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DEPARTMENT OF
PLANNING AND DEVELOPMENT

CITY OF SACRAMENTO
CALIFORNIA

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February 7, 1989

BUILDING INSPECTIONS
916-449-5716

PLANNING
916-449-5604

Transportation and Community Development Committee
Budget and Finance Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: HOUSING TRUST FUND (HTF) ORDINANCE (M87-086)

SUMMARY

Staff has prepared a report in response to several issues raised at the November 29, 1988 and December 6, 1988 joint committee hearings on the proposed HTF ordinance.

The following issues are addressed:

1. Link City ordinance to County approval of the ordinance;
2. Compare commercial development fees in the City with the County and nearby jurisdictions to evaluate potential economic impacts;
3. Evaluate exemptions for specific projects;
4. Clarify certain North Natomas requirements;
5. Assess whether an environmental impact report should be prepared for the proposed ordinance.
6. Assure that proposed increase in minimum fee under build option is consistent with the Settlement Agreement.

In preparation for the joint committee's final recommendation, this report includes a revised HTF ordinance (Attachment 11). The attachments to the staff report are listed on page 14. The HTF summary and comparison of housing linkage programs requested by Councilmember Kastanis is also included.

BACKGROUND

1. CONDITIONING THE CITY ORDINANCE ON COUNTY ACTIONS

The joint committee requested staff to develop provisions that would make City approval of the HTF ordinance contingent on County approval of a

2

similar ordinance. The County Board of Supervisors will be considering the City-County Housing Finance Task Force recommendation on March 14, 1989.

The intent of the linkage provision would be to implement the City-County Housing Finance Task Force recommendation for a countywide development fee program to address the regionwide low income housing need to encourage similar housing fees in the City and the County and to minimize any differential economic impacts on lease rates.

Two ways to link the City action to County approval are discussed below. Each would have different legal consequences with regard to the following:

- A. Compliance with the North Natomas settlement agreement.
- B. Consistency with General Plan air quality mitigation measures adopted in connection with the Sacramento General Plan Update in 1987.
- C. Further actions necessary for the City to revise its approval in light of County adoption or failure to adopt.

ALTERNATIVE A - Adopt the ordinance, as presented without a sunset clause, but provide by resolution for its review based on County action on a similar ordinance.

Under this approach, the City Council would adopt the Trust Fund Ordinance as presented, transmit it to the County Board of Supervisors, and urge that the Board adopt a substantially similar ordinance for the unincorporated portion of the County. The Council could direct staff to monitor the County's progress and to report back within a certain number of days on the Board's final action.

Based on the County's action the Council would have discretion to continue the ordinance as adopted, or to amend it in some manner deemed appropriate at the time, or to repeal it. Under this alternative none of the legal issues raised under Alternative B would come into play unless the City chose in its reevaluation to repeal the ordinance.

If the City chose to repeal the ordinance at that time, it would have to conduct an environmental review, probably including an environmental impact report, to analyze the adverse environmental effects from the eliminating this traffic and air quality mitigation measure.

Through this approach, the Council would retain the flexibility and freedom of selecting a course of action on its own volition. Placing sunset language within the ordinance would legally bind the Council to do whatever the ordinance says in the event the Board fails to act or adopts an ordinance which differs in some respect from that which is approved by the Council. At this time it is not possible to predict what the County's ordinance will contain although the initiative for determining what "substantially similar" means could be specified by the Council in its resolution of approval.

2

ALTERNATIVE B - Adopt the ordinance with six month expiration in the event the County fails to adopt a similar ordinance.

Under this alternative, the City ordinance will remain in effect so long as the County adopts a similar ordinance, as defined. The County ordinance could be different from the City's in the amount of the fees and could exclude the option of building market rate units for infill areas. If the County fails to adopt an ordinance as defined within six months, the City ordinance would expire on that date.

It is unclear whether a conditional repeal of the City ordinance would be upheld in court if challenged. Instead, a court might hold that the ordinance simply remains in effect despite the repeal language. Another alternative would be to enact an ordinance for six-month period without any conditions. Then, the Council, if satisfied that the County has adopted a similar ordinance, could simply extend the City's ordinance indefinitely. If the Council wishes to take a "sunset" approach, this latter alternative is recommended by the City Attorney's office.

The fees collected prior to County approval of an ordinance would be placed in escrow so that they could be refunded to those who had paid them. If at the end of the six month period the County has not adopted a similar ordinance and the City elects not to continue the ordinance.

The provisions of the ordinance related to the North Natomas Community Plan would not be part of the linkage with County adoption and would continue permanently regardless of County action. Fees collected from North Natomas would not be held in escrow.

Adoption of the ordinance in this form would not create any legal problems at this time. If the County adopts an ordinance similar to the City's, there would not be any further City action required. However, if the County does not adopt an ordinance similar to the City's and this ordinance expires at the end of six months there could be consequences under the North Natomas settlement agreement and the City's General Plan air quality mitigation policies.

Under the North Natomas settlement agreement, if the City does not adopt a housing trust fund the plaintiffs who signed the settlement agreement would be free to file lawsuits challenging future North Natomas development approvals.

The air quality mitigation measures, including the housing trust fund were not included as part of the General Plan, but were considered as mitigation measures as part of the findings in the approval of the Plan. The City could eliminate the housing trust fund, but the City would probably have to adopt either a new air quality element setting forth ways of mitigating air quality problems or complete the environmental review necessary to indicate the adverse environmental effects of eliminating these air quality mitigation measures.

