

TOWN COUNCIL STAFF REPORT

Subject: Housing Impact Mitigation Fee Schedule Discussion

Meeting Date: August 4, 2021

Prepared by: Sandra Moberly, Community and Economic Development Director

RECOMMENDATION:

Staff recommends that the Town Council discuss the current housing fees and provide direction on potential changes to the current Housing Impact Mitigation Fee Schedule.

BACKGROUND:

At the July 21, 2021 Town Council meeting the Council conducted a discussion regarding housing-related items and directed staff to bring a discussion item back to Town Council regarding in lieu housing fees. Staff has provided background information on the housing fees as well as information to assist the Council in determining whether changes should be made to the housing fee schedule.

2015 Housing Fee Nexus Study and Housing Impact Mitigation Fee Schedule

The Town Council adopted a Housing Fee Nexus Study and Housing Impact Mitigation Fee Schedule in July, 2015. The Affordable Workforce Housing Fee Nexus Study and Fee Recommendation ("Nexus Study") provided an analysis, methodology, and justification framework for housing fees consistent with the Mitigation Fee Act. The local development community reviewed the Nexus Study and related fees and provided input on the Study and fees.

Consistent with the Housing Ordinance ([Zoning Code Chapter 17.136](#)), residential fees are calculated per unit, lodging fees are calculated per room, and non-residential fees are calculated per gross square foot. The Nexus Study identified the maximum allowable housing fees that the Town could charge for each use and recommended fees based on other available workforce housing funding sources and other appropriate considerations. All references below are excerpted from the Nexus Study which is included as Attachment 1 of this staff report.

In 2015 the Town Council adopted fees that were lower than the maximum fees provided for in the Nexus Study. A major factor that reduced these fees was the assumption that the Town, MLH, and/or other programs or service providers will provide for 70% of the housing need for households at or below 60% Area Median Income (AMI). The recommended fees only cover 30% of the housing need generated by new development for households at or below 60% AMI. The specific factors that contributed to this decision were:

- The availability of Federal and State funding sources for up to 60% AMI households;
- The use of Measure 2002A to fund affordable housing developments;
- The new Enhanced Infrastructure Financing District (EIFD) legislation and the fact that an EIFD could be used to fund affordable housing development; and
- The fact that MLH was in the process of becoming a Community Housing Development Organization (CHDO) which was assumed to be associated with a guaranteed funding stream for affordable housing projects.

The 2015 housing fees are shown in the table below:

Use Category	Use Types	Fee	Additional Information
Residential	Single family homes, multi-family (MF) units	\$5,700 per unit	Exemptions include additions, RMF-1 Zone MF projects of 4 or fewer units where average habitable s.f. does not exceed 1,300 per unit, legal secondary units, and apartments
Lodging	Hotels, motels	\$3,700 per room	Room = a hotel or motel key Fee includes accessory uses in a lodging project (e.g., retail, restaurant, conference, etc.)
Retail/ Restaurants	General retail, bars, cafés, restaurants, coffee shops	\$2 per gross square foot	Any non-residential development that would not contribute new demand for employment or housing (e.g., replacement of an existing use or addition on non-habitable s.f.) or would generate no more than one total new employee is exempt
Office	Offices providing accounting, advertising, architectural, counseling, research, graphic design, interior design, legal, and/or similar services	\$2 per gross square foot	
Light Industrial	Manufacturing, recycling facility	\$1 per gross square foot	
Service Uses	Banks, day care centers, maintenance services, medical services, personal services	\$2 per gross square foot	

2019 Housing Fee Update

On April 17, 2019, the Town Council considered an increase to the Housing Fee within the limits of the existing Nexus Study. Because the Nexus Study established a nexus methodology and determined the maximum allowable fees for the 2015 Housing Ordinance Update, an additional nexus study is not necessary to increase the fees within the parameters allowed in the nexus study. The fees were increased as follows:

Use Category	Use Types	Fee	Additional Information
Residential	Single family homes, multi-family (MF) units	\$5,700 \$6,000 per unit	Exemptions include additions, RMF-1 Zone MF projects of 4 or fewer units where average habitable s.f. does not exceed 1,300 per unit, legal secondary units, and apartments
Lodging	Hotels, motels	\$3,700 \$4,000 per room	Room = a hotel or motel key Fee includes accessory uses in a lodging project (e.g., retail, restaurant, conference, etc.)
Retail/ Restaurants	General retail, bars, cafés, restaurants, coffee shops	\$2.00 <u>2.20</u> per gross square foot	Any non-residential development that would not contribute new demand for employment or housing (e.g., replacement of an existing use or addition on non-habitable s.f.) or would generate no more than one total new employee is exempt
Office	Offices providing accounting, advertising, architectural, counseling, research, graphic design, interior design, legal, and/or similar services	\$2.00 <u>2.20</u> per gross square foot	
Light Industrial	Manufacturing, recycling facility	\$1.00 <u>1.10</u> per gross square foot	
Service Uses	Banks, day care centers, maintenance services, medical services, personal services	\$2.00 <u>2.20</u> per gross square foot	

ANALYSIS:

The 2015 Nexus Study established a nexus methodology and determined the maximum allowable housing fees that can be imposed by the Town. As described previously, the Town Council has the ability to increase the housing fees within the parameters of the Nexus Study without completing any additional analysis. While the fees may be increased simply under the findings of the Nexus Study, the Town Council could make findings to describe the rationale for increasing the housing fees. One or more of the following points may be considered if there is a desire to increase fees:

- Formation of an EIFD is a lengthy process and will require participation of other local taxing agencies and has not proceeded to date.
- MLH became a CHDO in 2016 and, to date, has not received any funding under the CHDO status (State funds are pending for the 11-unit Access Apartments Project).
- The Town and MLH completed an updated housing needs assessment in 2017 detailing an increase in housing needs at all levels of affordability. (The revolving loan fund (RLF) was increased from \$300,000 to \$600,000 to preserve deed restricted units. Funding for RLF includes \$366,000 from in-lieu fees).
- The cost of housing has continued to increase and has been amplified by the COVID-19 pandemic.

- The cost of housing has continued to increase, to the point that even where land is already available (such as The Parcel), mitigation fees alone do not provide enough funding to subsidize the construction of new affordable housing. (The Parcel development requires 418 units to serve households at up to 60% Area Median Income (AMI) based on Infill Infrastructure Grant (IIG) funding. Phase 1 of the project is funded primarily by State and Federal programs).
- Based on recent sales home values in Mammoth Lakes have increased substantially over the past couple of years as has the cost of construction.

Retail/Restaurants/Office/Light Industrial/Service Uses

If the Town Council would like to consider increasing fees for retail, restaurants, office, light industrial, and service uses, staff recommends the fees be increased consistent with the California Construction Cost Index (CCCI). Increases for 2019 - 2020 would result in an increase of approximately 7 percent in the per square foot fees¹. Staff has included a link to the CCCI website as Attachment 2. Please see the updated fees recommended below.

Use Category	Use Types	Fee	Additional Information
Retail/ Restaurants	General retail, bars, cafés, restaurants, coffee shops	\$2.20 \$2.35 per gross square foot	Any non-residential development that would not contribute new demand for employment or housing (e.g., replacement of an existing use or addition on non-habitable s.f.) or would generate no more than one total new employee is exempt
Office	Offices providing accounting, advertising, architectural, counseling, research, graphic design, interior design, legal, and/or similar services	\$2.20 \$2.35 per gross square foot	
Light Industrial	Manufacturing, recycling facility	\$1.10 \$1.17 per gross square foot	
Service Uses	Banks, day care centers, maintenance services, medical services, personal services	\$2.20 \$2.35 per gross square foot	

Residential

The Nexus Study analyzed a range of fees related to the cost of construction of market rate homes subject to the fee. The fees analyzed ranged from approximately \$5,700 to \$8,200 for the \$400,000 to \$800,000 dollar home, respectively. If the Town Council would like to consider an increase in the residential fee, staff has provided several options to consider:

- \$6,000– Maintain current fee, no increase until completion of 2022 nexus study.
- \$6,420 – A 7% increase roughly equivalent to the CPI increases over the past 3 years.

¹ Percentages as follows: 2020: 2.8%; 2019: 3.6%. Total percentage increase: 6.4%

- \$7,300 – Increase associated with the mid-point of the fees suggested in the 2015 nexus study.
- \$8,200 – Increase to the maximum fee allowed pursuant to the 2015 nexus study.

Lodging

In 2015 the lodging fee of \$3,700 per room was determined to be reasonable as it related to development costs for a higher quality lodging development. The lodging fee was determined not to be too burdensome on development, which was analyzed at about one percent of the hypothetical development cost. Based on the updated assumptions described above, the Town Council could consider increasing the lodging fee up to the fee amount originally recommended in the Nexus Study, which was \$9,300 per room. Similar to the Residential fee options described above, staff has provided options for the Lodging Fee:

- \$4,000 – Maintain current fee, no increase until completion of 2022 nexus study.
- \$4,280 – A 7% increase roughly equivalent to the CPI increases over the past 3 years.
- \$6,500 – Increase associated with the mid-point of the fees suggested in the 2015 nexus study.
- \$9,300 – Increase to the maximum fee allowed pursuant to the 2015 nexus study.

RECOMMENDATION:

Staff recommends that the Town Council discuss the current housing fees and provide direction on potential changes to the current Housing Impact Mitigation Fee Schedule. If the Council supports an increase in the fees staff will prepare a resolution for consideration by the Town Council at a future meeting. The fees would take effect 60 days following the adoption of the fees by Town Council pursuant to Government Code §66017(a).

LEGAL CONSIDERATIONS:

The Town Attorney has reviewed this report and his comments have been included.

ATTACHMENTS

Attachment 1: 2015 Housing Fee Nexus Study – available online:
https://www.townofmammothlakes.ca.gov/DocumentCenter/View/5415/Mammoth_Nexus_Memo_20150603_final-w-Appendix?bidId=

Attachment 2: California Department of General Services, Real Estate Services Division:
 California Construction Cost Index (CCCI): <http://www.dgs.ca.gov/resd/Resources.aspx>