

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

(1) DEPARTMENT Planning and Building	(2) MEETING DATE 12/6/2011	(3) CONTACT/PHONE Ted Bench, Planner III / 781-5701 - tbench@co.slo.ca.us	
(4) SUBJECT Hearing to consider the Annual Report and Action Plan prepared in conformance with Title 29 – Affordable Housing Fund, an annual adjustment of the in-lieu and housing impact fee schedules of Title 29 and a Request for Use of Alternative Publication Procedures as authorized by Government Code section 25124 (by instructing the County Clerk to post the full text of these documents in the Clerk’s office within 15 days after the adoption of the resolutions).			
(5) RECOMMENDED ACTION That the Board of Supervisors: <ol style="list-style-type: none"> 1. Receive and accept the Title 29 Annual Report; 2. Adopt and instruct the chairman to sign the attached resolution to approve the Title 29 Action Plan; 3. Adopt and instruct the chairman to sign the attached resolution to adopt the annual adjustment to the in-lieu and housing impact fee schedules of Title 29 4. Direct staff to use alternative publication procedures by instructing the County Clerk to post the full text of these three documents in the Clerk’s office within 15 days after the adoption of the resolutions. 			
(6) FUNDING SOURCE(S) Department Budget	(7) CURRENT YEAR FINANCIAL IMPACT \$0.00	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? Yes
(10) AGENDA PLACEMENT <input type="checkbox"/> Consent <input type="checkbox"/> Presentation (Time Est. _____) <input checked="" type="checkbox"/> Hearing (Time Est. 45 min) <input type="checkbox"/> Board Business			
(11) EXECUTED DOCUMENTS <input checked="" type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A		(12) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A	
(13) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(14) W-9 <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	
(15) LOCATION MAP N/A	(16) BUSINESS IMPACT STATEMENT? Yes	(17) AGENDA ITEM HISTORY <input checked="" type="checkbox"/> N/A Date _____	
(18) ADMINISTRATIVE OFFICE REVIEW 			
(19) SUPERVISOR DISTRICT(S) All Districts -			

County of San Luis Obispo



TO: Board of Supervisors

FROM: Planning and Building / Ted Bench, Planner III

DATE: 12/6/2011

SUBJECT: Hearing to consider the Annual Report and Action Plan prepared in conformance with Title 29 – Affordable Housing Fund, and to consider an annual adjustment of the in-lieu and housing impact fee schedules of Title 29. Also to consider a Request for Use of Alternative Publication Procedures as authorized by Government Code section 25124.

RECOMMENDATION

That the Board of Supervisors:

1. Receive and accept the Title 29 Annual Report;
2. Adopt and instruct the chairman to sign the attached resolution to approve the Title 29 Action Plan;
3. Adopt and instruct the chairman to sign the attached resolution to adopt the annual adjustment to the in-lieu and housing impact fee schedules of Title 29
4. Instruct the County Clerk to post the full text of these three documents in the Clerk's office within 15 days after the adoption of the resolutions.

DISCUSSION

Summary

The County has an inclusionary housing ordinance and Title 29 - the Affordable Housing Fund. These County codes allow a developer to pay an in-lieu fee (for residential projects) or a housing impact fee (for commercial projects) instead of providing affordable housing units. The fees are deposited into the Affordable Housing Fund.

Title 29 requires full public disclosure of how the fees are collected and spent. All such activities are described in the attached Annual Report and Action Plan prepared by the Planning and Building Department. Title 29 also authorizes an annual review and adjustment of the fee schedules. Any fee adjustments will become effective within 180 days after Board action, by July, 2012.

The Board has made only one fee change in the past three years due to the economic downturn in the housing industry. Last year, the Board added a 4.1% construction cost adjustment to the FY 2011/2012 fee schedules. The fees remain at "Year 1" of a five year phase-in period. The Board's options for fee adjustments are described below in Discussion – Part 3.

Additional time is reserved on the Board of Supervisors meeting of January 17, 2012, in case the Board directs staff to return with changes to the Annual Report, the Action Plan, and/or the Title 29 fee adjustments.

Part 1: Annual Report

The attached Annual Report follows the requirements of Title 29 Section 29.05.010. The report describes several things: 1) the amount of Title 29 fees that were collected and spent, 2) the affordable housing projects that were funded, 3) the number of housing units produced, and 4) the number of individuals assisted.

The following table shows the amount of revenues received and spent between October, 2010 and October, 2011.

Summary of All Accounts
Between October, 2010 and October 2011

Account	Starting Balance (+)	Income from Fees** (+)	Income from Interest (+)	Disbursements (--)	Amount Available
In-Lieu Fees	\$8,747.95	\$1,640.00	\$47.40	\$4,512.97	\$5,922.38
Housing Impact Fees	\$27,542.11	\$5,484.92	\$205.74	\$0	\$33,232.77
Total	\$36,290.06	\$7,124.92	\$253.14	\$4,512.97	\$39,155.15

** A 5% administrative fee has already been subtracted from the fee amounts shown in this column, as provided for by Section 29.03.010.