2

Also, if the ordinance sunsets, and the Council, on further consideration, determines that the Trust Fund is desirable, regardless of what the County does, the Council would have to initiate the ordinance adoption procedure all over again and repeat the public hearing process of the past several months.

Linkage Recommendation

Staff recommends Alternative A as the basis for the ordinance. Staff further recommends that the ordinance include a new finding (City-wide Finding I.M) to reflect the City's intent for the establishment of a countywide housing trust fund program. Under this alternative, the City ordinance would be effective 30 days after it is adopted by the City Council. As a separate action, the Council may adopt a resolution of intent which urges the Board of Supervisors to adopt an ordinance with similar fees and purposes within nine months, and requires a report back within thirty days of the Board's action and commits the City Council to review such action and its own ordinance upon final Board action.

2. COMMERCIAL FEE COMPARISON

The joint committee requested staff to prepare an analysis of commercial development fees in the City, County and other nearby jurisdictions and analyze the impacts of the proposed housing fees on lease rates. Staff's fee analysis and the Keyser Marston analysis of the fee impacts is included as Attachments 2 and 3. A summary of that analysis is provided below.

The proposed Housing Trust Fund fee has differentiated fee amounts for each of six land uses - office, research and development, warehouse, manufacturing, retail/service, and hotel. Office and warehouses uses were selected to test the fee comparisons and impacts for two reasons; (1) because these two uses represent such a large portion of the non-residential construction activity and (2) because other uses are deemed relatively less sensitive to price as compared to other factors. Retail location of construction, for example, is highly driven by access and proximity to markets served.

A. Office Development

Both fees and total development costs associated with 100,000 sq. ft. of office space were assembled for six geographical locations; the downtown and Point West areas in the City, Highway 50 and Citrus Heights in the County, Roseville, and West Sacramento.

The major findings are:

1. Without the proposed Housing Trust Fund fee, the City of Sacramento has one of the lowest fee packages in the metropolitan area.
2. Without the Trust Fund Fee, fees in the City range from \$1.46 to \$1.92 per sq. ft. (includes new building permit and plan check

2

fees) while County fees are over \$3 per sq. ft. and the new Roseville package totals \$5.40 per sq. ft.

- 3. With the proposed Housing Trust Fund fee, City fees will total roughly \$2.40 to \$2.90 per sq. ft. This dollar amount is still lower than all other areas except West Sacramento.
- 4. Fee differences from one jurisdiction to another can be offset by different land and construction costs. Generally both costs are lower in the County.
- 5. The impact of the incremental housing fee on total cost is in the 0.5% to 0.8% range. This range is similar to that which might be generated by a very minor increase in the cost of materials or the cost of land. The movement of a tenth of a percent in the interest rate has a far greater impact.
- 6. The proposed Housing Trust Fund fee would have the impact of raising rents slightly under one cent per sq. ft. per month if added costs were passed on to tenants in rents.
- 7. The impact of the proposed fee on State office space locational decisions will be very minor. Already there is a significant spread between rent levels in the downtown versus other locations. The spread is in part attributable to higher development costs downtown and in part a reflection of higher vacancy levels in suburban locations.

Office Fee Recommendation

Given these findings, staff does not believe the added cost of slightly under a cent per month will have an impact on a tenant's selection of location within the market area. Therefore, no change in the office fee is recommended.

B. Warehouse Development

Warehouse construction of 100,000 sq. ft. in eight geographical locations was evaluated including Richards Boulevard and the Norwood area in the City, and Rancho Cordova, Power Inn, and Northeast Sacramento in the County. Since much warehouse development activity is also occurring in Woodland, Roseville, and West Sacramento, these areas were included as well.

The major findings are:

- 1. Without the proposed Housing Trust Fund fee, the total fee package ranges from a \$0.60 per sq. ft. in West Sacramento (soon to become \$1.07 per sq. ft. if the proposed transportation fee is implemented) to nearly \$3.00 per sq. ft. with the newly approved transportation fee in Roseville.

- 2. Without the proposed Housing Trust Fund fee, City of Sacramento fees, which total \$1.10 per sq. ft. (includes building permit and plan check fee increases), are among the lowest of the eight areas examined (assuming the West Sacramento fee is approved).
- 3. With the proposed Housing Trust Fund fee at \$0.38 per sq. ft., total fees for projects of this size in the City of Sacramento will be \$1.48 per sq. ft.
- 4. If the County enacts the same Housing Trust Fund fee, County fees will still be less than Roseville and Woodland.
- 5. Fee differences from one jurisdiction to another can be offset by different land costs and construction costs (resulting from differing code requirements). Generally both costs are lower in the County.
- 6. The impact of the proposed \$0.38 fee on rent levels is roughly \$0.045 cents per year or \$0.004 cents per month. Against the current market rent range of \$0.20 to \$0.35 per month, the impact is in the 1% to 1.5% range.
- 7. Leasing of warehouse space is highly price competitive. With a very narrow price spread of 10 to 15 cents in the whole market area, the difference of a few cents per square foot is very significant and able to make a project competitive or not.

Warehouse Fee Recommendation

The impact on costs and rents is greater than the impact of the proposed housing trust fund fee on office space. While the differential can be justified based on the actual housing impacts, the burden placed on the project is higher for a use that is more sensitive to each cent in rent level than office space. All proposed fees are based on the blended approach with primary consideration for the impact on housing but modified by consideration for impact on costs and rent levels.

Staff recommends a reduction in the proposed fee from \$.38 to \$.25 per sq. ft. as reflected in Appendix A and B of the revised ordinance. This reduction in the proposed warehouse fee from \$.38 to \$.25 per square foot could result in a \$214,000 loss per year in County-wide revenues to the Housing Trust Fund.

