

Impact Fee Update 1/27/16

The Community and Economic Development Committee heard a brief summary of the staff report on development impact fees on Tuesday, Jan. 26, followed by public testimony from approximately 40 housing activists organized by East Bay Housing Organizations. EBHO speakers called for immediate impact fees at \$25,000 with few pipeline project exemptions. The 7-8 non-EBHO speakers all called for a phased in approach generally maxing out at \$20,000. Those speakers included the Chamber, Jobs and Housing Coalition, a BID leader, and others. Approximately 15 speakers also came to advocate to use a significant portion of the money raised for park improvements.

The committee had little time for discussion after public testimony, but requested more information from staff. Councilmember Kaplan asked for information about changing the fee zones to include all of West Oakland in Zone 1 in order to capture the increased demand for that area even though rents are not yet as high as other parts of Zone 1. She also asked for more information about why staff is not considering affordable housing fees non-residential development. Councilmember Campbell Washington requested more information about how many pipeline projects would be subject to the fee based on three potential start dates – Jul. 1, Sept. 1, or Dec. 1. She is also supportive of seeing some kind of capital improvement fee beginning in the first year given the dire situation in parks and Oakland Fire Department. Campbell Washington also suggested impact fees on high rise multi-family units be treated differently since Oakland has not yet had a high rise project pencil out. Councilmember Gibson-McElhaney had to leave early and Councilmember Reid had no comments.

The item will come back to the committee's next meeting on Feb. 9.

Summary of Staff Report

Staff's recommendation expanded on their earlier December memo. The two were generally consistent, with the exception that the proposed start date was pushed from Jul. 1, 2016 to Dec. 1, 2016 and staff gave Council an option to consider allowing developers to build affordable units in-lieu of paying the impact fee. The staff report is summarized below.

Policy Questions

Staff asked the Council to consider the following policy questions and provide direction:

- 1.) What should be the target fee levels?
- 2.) What should be the relative distribution of impact fees among three (3) different fee categories (affordable housing, transportation, capital improvements)?
- 3.) How should the fees be phased in over time?
- 4.) What fees should be charged for different types of projects, such as multi-family, single-family, townhome, office, retail, industrial, warehouse, hotel/motel, and institutional?
- 5.) Should different geographic areas (zones) of the City have different fee levels?
- 6.) What, if any, development projects in the pipeline should be subject to the fee? What projects should be exempt from the fee?
- 7.) Whether a construction performance date should be included in the first two years of the program, such as a requirement that a project must be under construction within 12

months of building permit application and if not, the applicable impact fees would increase to the higher amount in place on that date. This policy could incentivize faster unit construction.

Levels by Zone and Land Use

The following tables summarize the staff proposal’s fee levels and phase-in by zone and land use type (See map on page 7). Fee amount would be determined at time of building permit application. Projects that apply before Dec. 1, 2016, would be exempt. The fee will be paid at some point during the permitting process, but it has yet to be determined exactly when. It could potentially be paid in installments upon application, permit issuance, and/or certificate of occupancy.

Residential Impact Fees Zone 1: Zone 1 -- Central /North Oakland and Hills (including Downtown and Jack London Square)

City Staff Proposed Residential Impact Fees (Fee is Per Unit)				
The Date is Based on When the Applicant Applies for Building Permit				
Housing Use Type	Fee Category	12/1/16 – 11/30/17	12/1/17 – 11/30/18	12/1/18 – (target fee)
Multi-family, Zone 1	Affordable Hsg.	\$5,000	\$10,000	\$20,000
	Capital Imp.*	\$0	\$0	\$0*
	Transportation	\$710	\$710	\$710
	Total	\$5,710	\$10,710	\$20,710
Townhome, Zone 1	Affordable Hsg.	\$5,500	\$10,000	\$17,000
	Capital Imp.	\$1,000	\$1,000	\$3,000
	Transportation	\$1,000	\$1,000	\$1,000
	Total	\$7,500	\$12,000	\$21,000
Single-family, Zone 1	Affordable Hsg.	\$5,000	\$10,000	\$20,000
	Capital Imp.	\$1,500	\$4,000	\$4,000
	Transportation	\$1,000	\$1,000	\$1,000
	Total	\$7,500	\$15,000	\$25,000

*An impact fee, yet to be determined, for Capital Improvements will phase in later.

- Note that no capital improvement impact fees are included for multi-family residential units in Zone 1 in the years listed above. However, staff has previously said starting on July 1, 2019 an additional capital improvement impact fee will be added, along with an increase in the transportation impact fee.

