects necessary to maintain service within  
107 existing service areas, and CEQA Guidelines section 15061 (b) (3), because it can be  
108 seen with certainty to have no possibility of a significant effect on the environment.

109 **GENERAL PLAN CONSISTENCY:** The adoption and implementation of development  
110 impact and housing linkage fees would be meet the following objectives and policies,  
111 and fulfill the following actions of the Calistoga General Plan:

112 Housing Element

113 *Objective H-1.3 Provide public services and facilities needed for the*  
114 *development of housing.*

115 *Policy P1.3-1 Ensure that new development does not outpace*  
116 *Calistoga's ability to provide services to meet the*  
117 *existing and future needs of its residents.*

118 *Action A1.3-3 Assess impact fees on development projects to*  
119 *support adequate sewer, water and transportation*  
120 *services, and parks and cultural facilities.*

121 *Action A1.3-4 Periodically review and update development-related*  
122 *impact fees to ensure that fees are commensurate*  
123 *with the cost to the City for providing required*  
124 *infrastructure.*

125 *Objective H-2.3 Address the impacts of nonresidential development*  
126 *and market-rate residential development on the*  
127 *demand for, and the development of, affordable*  
128 *housing.*

129 *Action A2.3-2 Assess affordable housing linkage fees on*  
130 *nonresidential development that are deposited in the*  
131 *Housing Trust Fund to be used, in part, to increase*  
132 *the supply of affordable housing. Periodically review*  
133 *and revise the fees as necessary.*

134 Circulation Element

135 *Objective CIR-1.2 Develop and maintain Calistoga's street network of*

136 *arterials, collectors, primary local and local streets as*  
137 *discussed in Section C of this Circulation Element and*  
138 *shown in Figure CIR-3.*

139 *Policy P1.1-1 Through the Capital Improvements Plan and related*  
140 *impact fees, the City shall ensure that adequate funds*  
141 *are provided to upgrade and maintain the existing*  
142 *circulation network.*

143 *Action A1.1-1 Collect a transportation impact fee from new*  
144 *development to pay for citywide transportation*  
145 *improvements.*

146 Open Space and Conservation Element

147 *Objective OSC-4.1 Provide a comprehensive system of parks and*  
148 *recreation facilities in Calistoga.*

149 *Action A3 Allocate a portion of increased tax revenues from new*  
150 *development (such as transit occupancy taxes,*  
151 *development fees and recreation fund fees) to help*  
152 *fund recreational facilities in Calistoga that are*  
153 *currently needed or may be needed in the future.*

154 Public Safety Element

155 *Objective SER-1.2 Promote coordination between land use planning and*  
156 *fire protection.*

157 *Policy P2 New development projects shall pay a fair and*  
158 *equitable amount to offset the costs for expanded fire*  
159 *services they require.*

160 *Objective SER-2.2 Promote coordination between land use planning and*  
161 *law enforcement.*

162 *Policy P3 New developments shall pay a fair and equitable*  
163 *amount to offset police service expansion that they*  
164 *require.*

165 **CONSISTENCY WITH COUNCIL GOALS:** The adoption and implementation of  
166 development impact and in-lieu fees would fulfill Goal 1, Priority Project No. 2 of the City  
167 Council's adopted goals, objectives and priority projects for Fiscal Year 2014-15.

168 **FISCAL IMPACT:** The City would begin collecting the new fees 60 days following the  
169 ordinances' effective date. The fees would be deposited in specified funds that could  
170 only be spent for capital facilities and equipment. The proposed ordinance provides for  
171 an annual automatic fee adjustment on July 1st, based on the increase, if any, in the  
172 Engineering News-Record 20-city national average construction cost index for the June  
173 preceding the increase and the June one year prior thereto. The annual monitoring of

174 collected and expended fees and a comprehensive fee review after five years is also  
175 provided.

**ATTACHMENTS**

1. Ordinance for the Collection of Development Impact Fees
2. Ordinance Amending the Nonresidential Development Housing Linkage Fee
3. Draft resolution updating the Development Impact Fees and Nonresidential Development Housing Linkage Fees
4. Development Impact Fee Study – Final Report
5. Nonresidential Redevelopment Housing Linkage Fee Nexus Study – Final Report
6. Development Impact Fee and Affordable Housing Fee Level Recommendations Memorandum dated July 7, 2014