3. EXEMPTIONS

The joint committee requested staff to consider exemptions for specific projects. After the December 6th public hearing, the Building Industry Association asked its members to submit exemption requests from the proposed HTF ordinance (Attachment 4). Staff received specific project exemption requests from Greg Rodgers, representing the I-80 Industrial Park

2

(Attachment 5) and Christina Savage representing the Delta Shores project (Attachment 6). The I-80 Industrial Park and Delta Shores requests are evaluated under Section B of this report.

Staff also received written comments from William Abbott, representing the Arden Fair Mall Expansion (Attachment 7) and John Diepenbrock (Attachment 8) requesting clarification of the exemption for projects with foundation permit approvals.

In addition, SHRA has identified five major projects in the City's Redevelopment areas that merit exemptions (Attachment 9). The developers of these projects have not been issued their building permits, but have prior contracts with the Redevelopment Agency of the City in the form of Development Disposition Agreements (DDA's), Memorandum of Understanding Agreements (MOU's), and Owner Participation Agreements (OPA's). The developers of these projects should not be required to pay additional fees not previously stipulated in these agreements.

Staff also researched the discretionary permit approval process to determine an appropriate definition for grandfathering other projects that are in the advanced stages of the development process where substantial sums of money had been spent on approved site plans. Projects with special permit, development plan and design review entitlements should be exempted because these permits require identification of specific building elevations, floor plans and site plan details of the project. Projects with these entitlements would be exempt if they obtained final approval prior to the City Council's approval of the North Natomas Settlement Agreement on March 29, 1988. Applicants obtaining discretionary permit approvals after this date should not be exempt because they were informed by planning staff that they could be subject to the proposed fees. This provision would mean that if a major development had received approval for a zone change and a tentative map, only that specific portion of the project that had received special permit, development plan, or design review approval would be grandfathered.

A. Exemption Recommendations

To address these issues, staff recommends a new Section C.1 to clarify the applicability of the proposed housing requirements. The effect of this provision will be:

1. To grandfather projects which have received final approval prior to March 29, 1988 for either a special permit, development plan or "R" review, or design review.
2. To exclude projects which prior to the effective date of the ordinance, a) have received approval for development agreements currently in effect that do not require housing compliance or b) have various types of agreements with SHRA.
3. To exclude projects which have submitted a complete application for a building permit prior to the effective date of the ordinance. Also,

2

a separate exemption is provided for projects that have already obtained foundation permit approvals prior to the effective date of the ordinance to address the Abbott and Diepenbrock requests.

B. Specific Projects

I-80 Industrial Park

The I-80 Industrial Park requests an exemption because; 1) the project addresses specific economic development objectives of the City in an area of high unemployment, 2) the project has advanced substantial on-site and off-site improvement costs that directly benefit residential infill areas and 3) the proposed housing fees in combination with these costs will put the project at a competitive disadvantage.

Staff has the following comments based on the information provided by Mr. Rodgers in his letters (Attachment 5):

1. A tentative map to subdivide 92 acres was approved by the City on January 5, 1988. As a condition of subdivision approval, the City required the developer to finance the upgrading of substandard storm drainage, water supply, road and sanitary sewer improvements in the area west of McClellan AFB.
2. These off-site improvements have been completed by the developer and will directly benefit 71 acres designated for residential infill development under the City's zoning ordinance, consistent with the purposes of this ordinance.
3. The City intends to reimburse the developer for some of these off-site improvements through the Overwidth Pavement Reimbursement Program and the proposed Bell Avenue Benefit Districts. However, it is unlikely that the developer will be fully reimbursed for the costs that directly benefit residential infill areas because the districts will sunset in ten years and the developers financing costs were not included in the assessments.
4. These unreimbursed off-site improvement costs will exceed the proposed housing fees that this project would otherwise be subject to.

I-80 Recommendation

Staff supports an exemption based on the fact that this project has already financed an alternative means of compliance with the infill objectives of this ordinance. Section C.1 includes an exemption provision to address this special circumstance.

Delta Shores

Staff has the following comments in response to the five points presented in support of the Delta Shores exemption request by Ms. Savage in her letter (Attachment 6).

- 1. "Project is adjacent to a blighted area. The fee will be an economic disincentive to this project and thus the City will lose an opportunity to reduce blights".

The fact that Delta Shores may be adjacent to a blighted neighborhood is not unique. Many industrial areas are located next to transitional residential areas. The economic analysis prepared by staff suggests that the fee will not be a significant disincentive to non-residential development in the City.

- 2. "Adjacent Meadowview area would not receive housing funds. There is no link between housing location and air quality impacts of the project".

Staff proposes to add a requirement that the location of housing units developed with trust fund monies will be consistent with factors, such as access to public transportation, that promote air quality goals. In addition, the construction of low income housing in any location will mitigate the low income housing needs associated with this project.

- 3. "Project will finance major road improvements that will make surrounding residential development economically feasible".

The off-site road improvements were required by the City and Caltrans as a condition of original project approval to mitigate the impacts associated with the rezoning of 600 acres from agricultural use to mixed residential and non-residential uses. The current Delta Shores proposal would restrict access to adjacent Meadowview for approximately five years because of concerns that the project could be negatively affected by urban blight. No evidence is presented to support the argument that the anticipated road improvements will directly service housing within designated infill areas. The closest infill site is more than one mile north of the project, northeast of Florin Road and 24th Street.

- 4. "Delta Shores should receive credit towards the housing requirement because of its infill nature and because of an excellent jobs/housing mix".