Residential Impact Fees Zone 2: West Oakland

City Staff Proposed Residential Impact Fees (Fee is Per Unit)				
The Date is Based on When the Applicant Applies for Building Permit				
Housing Use Type	Fee Category	12/1/16 – 11/30/17	12/1/17 – 11/30/18	12/1/18 – (target fee)
Multi-family, Zone 2	Affordable Hsg.	\$4,000	\$8,000	\$16,000
	Capital Imp.*	\$0	\$0	\$0*
	Transportation	\$710	\$710	\$710
	Total	\$4,710	\$8,710	\$16,710
Townhome, Zone 2	Affordable Hsg.	\$2,000	\$6,000	\$12,000
	Capital Imp.	\$1,000	\$1,000	\$2,000
	Transportation	\$1,000	\$1,000	\$1,000
	Total	\$4,000	\$8,000	\$15,000
Single-family, Zone 2	Affordable Hsg.	\$3,000	\$8,000	\$14,000
	Capital Imp.	\$1,000	\$1,000	\$3,000
	Transportation	\$1,000	\$1,000	\$1,000
	Total	\$5,000	\$10,000	\$18,000

*An impact fee, yet to be determined, for Capital Improvements will phase in later.

Residential Impact Fees Zone 3: East Oakland

City Staff Proposed Residential Impact Fees (Fee is Per Unit)				
The Date is Based on When the Applicant Applies for Building Permit				
Housing Use Type	Fee Category	12/1/16 – 11/30/17	12/1/17 – 11/30/18	12/1/18 – (target fee)
Multi-family, Zone 3	Affordable Hsg.	\$3,000	\$6,000	\$12,000
	Capital Imp.*	\$0	\$0	\$0*
	Transportation	\$710	\$710	\$710
	Total	\$3,710	\$6,710	\$12,710
Townhome, Zone 3	Affordable Hsg.	\$1,000	\$4,000	\$8,000
	Capital Imp.	\$1,000	\$1,000	\$1,000
	Transportation	\$1,000	\$1,000	\$1,000
	Total	\$3,000	\$6,000	\$10,000
Single-family, Zone 3	Affordable Hsg.	\$1,000	\$4,000	\$8,000
	Capital Imp.	\$1,000	\$1,000	\$1,000
	Transportation	\$1,000	\$1,000	\$1,000
	Total	\$3,000	\$6,000	\$10,000

*An impact fee, yet to be determined, for Capital Improvements will phase in later.

- Staff scenario assumes average nominal rent increases of 7.6% per year. The last five years have seen 13.5% per year increases.
- Staff estimates that over 10 years, the city will receive \$60,800,000 for affordable housing, \$5,700,000 for capital improvements, and \$12,800,000 for transportation for a total revenue of \$79,300,000.
- This could potentially fund 320 very low, low, and moderate income units, or 570 very low and low income units. The capital improvements fee could fund 3.8 acres of park improvements or 7,500 sq.ft. of libraries and recreation centers. The transportation fee could fund 23 complete

intersection improvements or 3.5 miles of complete curb, gutter, and street lighting sidewalk improvements.

- The estimated allocation of those funds in the near-term is 77% to affordable housing, 7% to capital improvements, and 16% to transportation. Longer term, the affordable housing allocation would rise to 90%.

Projects Potentially Subject to the Fee

Aside from the fee level and phase-in schedule, a significant policy consideration is determining which projects already in the pipeline are exempted from paying the fee. Staff's proposal would exempt projects that have submitted building permit applications before Dec. 1, 2016. The development community has advocated for exemptions based on date of a complete planning application, while the affordable housing community has advocated for exemptions based on building permit issuance. Projects that have obtained a vested right are exempt by law, but Council may choose to include applying the fee to vesting subdivision applications already submitted, provided such applications have not been approved prior to the impact fees adoption date. (A vesting tentative map confers a vested right to proceed in accordance with the regulations, policies and standards in effect when the tentative map application was complete.) Staff included the definitions below to clarify the benchmarks.

Development Application Benchmark Definitions

Planning application filed: A project application is submitted to the Bureau of Planning and typically has to meet submittal requirements, such as architectural drawings of plans, survey, green building checklist, etc.

Planning application complete: A project application can be incomplete if the case planner notices information that is missing and cannot adequately review the project. An incompleteness letter must be issued within 30 days of the planning application submittal date under state law, otherwise it is automatically deemed complete.

