

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Planning and Building	(2) MEETING DATE 11/6/2012	(3) CONTACT/PHONE Ted Bench, Planner 3 – tbench@co.slo.ca.us	
(4) SUBJECT Introduction of proposed amendments to Title 29 – Affordable Housing Fund – fee schedules.			
(5) RECOMMENDED ACTION Introduce the attached resolution to amend the Title 29 fee schedules, and set November 13, 2012 as the date to hold a public hearing on these amendments.			
(6) FUNDING SOURCE(S) Current Budget	(7) CURRENT YEAR FINANCIAL IMPACT N/A	(8) ANNUAL FINANCIAL IMPACT N/A	(9) BUDGETED? N/A
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. _____) <input type="checkbox"/> Board Business (Time Est. _____)			
(11) EXECUTED DOCUMENTS <input checked="" type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? Yes	(16) AGENDA ITEM HISTORY <input checked="" type="checkbox"/> N/A Date _____	
(17) ADMINISTRATIVE OFFICE REVIEW Reviewed by Leslie Brown			
(18) SUPERVISOR DISTRICT(S) All Districts			

County of San Luis Obispo



TO: Board of Supervisors
FROM: Planning and Building / Ted Bench, Planner III
VIA: Chuck Stevenson, Division Manager
DATE: 11/6/2012
SUBJECT: Introduction of proposed amendments to Title 29 – Affordable Housing Fund – fee schedules.

RECOMMENDATION

Introduce the attached resolution to amend the Title 29 fee schedules, and set November 13, 2012 as the date to hold a public hearing on these amendments.

DISCUSSION

Annual Fee Adjustment and Nexus Studies

Title 29 – the Affordable Housing Fund of the San Luis Obispo County Code -- requires the Board to consider annual adjustments to the affordable housing fee schedules. The Board shall adopt a resolution reflecting any actions taken with regards to the fee schedules.

The fees may be adjusted to reflect the following changes:

- Annual construction cost changes
- Periodic update of the fee formulas
- Five-year phase-in period

The County's inclusionary housing ordinance allows developers to meet their affordable housing requirements by providing affordable dwellings, paying fees, or donating land. Residential projects pay in-lieu fees, and commercial projects pay housing impact fees pursuant to the Title 29 fee schedules. Title 29 also requires the County to consider annual fee adjustments. The annual adjustments may reflect changing construction costs and a periodic review of the fee formulas.

This year two Nexus Studies were prepared that reviewed the Title 29 fee formulas for residential and commercial projects. The Studies recommend significant changes due to the current housing market prices, construction costs, and the affordable housing needs caused by today's residential and commercial projects in the County. The Studies offer a legally defensible set of fees for Title 29. They update the fee schedules from the previous studies in 2007.

The Nexus Studies recommend that the in-lieu fees be reduced from the current **\$10.00/SF to \$3.55/SF**, and that most of the housing impact fees be increased by 30% to 50%, as follows:

Type of Property	2012 Fees	Commercial Nexus Study	% of Change
Commercial Retail	\$2.22	\$3.24	46%
Commercial Service / Office	\$2.58	\$2.25	-13%
Hotel/Motel	\$2.22	\$3.40	53%
Industrial/Warehouse	\$1.03	\$1.35	31%
Other, Non-Residential	\$1.94	\$2.97	53%

(NOTE: All of the fee amounts described in this report are the “Year 5” fee amounts. The County actually collects 20% of the full fee amounts (“Year 1”). In addition, the 2012 and Nexus Study fees in the chart above reflect 5% of the justified fee amount that could be collected for commercial projects.)

The Studies reflect the low housing prices during 2011 and the first half of 2012 in the County. They also reflect more accurate information on new jobs and salaries in the County’s commercial development. The fee schedules in the attached resolution use the recommendations of the Nexus Studies. There is no need to consider the annual construction cost changes since the Nexus Studies use current construction costs.

The Studies document the volume of new construction in the unincorporated areas, the increase in the service population needed to support the new homes and businesses, and the affordability gap between current housing prices and what the support population can afford. This is the support population that serves the homeowners who buy the County’s new housing stock and that provides the employees who work in the new commercial / industrial projects.

Five-Year Phase-In Period

The County is in “Year 1” of a five-year phase-in period for the Title 29 fee schedules. Only 20% of the Title 29 fees are collected. For example, with the current in-lieu of \$10.00/SF for new housing, only \$2.00/SF is collected (20%). If the adjustments of the Nexus Studies are adopted, then 20% of \$3.50 (\$0.70/SF) would be collected from housing development. Most housing impact fees would increase for commercial development (see chart above).

The Planning and Building Department suggests that the Title 29 fee schedules be adjusted to include the recommendations of the Nexus Studies, but that the County leave the fee schedules at “Year 1.” Residential and commercial development is only beginning to recover from the impacts of the economic recession. The fee schedules in the attached resolution reflect the adjustments of the Nexus Studies, but at a reduced amount to reflect Year 1 of the five-year phase-in period.

Action Plan and Annual Report

Title 29 also requires the Department of Planning and Building to prepare an annual report and action plan. Staff will present these documents to the Board for consideration along with the Title 29 fee adjustments at the hearing of November 13, 2012.

Options to Consider

Your Board may wish to consider the following options when adjusting the fee schedules:

1. Stay at “Year 1” and add the fee adjustments of the Nexus Studies.
2. Go to “Year 2” and add the fee adjustments of the Nexus Studies.

NOTE: The attached resolution reflects Option 1, as suggested by staff.

Other Agency Involvement

The attached resolution has been reviewed by County Counsel. County Counsel has approved the resolution as to form and legal effect.

Business Impact Statement

Incorporating the recommendations of the Nexus Studies would update the Title 29 fee schedules to reflect the current volume of construction activities, housing prices, and the affordable housing demands generated by new development. The recommended action, option #1, would soften the permit fee costs for new construction and allow the local building industry more recovery time from the economic recession. The County continues to have the option of stepping up the Title 29 fee schedules to “Year 2” or “Year 3” with each annual fee adjustment cycle.

Financial Considerations

The Board’s action will determine the level of adjustment to the Title 29 fee schedules for FY 2013/2014. Fee changes will go into effect in July, 2013.

These actions do not affect the cost to the County for administering the ordinances.

All County staff costs for administering Title 29 and the inclusionary housing ordinance are contained within the Planning and Building Department budget.

Results

The intended result is to protect the viability of the building industry and to require a fair contribution to address the affordable housing needs caused by new development.

Encouraging the provision of affordable housing helps the County to meet many of its county-wide goals, including the goal of creating more livable communities.

ATTACHMENTS

1. Resolution to Adopt the Annual Adjustment to the In-Lieu Fee Schedule and Housing Impact Fee Schedule of Title 29 – Affordable Housing Fund