The basic obligation under this ordinance is to pay a fee to mitigate the low income housing need associated with Delta

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Shores and other non-residential projects. Therefore, the proximity of planned market-rate housing does not address this need.

The infill option is made available only as an alternative to fee payment under specific conditions where the benefit is comparable to payment of fees. Infill is defined as residential development, that would not otherwise occur without development incentives, on vacant or under-utilized lots in existing neighborhoods. Development of lower cost housing within these designated infill areas is intended to reduce the impacts of housing on the fringe and traffic congestion. While Delta Shores may include some housing, staff finds that it does not meet the infill criteria in the ordinance.

Staff estimates that Delta Shores creates a need for far more housing units than it creates. The jobs-to-housing ratio for the current Delta Shore proposal is approximately 3.6:1. Therefore, staff disagrees with the contention that the project provides an excellent jobs-to housing mix or that this housing addresses the purposes of this ordinance.

5. "The proposed fees represent double taxation for housing".

Staff believes the nexus study fully supports the proposed fees based on the impacts associated with new non-residential development. The fees represent only a minor share of the total costs necessary to address projected housing needs associated with economic growth. These fees do not begin to address existing housing needs. The City Council may wish to use general fund revenues to supplement federal, state and other local sources of funding to address this problem.

Delta Shores Recommendation

Staff recommends against an exemption for the Delta Shores project at this time. It would be more appropriate for the applicant to submit a variance request when the discretionary permits for the revised project are considered.

4. NORTH NATOMAS REQUIREMENTS

Greg Thatch, representing North Natomas landowners, requested clarification of the definition of gross square footage and a provision which indicates that once the 4340 additional units are constructed in North Sacramento, the North Natomas HTF requirements will have been fulfilled.

Staff also received a letter from Mike Eaton (Attachment 10) requesting changes to the North Natomas findings that further clarify the intent of plan policies.

North Natomas Recommendation

These comments are incorporated in the Definitions Section (C.2.B) and the North Natomas Findings Section (Section IIB. and C.)

5. CEQA COMPLIANCE

City staff had filed a negative declaration which finds that adoption of the HTF ordinance would not cause any significant adverse environmental impacts.

Christina Savage, representing the Building Industry Association, testified that the City should prepare an Environmental Impact Report. She asserted that the adoption of the fee would cause businesses to locate in other jurisdictions causing greater urban sprawl.

City staff initially notes that any such impacts would be purely speculative. The HTF ordinance is intended to implement the Sacramento General Plan Update EIR air quality measures adopted by the City Council on December 15, 1987. That document noted that the City has more employment than housing and that surrounding jurisdictions have more housing, resulting in many workers having to commute to employment centers in the City. Location of employment businesses outside the City would be generally in locations close to housing so that there would be no adverse environmental impacts resulting from businesses locating outside the City.

Additionally, City staff has done an economic analysis, reflected above in this staff report, to determine if there was any evidence to support the assertion that the HTF would cause businesses to locate elsewhere. The economic analysis shows that the fees will not have a significant economic effect on businesses and therefore will not cause the alleged urban sprawl and attendant air pollution. Therefore, the negative declaration is appropriate.

CEQA Recommendation

No change to the negative declaration is necessary unless the ordinance is repealed based on County action. As previously noted, if the City chose to repeal the ordinance a separate environmental review (and possibly an EIR) would be required.

6. SETTLEMENT AGREEMENT COMPLIANCE

The plaintiffs who signed the North Natomas Settlement Agreement (i.e. ECOS) should agree to an amendment to Exhibit J of the Agreement to reflect the recommended increase in the minimum fee under the build option from 20% to 40%. In exchange for their support, ECOS requested that the ordinance include locational criteria to improve the air quality mitigation link.

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Build Option Recommendation

Staff recommends the approval of locational criteria (Section B.5) to ensure that air quality goals are addressed in the selection of residential sites to be developed with HTF funds. This provision would go in effect when the City obtains an amended North Natomas Settlement Agreement reflecting the 40% minimum fee under the build option. Otherwise, the plaintiffs who signed the settlement agreement would be free to file lawsuits challenging future North Natomas development approvals.

FINANCING DATA

The implementation of this ordinance could generate approximately \$1,050,000 yearly for the Housing Trust Fund based on 1987 building permit activity. This amount is dependent on non-residential construction activity and the number of developers who utilize the construction alternative. Processing fees of \$50 for housing fee reviews and \$420 for construction alternative reviews are recommended to recover additional City review cost. These fees will generate yearly revenues of approximately \$12,300. 1988-89 revenue is projected to be \$3,000. The Resolution Amending the Fee and Charge Report (Attachment 12) and the Resolution amending the City Budget for FY 1988-89 (Attachment 13) are included with this report to assure full cost recovery of administrative expenses.

No additional appropriation is required at this time. Staffing requirements will be evaluated during program implementation. It is the intent of this report and the accompanying ordinance that administrative processing costs in excess of the fee revenue, will be either reimbursed from the Housing Trust Fund, or the fee will be adjusted to cover such cost.

POLICY MATTERS

The aforementioned policy considerations are intended to implement provisions of the North Natomas Settlement Agreement, North Natomas Community Plan, Housing Assistance Plan Program and Financing Strategy and Sacramento General Plan Air Quality Mitigation Measures.

MBE/WBE EFFORTS

No impacts.

