

# City of Calistoga

## Staff Report

**TO** Honorable Mayor and City Council  
**FROM** Lynn Goldberg, Planning and Building Director  
**DATE** August 1, 2017  
**SUBJECT** Discussion Regarding Affordable Housing Development Impact Fee for Small Residential Ownership Projects

APPROVAL FOR FORWARDING:



Dylan Feik, City Manager

1 **ISSUE:** Council discussion to reconsider an affordable housing development impact fee  
 2 adopted on June 6, 2017 for small residential ownership projects

3 **RECOMMENDATION:** Provide direction to staff

4 **BACKGROUND:** In the interest of facilitating development of housing that is affordable  
 5 at these income levels, the City requires certain residential projects to include affordable  
 6 housing units, known as “inclusionary housing.” The inclusionary housing requirements  
 7 apply to residential subdivisions of 5 or more parcels or condominiums. Subject to City  
 8 Council approval, projects of 5 to 19 dwelling units may meet their inclusionary housing  
 9 requirement through the payment of a \$12,000 in-lieu fee for each housing unit within  
 10 the project, rather than providing deed-restricted affordable units.

11 The development of 4 or fewer dwelling units – such as construction on individual infill  
 12 lots, or on lots created by a parcel map – was exempted, until recently, from providing  
 13 affordable housing or paying an in-lieu fee. On June 6, 2017, the City Council adopted  
 14 an affordable housing fee of \$12,000 for market-rate residential ownership projects of  
 15 1 to 4 dwelling units, finding that the development of residential projects of 1 to 4 units  
 16 results in the same increased demand for housing affordable to low- and moderate-  
 17 income households as do larger residential projects. Accessory dwelling units, and  
 18 dwelling units whose living area (excluding any structured parking) is less than 1,300  
 19 square feet, are exempt from payment of this fee.

20 This recommendation was also consistent with Housing Element Objective H-2.3:

21 *Address the impacts of...market-rate residential development on the demand for,*  
 22 *and the development of, affordable housing.*

23 As additional information, the Calistoga Municipal Code has imposed affordable housing  
 24 fees on new development as the cost of land and its relatively limited availability within  
 25 the city create market conditions that make it difficult for the private sector to produce  
 26 housing that is affordable to moderate- and lower-income households. Furthermore,  
 27 new market-rate households add income to the community that is used to purchase  
 28 local goods and services. Additional consumption generates new local jobs, most of  
 29 which are at lower compensation levels. Low-compensation jobs increase the number of  
 30 lower-income households that cannot afford market rate units in Calistoga and therefore  
 31 need affordable housing.

32 **DISCUSSION:** There has been a recent increase in the construction of these exempted  
 33 single-family homes, and it is likely that small projects will continue to be a significant  
 34 portion of the owner-occupied housing developed in Calistoga. The \$12,000 fee was  
 35 recommended for small residential projects in order to maintain consistency with larger  
 36 projects and the study that determined the affordable housing fee for those projects.

37 The following table provides sale prices or work valuation (i.e., labor plus materials) for  
 38 10 single-family building permits issued or applied for between January 1, 2015 and  
 39 July 26, 2017 that were constructed on in-fill lots or in small subdivisions.

Address	Sale Price	Valuation of Work <sup>1</sup>	Year
933 Petrified Forest	\$1,995,000		2016
1809 Myrtle	1,730,000		2016
1813 Michael	1,870,000		2017
1706 Myrtle		\$320,000	2015
3000 W. Money		982,000	2016
2095 Mora		900,000	2016
1706 Foothill		369,000	2016
3005 W. Money		897,516	2016
1001 Cedar		417,117	2017
1998 Cedar		834,324	2017
1805 Michael		1,300,000	2017
Average	\$1,865,000	\$752,494	

<sup>1</sup> Labor + materials

40 As can be seen from the above table, a \$12,000 fee could be readily absorbed in the  
 41 sales prices of those homes that have been sold. In the case of an owner/builder

42 project, the fee would represent an increase of 18.5 percent in total impact and  
 43 connection fees.

44 **ALTERNATIVES:** Alternatives to the affordable housing fee include the following.

45 1. The Council could consider an approach used by one of the other Napa County  
 46 jurisdictions shown below, which is based on unit size or construction cost.

Jurisdiction	Affordable housing charge	Fee for SFD with 2,500 sq. ft. or construction cost of \$750,000
Napa County	1200-2000 sq. ft.: \$9.00/sq. ft. 2001-3000 sq. ft.: \$10.75/sq. ft. >3000 sq. ft.: \$12.25/sq. ft.	\$26,875
City of Napa	\$2.20/sq. ft.	\$5,500
St. Helena	2.5% of construction cost	\$18,750
American Canyon	\$3.00/sq. ft.	\$7,500

47 2. Another option would be to increase the minimum unit size for assessment of the fee  
 48 from 1,300 square feet to 2,000 square feet to exempt additional units from having to  
 49 pay the fee.

50 3. Council could consider rescinding Resolution 2017-052, thereby not imposing an  
 51 affordable housing fee on the development of 4 or fewer dwelling units.

52 4. Council could consider identifying a new or alternative means or source to fund  
 53 affordable housing projects.