In August, 2011, \$4,512.97 was spent to help pay the public facilities fees for 11 houses (\$410.27 per unit). These houses are in a Nipomo subdivision being built by People’s Self-Help Corporation. Eleven low and very low home owners were assisted.

The In-lieu fees are collected from residential projects and may be spent on construction related costs (i.e. permit fees) for affordable housing. Housing impact fees are collected from commercial projects and may be spent only for construction of affordable housing. These spending restrictions are set by Title 29 and related state mitigation fee codes.

Part 2: Annual Action Plan

The Board approved Action Plan for 2012 will direct the use of the affordable housing fees for the coming year. Pursuant to Title 29 Section 29.05.020, the Action Plan describes the affordable housing projects to be funded and the funding amounts for each project.

Previously, staff has recommended carrying over the affordable housing funds every year until enough funds are available to construct an affordable housing unit. It takes approximately \$100,000 in County funds, combined with other funding sources, to produce one affordable unit. However, there has never been \$100,000 in the Title 29 fund accounts since they were established in 2008. And in five years, by 2014, uncommitted funds must be returned to the contributing projects that paid the fees. Staff now recommends spending the available affordable housing funds on eligible projects. Staff suggests that eligible units should be affordable housing units that are deed restricted or that conform to the standards of Land Use Ordinance Section 22.12.070 – Housing Affordability Standards. The following table shows the amount of funds available for each area of the county:

Funds Available for Each Area of the County**

Account	North County	South County	Central County	North Coast	Interest	Total
In-Lieu Fees	\$5,874.98	\$0	\$0	\$0	\$47.40	\$5,922.38
Housing Impact Fees	\$6,898.83	\$4,880.35	\$21,247.85	\$0	\$205.74	\$33,232.77
Total	\$12,773.81	\$4,880.35	\$21,247.85	\$0	\$253.14	\$39,155.15

**The County is divided into four Housing Market Areas (see Appendix A – Action Plan – Housing Market Area Map)

Title 29 allows the Board of Supervisors to allocate the Title 29 funds to affordable housing projects within the same planning or housing market area as the projects that generated the funds. All of the funds may be used for to pay for construction costs.

Title 29 requires the Action Plan to identify specific projects that will receive the affordable housing funds. People’s Self-Help Housing Corporation has two “sweat equity” subdivisions that will start or be completed in 2012. Tract 2975 is a six unit townhouse project in Oceano, and Tract 2458, Terebinth Lane, is a 29 lot subdivision in Templeton. All units in both projects are being built by low and very low income homeowners. Also, the Housing Authority of the City of San Luis Obispo has started construction of Moylan Terrace, an 80 unit project in the City of San Luis Obispo. The 80 units will be sold to homebuyers of very low, low, moderate and workforce income levels. The Action Plan allocates the following funding amounts to these projects: Tract 2975 (\$4,893.55), Tract 2458, Terebinth Lane, (\$12,837.61), and Moylan Terrace (\$21,423.85).

The attached Action Plan and resolution reflect these recommendations.

Part 3: Annual Fee Adjustment

Title 29 allows the Board to make annual adjustments to the affordable housing fee schedules. The original fee schedule was adopted in 2008 with a five-year phase-in period due to the economic downturn in the housing industry. Today the Board may consider adopting an annual step increase plus construction cost adjustments to the fees. Adding the cost adjustment keeps the original (2008) fee schedule up to date with current construction costs. Since 2008 the Board has held the fee schedules to “Year 1” and has made one construction cost adjustment. A 4.1% construction cost increase was approved for FY 2011/2012. The Board may consider the following options for the fee schedules that go into effect in July, 2012 (FY 2012/2013):

1. Make no fee adjustments (stay at “Year 1”).
2. Stay at “Year 1” and add the annual construction cost adjustment (an 0.8% increase).
3. Go to “Year 2”.
4. Go to “Year 2” and add the annual construction cost adjustment (an 0.8% increase).

After consideration of the matter your Board may or may not wish to make adjustments to the Title 29 fee schedules. Staff remains concerned at this time that any significant fee increase may hinder economic recovery in the housing industry.

NOTE: Staff suggests that your Board choose Option 2. The attached resolution reflects Option 2. Your Board may direct staff to prepare a resolution for a different option.

Option 1:

- Make no fee adjustments - Stay with “Year 1” of the five-year phase-in period.
- Defer all fee changes to FY 2013/2014.