RECOMMENDATIONS

Staff recommends that the Committees receive public testimony on the following:

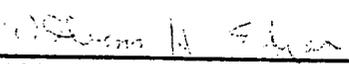
1. Staff recommendations on linkage, fees and exemptions;
2. January 31, 1989 revisions to the Housing Trust Fund Ordinance (Attachment 11).
3. Negative declaration on the proposed ordinance;

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- 4. Resolution amending the Fee and Charge Report (Attachment 12);
- 5. Resolution amending the City Budget for FY 1988-89 (Attachment 13).

In addition, it is recommended that the joint committee approve and forward the attached HTF ordinance, resolutions and negative declaration to the City Council for adoption.

Respectfully submitted,

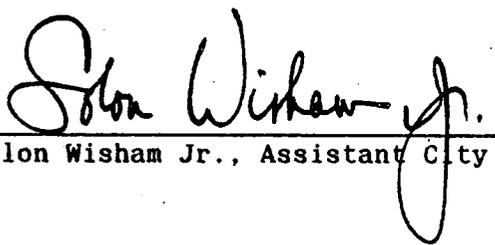


 William H. Edgar
 Executive Director
 Sacramento Housing and
 Redevelopment Agency



 Michael M. Davis
 Director of Planning and Development

TRANSMITTAL TO COUNCIL COMMITTEES



 Solon Wisham Jr., Assistant City Manager

Contact Person to
 Answer Questions:

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LIST OF ATTACHMENTS

- Attachment 1 - Summary City of Sacramento Housing Trust Fund Ordinance
- 2 - Evaluation of Proposed Housing Trust Fund Fee Impact on Development Costs and Rent Levels (January 27, 1989 memo from Keyser Marston Assoc.)
- 3 - Explanatory Notes for Calculations of Commercial Fees
- 4 - December 20, 1988 memorandum from Kathleen Harris, Building Association of Superior California.
- 5 - December 12, 1988 and November 21, 1988 letters from Greg Rodgers regarding I-80 Industrial Park
- 6 - January 11, 1989 letter from Christina Savage regarding Delta Shores
- 7 - December 6, 1988 letter from William Abbott
- 8 - December 13, 1988 letter from John Diepenbrock
- 9 - Current Redevelopment Area Projects, Sacramento Housing and Redevelopment Agency
- 10 - January 2, 1989 letter from Mike Eaton
- 11 - HTF Ordinance revised on January 31, 1989
- 12 - Resolution Amending Fee and Charge Report
- 13 - Resolution Amending the City Budget
- 14 - Housing Linkage Programs

2

ATTACHMENT 1

SUMMARY

CITY OF SACRAMENTO

HOUSING TRUST FUND ORDINANCE

(SECTION 33 OF ZONING ORDINANCE)

1. Purpose

- A. To address low income housing needs associated with non-residential development.
- B. To stimulate housing construction within infill areas and mitigate air quality impacts.
- C. To implement North Natomas Community Plan policies to stimulate housing in North Sacramento.

2. Use of Funds

- A. City wide funds for low income housing.
- B. North Natomas funds for market rate housing in North Sacramento.
- C. Both funds administered by SHRA Director with final approval by City Council.

3. Application

- A. All non-residential, new construction, additions or interior remodels (if remodel results in higher employee densities).

4. Exemptions

- A. Projects with approved special permit, R-review or design review prior to March 29, 1988.
- B. Projects with Development Agreements, various contracts with SHRA, complete building permit application or foundation permit approval prior to effective date.
- C. Residential uses and property owned by State and U.S. for governmental purposes.

5. Housing Fee Requirements

- A. City-wide Formula - Gross sq. ft. x fee by type of use per Appendix A.
- B. North Natomas Formula- Gross sq. ft. x fee by type of use per Appendix C.
- C. Pay prior to building permit approval.

2

6. Housing Construction Alternative

- A. City-wide Formula - Gross sq. ft. x 20% fee + Gross sq. ft. x unit factor per Appendix B (40% fee if Settlement Agreement amended).
- B. North Natomas Formula - Gross sq. ft. x unit factor per Appendix C.
- C. Proposal must be approved by Planning Director prior to issuance of building permit/and recorded against property.
- D. City-wide units must be on designated deep lot or infill sites.
- E. Must begin construction of units within one year of issuance of first non-residential building permit.
- F. If joint venture, must provide an irrevocable letter of credit equivalent to remainder of fee.
- G. Units must be completed within two years from issuance of first non-residential building permit.
- H. Applicants can get maximum of two one year extensions for good cause.
- I. Failure to comply results in 150% fee and interest penalty.

7. Variances and Administration

- A. Must meet four criteria for variance.
- B. Specific information must be submitted with building permit application and processing fee.
- C. Planning Director determines fee or number of units.
- D. Fees revised on January 1st of each year based on standard cost index.

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MEMORANDUM

To: Sacramento Housing and Redevelopment Agency
 Attention: Lester Smith

From: Keyser Marston Associates, Inc.

Date: January 27, 1989

Subject: Evaluation of Proposed Housing Trust Fund Fee Impact on
 Development Costs and Rent Levels

Per your request, Keyser Marston Associates, Inc. has prepared an evaluation of the impact of the proposed fee amount on development costs and rent levels for warehouse and office type projects. In response to some of the issues raised in the hearings in December, this evaluation examines the total fee package in various locations in Sacramento County and neighboring counties, and how the fees, and specifically the proposed Housing Trust Fund fee, impact costs and rent levels.

The proposed Housing Trust Fund fee has differentiated fee amounts for each of six land uses - office, R & D, warehouse, manufacturing, retail/service, and hotel. Office and warehouses uses were selected to test the fee comparisons and impacts for two primary reasons: (1) because these two uses represent such a large portion of the non-residential construction activity and (2) because other uses are deemed relatively less sensitive to price as compared to other factors. Retail location of construction, for example, is highly driven by access and proximity to markets served. Decisions about whether to locate a store or shopping center inside or outside City or County limits are not likely to be significantly affected by a few cents differential in construction costs.