Planning permit approved: A planning project is approved by either the Zoning Administrator, City Planning Commission and/or City Council (depending on the type of application and appeals) after the required 17-day public notice period and a final approval letter is issued.

Building permit applied: A building permit can only be applied for after the planning permit is approved. An applicant will need detailed plans and specifications meeting the current Building Code in order to apply for the building permit.

Building permit issued: Projects that have a building permit issued. Projects with building permits must continue construction and request inspections in order for the building permit to remain valid.

Vested right: Includes (1) projects with a development agreement, (2) projects with a vesting

tentative map; and/or and (3) projects that have building permits and have started substantial construction.

Existing Pipeline Projects

The following table lists the pending development projects still in the pipeline that have complete planning applications or an approved planning permit. Some projects have been in the pipeline for 10 years and have received numerous extensions. It is difficult to determine how many of these projects will actually be built. Those projects that have vesting maps, development agreements, and/or are affordable housing units are shown and then subtracted out of the final column, because they potentially would not be subject to paying an impact fee.

<i>Project Approval Milestone</i>	<i>Total Housing Units</i>	<i>Units with Vesting Maps</i>	<i>Units Subject to Development Agreements</i>	<i>Affordable Housing Units</i>	<i>Remaining Units Potentially Subject to New Impact Fee*</i>
Planning Application Complete	3,304	859	0	59	2,386
Planning Permit Approved	10,500	2,022	235	492	7,751
Total	13,804	2,881	235	551	10,384

The table below shows only recent project applications from January 2014 through the middle of November 2015. Staff believes this represents a more realistic summary of projects that may actually be built than the total number of projects in the pipeline as many of those have received repeated extensions. It also identifies projects that have already applied for their building permit since January 2014, but have not yet been built.

<i>Project Approval Milestone</i>	<i>Total Housing Units</i>	<i>Units with Vesting Maps</i>	<i>Units Subject to Development Agreements</i>	<i>Affordable Housing Units</i>	<i>Remaining Units Potentially Subject to New Impact Fee*</i>
Planning Application Complete	3,698	1,257	0	74	2,367
Planning Permit Approved	1,896	674	235	59	928
Building Permit Applied, but Not Approved	970	372	0	0	598
Total	6,594	2,303	235	133	3,893

Non-Residential Impact Fees

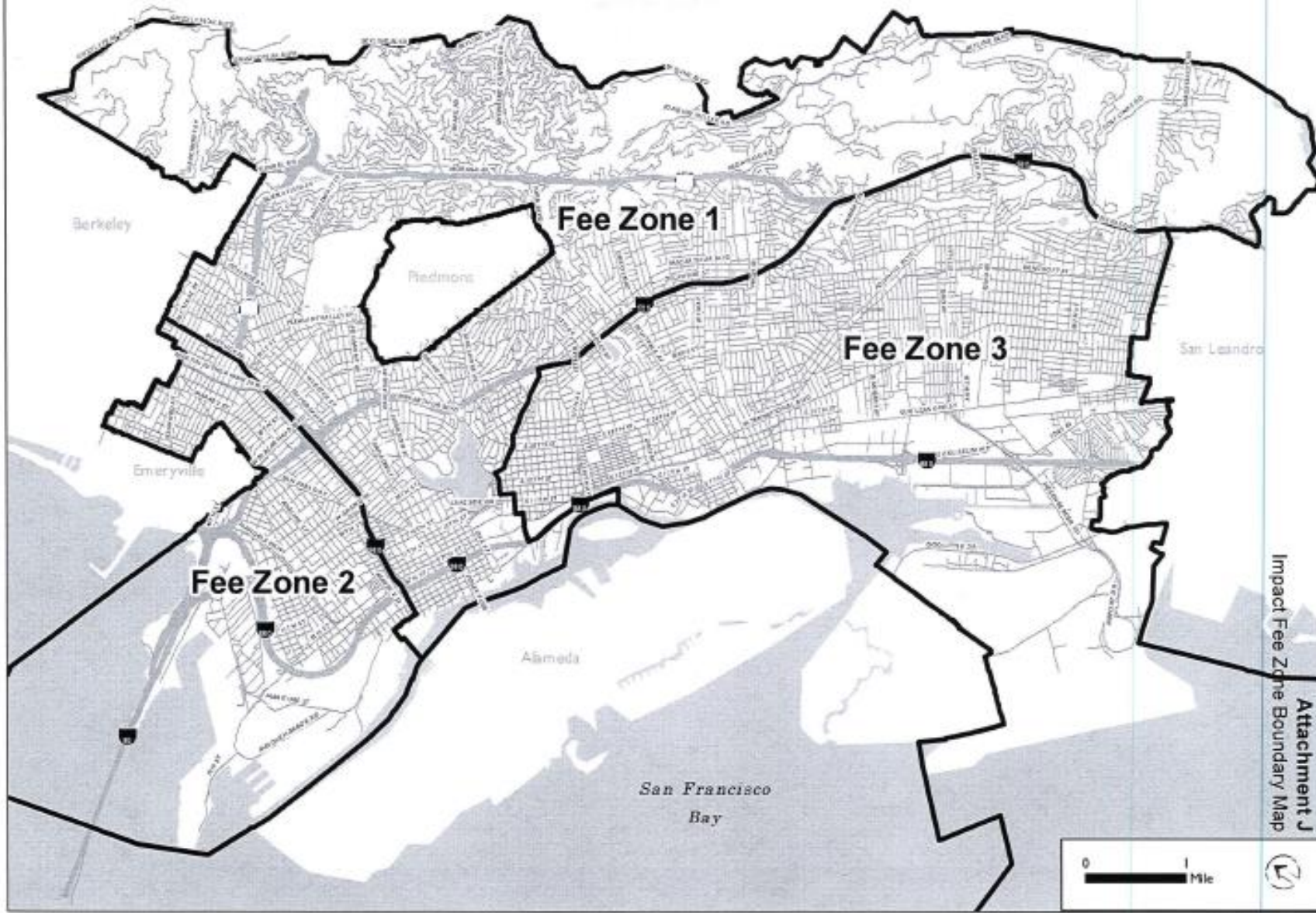
Since Oakland already charges a Jobs-Housing Linkage Fee of \$5.44/sq.ft. on office and warehouse development for affordable housing, staff is not proposing an additional housing impact fee for nonresidential development. However, they are proposing capital improvement and transportation impact fees on commercial development based on land use type. The highest fees would be for office, warehouse, and institutional projects.

