

TOWN COUNCIL STAFF REPORT

Subject: Housing Fee Nexus Study and Housing Impact Mitigation Fee Schedule (continued from June 17, 2015)

Meeting Date: July 1, 2015

Written by: Jen Daugherty, Senior Planner

RECOMMENDATION:

- a. Adopt the attached resolution making the required findings, approving the Affordable Workforce Housing Fee Nexus Study and Fee Recommendation, and adopting a Housing Impact Mitigation Fee Schedule; and
- b. Direct staff to prepare a staff report and resolution addressing options to backfill the revenue foregone due to the reduced housing impact fees.

BACKGROUND:

On June 17th, the Council held a public hearing to consider the Affordable Workforce Housing Fee Nexus Study and Fee Recommendation (Nexus Study) and the Housing Impact Mitigation Fee Schedule¹. After public comments and Council discussion, the Council continued the hearing to July 1st with the following direction to staff:

- Provide information and analysis regarding lowering the residential fee, which applies to new single family homes and multi-family units.
- Provide more information regarding potential Town fiscal impacts related to the temporary reduction or suspension of housing fees.

Both of these items are addressed in the Analysis/Discussion section, below.

The Nexus Study in the attached resolution (Attachment 1, Exhibit A) has been revised to incorporate the minor corrections noted in the Council's June 17th staff report as well as the correction to the illustrative table on page 16, as identified by Mammoth Lakes Housing, Inc. (MLH).

ANALYSIS/DISCUSSION:

Proposed Reduced Residential Fee

As directed by Council, the proposed residential fee has been lowered from \$7,300 per unit to \$5,700 per unit. The \$5,700 fee relates to the workforce housing need generated by a market-rate unit selling at \$400,000 (Nexus Study page 13).

¹ Please see the June 17th staff report for a discussion of the Mitigation Fee Act and Nexus Study, which is available online: http://mammothlakes.granicus.com/ViewPublisher.php?view_id=4.

Additionally, options to incrementally phase in this fee are available. Based on Council discussion, staff is proposing that the residential fee be phased in at 50% in the first year (\$2,850 per unit), 75% in the second year (\$4,275), and then be assessed at the full rate starting in the third year.

Proposed Housing Fees

Use	Proposed Fee
Residential	\$5,700 per unit*
Lodging	\$3,700 per room
Retail/Restaurants	\$2/gross square foot
Office	\$2/gross square foot
Light Industrial	\$1/gross square foot
Service Uses	\$2/gross square foot

* This fee is proposed to be assessed at 50% (\$2,850) during Fiscal Year (FY) 15-16, 75% (\$4,275) during FY 16-17, and after June 30, 2017, this fee is proposed to be assessed at 100% (\$5,700).

The Town has issued 21 new single family, but no new multi-family, building permits in the current fiscal year. However, the Town expects to issue new multi-family permits during fiscal year 2016-2017 (e.g., Mountainside project, etc.) in addition to new single family permits. Therefore, the Town is estimating approximately 30 new residential permits to be issued during fiscal year 2016-2017. The following table shows the estimated total amounts of the \$5,700 residential housing fee that would not be collected under a temporary fee reduction through phased implementation; the amount varies depending on different reductions and on the number of permits issued.

Estimated Housing Fee Not Collected Annually With Phased Implementation

Number of Residential Building Permits	Amount of Fee Not Collected Based on % of Fee Assessed				
	100% (\$5,700)	75% (\$4,275)	50% (\$2,850)	25% (\$1,425)	0% (\$0)
20	\$0	\$28,500	\$57,000	\$85,500	\$114,000
30	\$0	\$42,750	\$85,500	\$125,250	\$171,000
40	\$0	\$57,000	\$114,000	\$171,000	\$228,000

Based on the proposed phased implementation of residential fees and assuming 30 new residential building permits per year, the Town would not collect \$85,500 in FY 15-16 and \$42,750 in FY 16-17 (\$128,250 in total).

Town Requirements Regarding Temporary Reduction or Suspension of Fees

The Mitigation Fee Act requires that a reasonable relationship is demonstrated between the amount of the fee and the cost of workforce housing attributable to new development. This relationship is demonstrated through the Nexus Study. The recommended fees in the Nexus Study are considerably less than the maximum allowable fees, and assume that the Town, MLH, and other service providers will provide for 70% of the housing need

generated by new development for households at or below 60% of the Area Median Income (AMI).

The Town Council has discretion to reduce a portion of or temporarily suspend the housing fees². The Mitigation Fee Act does not require the Town to backfill any fees not collected due to a Council-directed temporary reduction or suspension. However, the Mitigation Fee Act does not allow the Town to collect fees to address existing deficiencies, such as existing housing needs, not attributable to future development. Therefore, any housing needs that accumulate due to a temporary reduction or suspension of fees cannot be addressed through a fee charged to development at a later date. It is considered best practice to backfill the difference between the full amount of the adopted fee and the temporarily reduced fee to maintain a fully funded housing program.