Two sets of tables are presented following this summary text. The first three tables are on office development and the second three on warehouse. A uniform space module of 100,000 square feet is used for both land uses and all geographic locations for comparison purposes.

2

Memo to: Lester Smith January 27, 1989
Subject: Evaluation of Proposed Housing Trust Fund Page 2
Fee Impact on Development Costs and Rent Levels

Office Development

The fees associated with the development of 100,000 square feet of office space was assembled for six geographical locations -- two in the city, the downtown, and the Point West -- two in the County, Highway 50 and Citrus Heights, -- and two outside the County, Roseville and West Sacramento. These locations represent roughly 75% of the office space leasing activity in the metro-area.

Total Fee Package

Twelve different types of fees associated with construction in the various metro area office locations are summarized in Table 1. The Housing Trust Fund fee proposed for office space at \$0.95 per sq. ft. of gross area is indicated at the bottom for both the City and County to illustrate the incremental amount. The major findings are:

- Without the proposed Housing Trust Fund fee, the City of Sacramento has one of the lowest fee packages in the metro area.
- Without the Trust Fund Fee, fees in the City range from \$1.46 to \$1.92 per sq. ft. while County fees are over \$3 per sq. ft., and the new Roseville package totals \$5.40 per sq. ft.
- With the proposed Housing Trust Fund fee, City fees will total roughly \$2.40 to \$2.90 per sq. ft., still lower than all other areas except West Sacramento.
- Fee differences from one jurisdiction to another can be offset by different land costs and construction costs (resulting from differing code requirements). Generally both costs are lower in the County.

Fees and Total Development Costs

When fees are measured against the total costs of development for office projects of 100,000 sq. ft., the findings are:

- The total fee package amounts to 1.6% to nearly 5% of total development costs depending on the location.
- Total costs of development are higher in the City than in the County assuming the same fee is enacted in both jurisdictions.
- The lowest impact is in the downtown where highrise configuration and structured parking make development costs the highest.

Memo to: Lester Smith
Subject: Evaluation of Proposed Housing Trust Fund Fee Impact on Development Costs and Rent Levels

January 27, 1989
Page 3

- The proposed Housing Trust Fund fee by itself will have an impact in the range from 0.5% to 0.8%, again with the lowest impact in the downtown. The impact on County located projects will be in the 0.8% range.
- The impact of the incremental housing fee is similar to that which might be generated by a very minor increase in the cost of labor, the cost of materials, or the cost of land. The movement of a tenth of a percent in the interest rate has a far greater impact.

Impact of Fee on Rent Levels

- The proposed Housing Trust Fund fee would have the impact of raising rents slightly under one cent per square foot per month if added costs were passed on to tenants.
- The smallest percentage impact of the proposed fee will be in the downtown due to the fact rents are higher to start with.
- On a percentage basis, the impact of rents is approximately 0.5%. The range is 0.45 to 0.6% assuming a market rent range of \$1.00 to \$2.20 per sq. ft.

Comments

Office locational decisions are based on many factors, of which rent level is a very important one. Also important are access to labor base (freeway and transit), proximity to other office concentrations, proximity to airport, and proximity to executive housing. Against the many factors, we do not believe the added cost of slightly under a cent per month will have an impact on tenants selection of location within the market area.

As far as State office space leasing is concerned, we believe the impact of the proposed fee on locational decisions will be very minor. Already there is a significant spread between rent levels in the downtown versus other locations. The spread is in part attributable to higher development costs downtown and in part a reflection of higher vacancy levels in suburban locations. With the impact on downtown lease rates at less roughly a half a percent, we believe other factors will prevail.

Memo to: Lester Smith
Subject: Evaluation of Proposed Housing Trust Fund
Fee Impact on Development Costs and Rent Levels

January 27, 1989
Page #4

Warehouse Development

Total Fee Package

Warehouse construction in eight geographical locations was evaluated. Two locations are within the city boundaries -- Richards Boulevard, and the Norwood area -- and three are within the County -- Rancho Cordova, Power Inn, and Northeast Sacramento/Northgate. Since much warehouse development activity is also occurring in Woodland, Roseville, and West Sacramento, these areas were included as well.

The total fee package associated with building 100,000 sq. ft. of warehouse space in each of the eight locations was quantified as a first step. Fourteen different types of fees were identified and calculated for each location by City of Sacramento Planning Department staff. The principal findings are:

- Without the proposed Housing Trust Fund fee, the total fee package ranges from a \$0.60 per sq. ft. in West Sacramento (soon to become \$1.07 per sq. ft. if the proposed transportation fee is implemented) to slightly under \$3.00 per sq. ft. with the newly approved transportation fee in Roseville.
- Without the proposed Housing Trust Fund fee, City of Sacramento fees, which total \$1.10 per sq. ft., are at the low end of the eight areas examined (assuming the West Sacramento fee is approved).
- With the proposed Housing Trust Fund fee at \$0.38 per sq. ft., total fees for projects of this size in the City of Sacramento will be \$1.48 per sq. ft.
- If the County does not enact the fee, Sacramento City fees will be about 10 to 20 cents higher than County fees, but still less expensive than Woodland (\$2.04) and Roseville (\$2.98). West Sacramento will continue to be the least expensive.
- If the County enacts the same Housing Trust Fund fee, County fees will still be less than Roseville and Woodland.
- Fee differences from one jurisdiction to another can be offset by different land costs and construction costs (resulting from differing code requirements). Generally both costs are lower in the County.