Schedule of Fee Amounts for Nonresidential Projects Based on Date of Building Permit Application (per square foot)

Use Type	Fee Type	7/1/16-6/30/17	7/1/17-6/30/18	7/1/18-6/30/19	7/1/19-6/30/20	After 7/1/20 (target fee)	Nexus Study Max Fee
Office*	Cap Imp.	\$0.00	\$0.00	\$1.00	\$1.00	\$2.00	\$6.14
	Trans.	\$0.85	\$0.85	\$1.00	\$1.00	\$2.00	\$14.55
	Total	\$0.85	\$0.85	\$2.00	\$2.00	\$4.00	\$20.69
Retail, Freestanding	Cap Imp.	\$0.00	\$0.15	\$0.25	\$0.25	\$0.50	\$5.17
	Trans.	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$12.78
	Total	\$0.75	\$0.90	\$1.00	\$1.00	\$1.25	\$17.95
Retail, Ground Floor	Cap Imp.	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$5.17
	Trans.	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$12.78
	Total	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$17.95
Light Industrial	Cap Imp.	\$0.40	\$0.40	\$0.75	\$0.75	\$1.00	\$4.04
	Trans.	\$0.60	\$0.60	\$0.75	\$0.75	\$1.00	\$9.40
	Total	\$1.00	\$1.00	\$1.50	\$1.50	\$2.00	\$13.44
Warehouse*	Cap Imp.	\$0.65	\$0.90	\$1.00	\$1.00	\$1.00	\$1.13
	Trans.	\$0.35	\$1.10	\$2.00	\$3.00	\$3.00	\$5.58
	Total	\$1.00	\$2.00	\$3.00	\$4.00	\$4.00	\$6.71
Hotel/Motel	Cap Imp.	\$0.10	\$0.20	\$0.35	\$0.35	\$0.60	\$2.26
	Trans.	\$0.65	\$0.65	\$0.65	\$0.65	\$0.65	\$11.17
	Total	\$0.75	\$0.90	\$1.00	\$1.00	\$1.25	\$13.43
Institutional	Cap Imp.	\$2.50	\$2.50	\$2.50	\$2.50	\$3.00	\$3.23
	Trans.	\$1.50	\$1.50	\$2.50	\$2.50	\$3.00	\$19.54
	Total	\$4.00	\$4.00	\$5.00	\$5.00	\$6.00	\$20.77

*Existing Jobs-Housing Linkage of \$5.44/sq.ft. over 25,000 sq.ft.