Therefore, staff recommends that housing fees not collected due to a temporary reduction or suspension be backfilled by the Town. Funding options include the General Fund (e.g., Measure 2002A dollars), future repayments of HELP loans as they are received, and potentially other sources. The amount to backfill would depend on the number of permits issued and the amount of the fee reduction. If Council directs staff to develop options for backfilling the reduced fees, this would be brought back to Council as a separate item (Option 1 or 2).

OPTIONS ANALYSIS

Option 1:

- a. Adopt the attached resolution making the required findings, approving the Affordable Workforce Housing Fee Nexus Study and Fee Recommendation, and adopting a Housing Impact Mitigation Fee Schedule; and
- b. Direct staff to prepare a staff report and resolution addressing options to backfill the revenue foregone due to the reduced housing impact fees.

Option 2: Option 1.a., but with any modifications to the resolution directed by the Town Council, and Option 1.b.

Option 3: Option 1.a, but not 1.b (i.e., adopt the attached resolution, but do not direct staff to prepare a staff report and resolution addressing options to backfill the reduced fees).

Option 4: Continue the public hearing to July 15, 2015.

² A temporary reduction or suspension would not affect entitled projects that have approved Alternate Housing Mitigation Plans (AHMPs) and/or certified CEQA documents that reflect AHMPs or specific housing mitigation fees. Those projects could utilize current housing fees if their AHMPs and/or CEQA documents are modified as such.

Option 1 would allow the Housing Impact Mitigation Fee schedule to become effective in 60 days (August 31st) and would allow staff to bring back a resolution to Council to backfill the reduced fees.

Option 2 would allow the Housing Impact Mitigation Fee schedule, as modified by the Town Council, to become effective in 60 days (August 31st). The option would allow for relatively minor modifications to the attached resolution. This option would also result in staff bringing back a resolution to Council to backfill the reduced fees.

Option 3 would allow the Housing Impact Mitigation Fee schedule to become effective in 60 days (August 31st) and no backfilling of the reduced fees would be brought back to Council unless directed at a later date.

Option 4 would continue the public hearing to July 15, 2015. The Council may consider this option if additional analysis or information is requested by the Council, or if substantial changes to the attached resolution are requested. If these fees were adopted on July 15th, they would become effective on September 14th.

FINANCIAL CONSIDERATIONS:

The establishment of a housing fee as a mitigation option for all development is expected to result in the majority of new projects paying the fee. The Nexus Study identifies maximum allowable fees that the Town could charge and recommended fees based on other available workforce housing funding sources and existing and anticipated housing programs. The fees established should be adequate to serve the identified purpose (i.e., fees should be sufficient for the Town to successfully provide for the workforce needs). The Town anticipates providing a variety of housing programs to meet workforce housing needs. If the fees are not adequate, the Town would have to supplement housing programs and activities with other funds or may have to refund fees. The refund of fees would occur if the Town is unable to utilize the fees to mitigate the impact for which the fees are collected in a reasonable timeframe.

If the Town Council reduces a portion of or temporarily suspends the housing fees, staff recommends that housing fees not collected be backfilled by the Town to maintain a fully funded housing program. Funding options include the General Fund (e.g., Measure 2002A dollars), future repayments of HELP loans as they are received, and potentially other sources. The amount to backfill would depend on the number of permits issued and the amount of the fee reduction. If Council directs staff to backfill the reduced fees, this would be brought back to Council as a separate item (Option 1 or 2).

It is anticipated that additional Town staff administrative costs will be associated with a housing fee program (e.g., annual monitoring and reporting, coordinating use of funds, etc.). The Town anticipates funding these staff costs through Measure 2002A dollars, housing impact fees (Municipal Code Section 17.136.040.G.4³), and/or other sources. It is also anticipated that additional Mammoth Lakes Housing, Inc. (MLH) staff time may

³ This Section identifies that housing fees can be used for the purposes of planning for, administering, subsidizing, or developing workforce housing within Town limits.

be required to manage and monitor existing and new programs and activities funded with housing impact fees.

ENVIRONMENTAL CONSIDERATIONS:

The proposed approval of the Nexus Study and the establishment of a housing impact mitigation fee schedule is not a project as defined by CEQA Section 21065 and State CEQA Guidelines Section 15378(b)(4), as it relates to the creation of a government funding mechanism which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment.

LEGAL CONSIDERATIONS:

The Town Attorney has reviewed this staff report.

Attachments

1. Resolution approving the Affordable Workforce Housing Fee Nexus Study and Fee Recommendation and adopting a Housing Impact Mitigation Fee Schedule
 - a. Exhibit A – Affordable Workforce Housing Fee Nexus Study and Fee Recommendation, June 5, 2015 (revised June 23, 2015)
 - b. Exhibit B – Housing Impact Mitigation Fee Schedule
2. Town Council June 17, 2015 packet (available online:
http://mammothlakes.granicus.com/ViewPublisher.php?view_id=4)