Table A – Year 1 of the five year phase-in period

Year	Year 1	Year 2	Year 3	Year 4	Year 5
Percentage of fee collected	20%	40%	60%	80%	100%

Table B – Fees for sample projects

Sample Project	Year 1	Year 2	Year 3	Year 4	Year 5
In-Lieu Fee – 2,100 s.f. Residence	\$4,154	\$8,307	\$12,461	\$16,614	\$20,768
Housing Impact Fee – 10,000 s.f. Commercial Retail building	\$4,400	\$8,800	\$13,200	\$17,600	\$22,000

Option 2: The County could stay with “Year 1” and add construction cost adjustments. Title 29 requires the County to use the Construction Cost Index for San Francisco (CCI) as a reference. As of October, 2011, the CCI showed that annual construction costs have increased by 0.8%.

- Stay with “Year 1” of the fee schedule and increase it by 0.8%.
- *The attached resolution reflects fee adjustments of Option 2.*

Table C – Graduated fee increase for sample projects
(with 0.8% construction cost INCREASE)

Sample Project	Year 1	Year 2	Year 3	Year 4	Year 5
In-Lieu Fee – 2,100 s.f. Residence	\$4,154 \$4,187	\$8,307 \$8,374	\$12,461 \$12,560	\$16,614 \$16,747	\$20,768 \$20,934
Housing Impact Fee – 10,000 s.f. Commercial Retail building	\$4,400 \$4,440	\$8,800 \$8,880	\$13,200 \$13,320	\$17,600 \$17,760	\$22,000 \$22,200

Option 3:

- Go to “Year 2” but do not add construction cost adjustments.

Table D – Year 2 of the five year phase-in period

Year	Year 1	Year 2	Year 3	Year 4	Year 5
Percentage of fee collected	20%	40%	60%	80%	100%

Table E – Fees for sample projects (WITHOUT construction cost changes)

Sample Project	Year 1	Year 2	Year 3	Year 4	Year 5
In-Lieu Fee – 2,100 s.f. Residence	\$4,154	\$8,307	\$12,461	\$16,614	\$20,768
Housing Impact Fee – 10,000 s.f. Commercial Retail building	\$4,400	\$8,800	\$13,200	\$17,600	\$22,000

Option 4: The County could go to “Year 2” and add construction cost adjustments. Title 29 requires the County to use the Construction Cost Index for San Francisco (CCI) as a reference. As of October, 2011, the CCI showed that annual construction costs have increased by 0.8%.

- Go to “Year 2” of the fee schedule and increase it by 0.8%.

Table F – Graduated fee increase for sample projects
(with 0.8% construction cost INCREASE)

Sample Project	Year 1	Year 2	Year 3	Year 4	Year 5
In-Lieu Fee – 2,100 s.f. Residence	\$4,154 \$4,187	\$8,307 \$8,374	\$12,464 \$12,560	\$16,614 \$16,747	\$20,768 \$20,934
Housing Impact Fee – 10,000 s.f. Commercial Retail building	\$4,400 \$4,440	\$8,800 \$8,880	\$13,200 \$13,320	\$17,600 \$17,760	\$22,000 \$22,200

OTHER AGENCY INVOLVEMENT/IMPACT

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

BUSINESS IMPACT STATEMENT

The recommended action, option #2, would add a minimal fee increase to residential and commercial permit applications. The year-to-year construction costs have increased by 0.8%, and the Title 29 fee schedules would be adjusted to reflect this 0.8% increase. However, option #3 and #4 would allow a step increase to “Year 2” of the five year phase-in period, and would result in a 100% increase over the “Year 1” phase of the fee schedules.

The economic impact and nexus studies that were prepared in conjunction with Title 29 indicate that the Building Design & Construction cluster will be able to absorb the impact of the Title 29 fees after the fees have been fully implemented at the end of the five-year phase-in period.

FINANCIAL CONSIDERATIONS

It’s hard to anticipate the amount of Title 29 fees that will be collected in 2012. Prior years have given wide swings. The total amount of in-lieu and housing impact fees that were collected by calendar year has been as follows: \$11,006.76 in 2009, \$30,386.15 in 2010, and \$2,022.07 in 2011. At the end of 2012, the Board will consider how to use the Title 29 fees that are collected this coming year.

In today’s action, the Board will determine the allocation of the available Title 29 funds, and also the level of adjustment to the Title 29 fee schedules for FY 2012/2013. Funding allocations become effective once the Action Plan is approved, and fee changes will go into effect in July, 2012.

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 new development and to require a fair contribution to address the affordable housing needs caused by community growth. The recommended actions may generate more fee revenues or may encourage developers to avoid the fees by producing more affordable housing units.

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. Attachment A - Affordable Housing Fund Action Plan - 2012
2. Attachment B - Affordable Housing Fund Annual Report - Fiscal Year 2010-11
3. Attachment C - Resolution to adopt the annual adjustment to the in-lieu and housing impact fee schedules of Title 29
4. Attachment D - Resolution to approve the Annual Action Plan for Year 2012