DRAFT FOR DISCUSSION PURPOSES - SUBJECT TO CHANGE



Attachment J
Impact Fee Zone Boundary Map

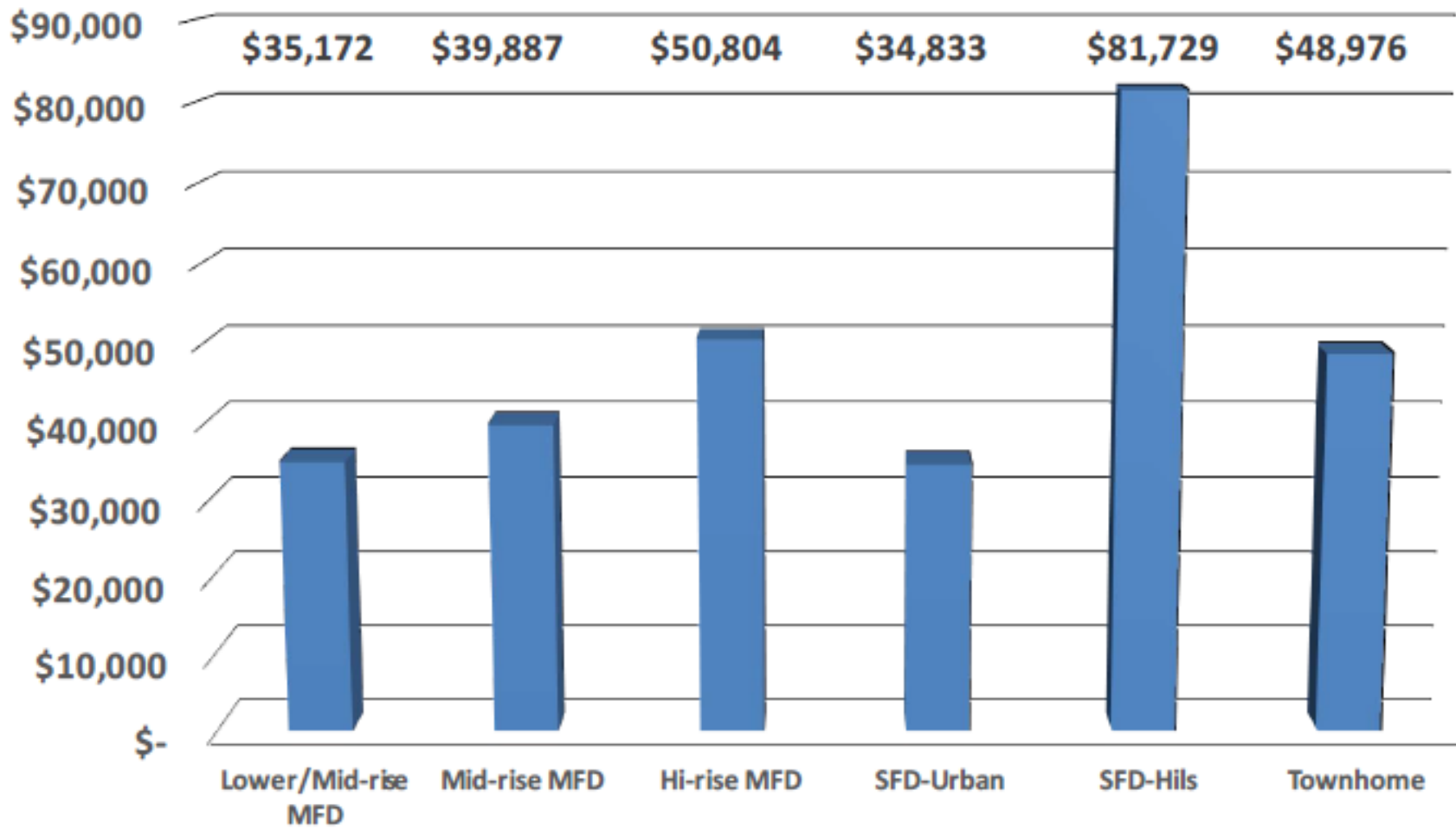


Draft Residential Development Impact Fee Zones

Planning & Building Department
December 18, 2015

Review of Maximum Legal Affordable Housing Impact Fee

Fee Per Residential Unit



Review of Maximum Legal Transportation and Capital Improvements Impact Fees

Fee per Residential Unit

