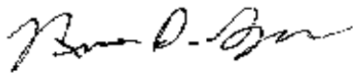


# City of Calistoga

## Staff Report

**TO** Honorable Mayor and City Council  
**FROM** Lynn Goldberg, Planning and Building Director  
**DATE** May 19, 2015  
**SUBJECT** Adoption of In-Lieu Affordable Housing Fee

APPROVAL FOR FORWARDING:




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Richard D. Spitler, City Manager

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1 **ISSUE:** Consideration of adopting a fee to be paid in lieu of providing inclusionary  
 2 (affordable) housing

3 **RECOMMENDATION:** Adopt resolution.

4 **BACKGROUND:** On February 17, 2015, the City Council adopted updated inclusionary  
 5 housing requirements that apply to residential subdivisions of 5 or more parcels or  
 6 condominiums. Projects with 20 or more dwelling units are required to sell at least 20  
 7 percent of the project's total dwelling units to moderate-income households at prices  
 8 that are affordable to them.

9 Development projects of 5 to 19 dwelling units may meet their inclusionary housing  
 10 requirement through payment of an in-lieu fee for each housing unit within the project,  
 11 rather than providing the deed-restricted affordable units. Larger projects may pay in-  
 12 lieu fees under special circumstances, subject to the approval of the City Council. The  
 13 in-lieu fees are required to be deposited into the City's Affordable Housing Fund to be  
 14 used to construct and preserve housing affordable to very low-, low- and moderate-  
 15 income households.

16 Calistoga Municipal Code §17.08.020(D)(4)(a)(ii) requires the amount of this in-lieu fee  
 17 to be set by resolution of the City Council. Economic & Planning Systems, Inc. (EPS)  
 18 was retained by the City to help determine a reasonable in-lieu fee amount.

19 **DISCUSSION:** An analysis prepared by EPS (Attachment 2) concluded that there is a  
 20 per-unit funding gap of \$69,213 between the price of a market-rate home and a unit  
 21 affordable to a moderate-income household of four persons. This funding gap serves as  
 22 the basis for the in-lieu fee.

23 The analysis determined that a maximum in-lieu fee of \$13,843 per unit could be  
24 charged. The following shows the in-lieu fee for a 10-unit market-rate project under the  
25 maximum fee scenario.

26	<u>Maximum in-lieu fee scenario</u>	
27	Inclusionary requirement for 10-unit market-rate project	2 moderate-income units
28	Funding gap for 2 moderate-income units (2 x \$69,213)	\$138,425
29	In-lieu affordable housing fee per project unit	\$13,843

30 As noted in Table 1 of the EPS analysis, affordable housing in-lieu fees charged by  
31 local jurisdictions range from zero to more than \$44,000, with an average of \$12,000.

32 The selection of the appropriate fee level is a policy decision that depends on a complex  
33 set of inter-related development incentive, housing need and public financing  
34 considerations. Development feasibility considerations and cost burdens relative to  
35 other cities suggest that a fee below the maximum level and at the mid-point of other  
36 local cities could be appropriate.

37 EPS recommends setting the in-lieu fee at \$12,000 per project unit because the  
38 maximum fee could negatively affect the financial feasibility of new market rate  
39 residential development. In addition, revenue generated through this fee is just one  
40 source of potential subsidy funds to help finance affordable housing projects. The total  
41 in-lieu fee for a 10-unit project would be \$120,000 under this scenario.

42 Staff therefore recommends adoption of a \$12,000 in-lieu fee.

## **ATTACHMENTS**

1. Resolution
2. EPS Analysis dated April 13, 2015

RESOLUTION NO. 2015-XXX

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CALISTOGA, COUNTY OF NAPA, STATE OF CALIFORNIA SETTING AN IN-LIEU AFFORDABLE HOUSING FEE**

1           **WHEREAS**, Calistoga Municipal Code §§17.08.020(C) and 17.08.020(D) allow  
2 the payment of a fee under certain circumstances in-lieu of providing deed-restricted  
3 affordable units; and

4           **WHEREAS**, Calistoga Municipal Code §17.08.020(D)(4)(a)(ii) requires the  
5 amount of this in-lieu fee to be set by resolution of the City Council; and

6           **WHEREAS**, the in-lieu affordable housing fee provided for herein is based on the  
7 analysis and recommendations contained in the analysis prepared by Economic &  
8 Planning Systems, Inc., dated April 13, 2015 (“Affordable Housing In-Lieu Fee Analysis  
9 for Residential Development”), consistent with the most recent relevant case law and  
10 the principles of AB 1600 (the Mitigation Fee Act), codified at Government Code Section  
11 66000 et seq; and

12           **WHEREAS**, while this fee study established the maximum fee that could be  
13 charged under relevant City policies and California statutes, it is critical that the fee  
14 impose a proportionate burden on new development and be reasonably consistent with  
15 those of comparable cities. Furthermore, imposing the maximum fee could negatively  
16 affect the financial feasibility of new market-rate residential development. In addition,  
17 revenue generated through this fee is just one source of potential subsidy funds to help  
18 finance affordable housing projects; and

19           **WHEREAS**, at least fourteen (14) days prior to the date this resolution is being  
20 heard, notice was provided to any persons or organizations who had requested notice,  
21 in accordance with Government Code Section 66019; and

22           **WHEREAS**, notice of the hearing of the proposed fee was published twice in the  
23 manner set forth in Government Code Section 6062(a) as required by Government  
24 Code Section 66018; and

25           **WHEREAS**, a duly and properly-noticed public hearing was conducted by the  
26 City Council on May 19, 2015;

27           **NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of  
28 Calistoga as follows:

29           **SECTION ONE**

30           Findings.

31           A.     The above recitals are incorporated herein as if set forth herein in full and each is  
32 relied upon independently by the City Council for its adoption of this resolution.

33           B.     The Council finds and determines this fee is consistent with state law (California  
34 Government Code Section 66000 et seq.). Specifically, the EPS Analysis establishes

35 that there is a reasonable relationship between the fee and the cost of meeting a  
36 market-rate development project's inclusionary housing requirement.

37 **SECTION TWO**

38 Adjustments. The City Council may periodically update the In-Lieu Affordable  
39 Housing Fee to reflect changing housing conditions within the community, including the  
40 actual costs of providing affordable housing.

41 **SECTION THREE**

42 Fee Adoption. The City Council hereby adopts an In-Lieu Affordable Housing Fee  
43 of \$12,000.

44 **PASSED AND ADOPTED** by the City Council at a duly noticed regular meeting  
45 held the **19th day of May, 2015**, by the following vote:

**AYES:**  
**NOES:**  
**ABSTAIN:**  
**ABSENT:**

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**CHRIS CANNING, Mayor**

**ATTEST:**

\_\_\_\_\_  
**KATHY FLAMSON, City Clerk**