Memo to: Lester Smith

January 27, 1989

Subject: Evaluation of Proposed Housing Trust Fund
Fee Impact on Development Costs and Rent Levels

Page 5

Fees and Total Development Costs

When the total fee package is examined against total development costs (Table 5), the findings are:

- Fees range from about 4% to 10% of total development costs, with the City and County of Sacramento fees at about 5% to 7% of total costs.
- The proposed Housing Trust Fund fee at \$0.38 per sq. ft. adds about 1.2% on to the total cost in the City and 1.2% to 1.4% in the County.

The Housing Trust Fund Fees and Rent Levels

The impact of the proposed \$0.38 fee on rent levels is roughly \$0.045 per year or \$0.004 per month. Against the current market rent range of \$0.20 to \$0.35 per month, the impact is in the 1% to 1.5% range.

Comment

Leasing of warehouse space is highly price competitive. Other factors of importance are access, and centrality to markets served. Unlike other land uses, few other factors weigh heavily in locational decisions. With a very narrow price spread of 10 to 15 cents in the whole market area, the difference of a few cents per sq. ft. is very significant and able to make a project competitive or not. With the impact at less than a half a cent a month, it is difficult to see how the fee alone could drive locational decisions.

There is, however, an equity issue. Percentagewise, the impact on costs and rents is significantly greater than the impact of the proposed housing trust fund fee on office space. While the differential fee can be justified based on the actual housing impacts, the burden placed on the project is higher for a use that is more sensitive to each cent in rent level than office space. All proposed fees are based on the "blended approach" with primary consideration for the impact on housing but modified by consideration for impact on costs and rent levels. In this context, we suggest reduction of the fee back to our original recommendation of 25 cents per sq. ft. for warehouse use.

2

Memo to: Lester Smith

January 27, 1989

Subject: Evaluation of Proposed Housing Trust Fund

Page 6

Fee Impact on Development Costs and Rent Levels

As far as the Sacramento region's ability to attract target industries is concerned, we believe the proposed fee will have a negligible affect. To quote the Fantus study: "real estate prices in the Sacramento area compare extremely favorably with those of the larger metropolitan areas of the state....Sites in the area are 65-70% less costly than in the larger markets....Sites are however 20-40% higher than those of larger Central Valley communities." With the spreads among regions so broad and the impact so small, we believe the proposed fee will have virtually no impact.

2

Explanatory Notes to the Tables

Total Development Cost (Tables 2 and 5) have been prepared to illustrate the approximate total costs of development, against which to measure the impact of the fees. While in many cases, adjustments have been made for each location, the numbers are intentionally generalized, and it would be inappropriate to use the figures for purposes other than that intended herein.

Land cost information has been based on published data, such as that contained in the Fantus report, Coldwell Banker and Grubb and Ellis annual reports, and reports prepared by other consultants. In addition, Keyser Marston has provided consulting services in many portions of the metro area, enabling familiarity with land costs.

The total development costs reflect costs to develop today. For the most part current rent levels are based on yesterday's development costs (land costs, fees, and construction costs). Projects based on today's costs will require higher rents and/or altered return on investment expectations. In this sense, impacts are, if anything, overstated.

2

Table 1 (1)
 Summary of Office Development Fees
 Prototype 100,000 SF Office Space
 Sacramento, California

Development Fee Category	SACRAMENTO CITY		SACRAMENTO COUNTY		OTHER AREAS	
	Downtown Sacramento	Point West	Highway 50	Citrus Heights	Roseville	West Sacramento
Building Permit (2)	\$18,541	\$18,541	\$40,182	\$40,182	\$11,071	\$11,302
Plan Check (2)	16,468	16,468	18,081	18,081	12,731	7,346
Business License	1,800	1,800	85	85	100	20
SMI Fee	315	315	315	315	315	315
Regional Sewer	40,719	14,835	14,835	14,835	80,000	0
Local Sewer	3,722	3,722	6,532	6,532	6,666	4,387
Water Development	49,456	29,456	0	0	33,860	11,973
Construction Excise Tax	36,000	36,000	0	0	0	0
Transportation Fee (3)	0	0	217,000	217,000	353,000	115,000
Fire Fee	0	0	0	0	17,650	0
School Impact Fee	25,000	25,000	25,000	25,000	25,000	25,000
Subtotal	192,021	146,137	322,030	322,030	540,393	175,343
Subtotal per SF	\$1.92	\$1.46	\$3.22	\$3.22	\$5.40	\$1.75
Housing Trust Fund (4)	95,000	95,000	95,000	95,000	0	0
TOTAL	\$287,021	\$241,137	\$417,030	\$417,030	\$540,393	\$175,343
TOTAL PER SF	\$2.87	\$2.41	\$4.17	\$4.17	\$5.40	\$1.75

- (1) Information from City of Sacramento Planning Department.
- (2) Includes fee increase approved in January 1989 for City of Sacramento.
- (3) West Sacramento fee is proposed, not yet approved.
- (4) Based on \$0.95 per square foot.

SOURCE: Keyser Marston Associates, Inc
 27-Jan-89

Table 2
 Illustrative Cost Summary
 Prototype 100,000 SF Office Space
 Sacramento, California

	SACRAMENTO CITY		SACRAMENTO COUNTY		OTHER AREAS	
	Downtown Sacramento	Point West	Highway 50	Citrus Heights	Roseville	West Sacramento
Land (1)	\$1,818,182	\$3,500,000	\$1,800,000	\$1,600,000	\$800,000	\$1,200,000
Building Cost (2)	11,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000
Parking	1,350,000	280,000	280,000	280,000	280,000	280,000
Architect/Prof. Fees and Other (3)	2,248,750	1,361,500	1,361,500	1,361,500	1,361,500	1,361,500
Public Fees (4)	287,021	241,137	417,030	417,030	540,393	175,343
Financing Costs (5)	1,060,198	844,132	767,927	757,927	724,095	725,842
	<u>\$18,264,150</u>	<u>\$13,726,769</u>	<u>\$12,126,457</u>	<u>\$11,916,457</u>	<u>\$11,205,988</u>	<u>\$11,242,685</u>
Public Fees as a % of Total Cost	1.6%	1.8%	3.4%	3.5%	4.8%	1.6%
Housing Fund Fee as % of Total Cost	0.5%	0.7%	0.8%	0.8%	0.0%	0.0%

(1) Based on .5 P.A.R., except Downtown 5.5 P.A.R.

(2) Based on \$60.00 per SF, with \$15.00 tenant improvements, except downtown which is \$80.00 building cost and \$20.00 tenant improvements.

(3) Based on 17.5% of Building and Parking Cost

(4) From Table 1.

(5) Includes allowance for interest during lease-up.

Note: This table has been prepared to illustrate approximate development costs against which to measure the impact of the fees. See Explanatory Notes to the Tables.

SOURCE: Keyser Marston Associates, Inc
 27-Jan-89

Table 3
 Impact of Proposed Housing Fund on Rents*
 Prototype 100,000 SF Office Space
 Sacramento, California

Housing Fund Contribution	\$95,000
Approximate Monthly Rent Increase Required to Support Housing Fund	\$930
Monthly Rent per SF	\$0.009

	Current Market Rent Range	Percent Impact of Housing Fee

	(per sq. ft./mo.)	
Downtown Sacramento (City)	\$1.70 to \$2.20	0.42% to 0.55%
Point West (City)	\$1.40 to \$1.75	0.53% to 0.66%
Highway 50 (County)	\$1.10 to \$1.25	0.74% to 0.85%
Citrus Heights (County)	\$1.15 to \$1.40	0.66% to 0.81%
Roseville (Placer County)	\$1.15 to \$1.50	0%
West Sacramento (Yolo County)	\$1.00 to \$1.25	0%

Note: This table indicates the amount rents would have to be raised to cover costs. Rents are dictated by what the market will bear and may not necessarily be increased by the amount indicated.

SOURCE: Keyser Marston Associates, Inc
 27-Jan-89

Table 4 (1)
 Summary of Warehouse Development Fees
 Prototype 100,000 SF Warehouse Space
 Sacramento, California

Development Fee Category	SACRAMENTO CITY		SACRAMENTO COUNTY			OTHER AREAS		
	Richards Blvd.	Norwood	Rancho Cordova	Power Inn	Northeast Sacramento	Woodland	Roseville	West Sacramento
Building Permit (2)	\$7,810	\$7,810	\$18,695	\$18,695	\$18,695	\$25,000	\$5,657	\$4,902
Plan Check (2)	6,937	6,937	8,413	8,413	8,413		6,505	3,186
Business License	748	748	85	85	85	38	100	20
SHI Fee	131	131	131	131	131	131	131	131
Regional Sewer	18,382	18,382	18,382	18,382	18,382	0	40,000	0
Local Sewer	3,722	3,722	8,094	8,094	8,094	1,840	6,666	4,387
Water Development	32,206	32,206				5,985	33,860	11,973
Construction Excise Tax	14,960	14,960	0	0	0	0	0	0
Transportation Fee (3)	0	0	51,000	60,000	64,000	98,752	162,000	57,000
Fire Fee	0	0	0	0	0	0	17,650	0
School Impact Fee	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Public Facilities	0	0	0	0	0	19,750	0	0
Storm Drainage	0	0	0	0	0	27,650	0	0
Subtotal	109,896	109,896	129,800	138,800	142,800	204,146	297,569	106,599
Subtotal per SF	\$1.10	\$1.10	\$1.30	\$1.39	\$1.43	\$2.04	\$2.98	\$1.07
Housing Trust Fund (4)	38,000	38,000	38,000	38,000	38,000	0	0	0
TOTAL	\$147,896	\$147,896	\$167,800	\$176,800	\$180,800	\$204,146	\$297,569	\$106,599
TOTAL PER SF	\$1.48	\$1.48	\$1.68	\$1.77	\$1.81	\$2.04	\$2.98	\$1.07

- (1) Information from City of Sacramento Planning Department.
 (2) Includes fee increase approved in January 1989 for City of Sacramento.
 (3) West Sacramento fee is proposed, not yet approved.
 (4) Based on \$0.38 per square foot.

SOURCE: Keyser Marston Associates, Inc
 27-Jan-89

2

Table 5
 Illustrative Cost Summary
 Prototype 100,000 SF Warehouse Space
 Sacramento, California

	SACRAMENTO CITY		SACRAMENTO COUNTY				OTHER AREAS	
	Richards Blvd.	Norwood	Rancho Cordova	Power Inn	NE Sacramento	Woodland	Roseville	West Sacramento
Land (1)	\$875,000	\$900,000	\$550,000	\$450,000	\$675,000	\$450,000	\$650,000	\$625,000
Building Cost (2)	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Professional Fees and Other	135,000	135,000	135,000	135,000	135,000	135,000	135,000	135,000
Public Fees (3)	147,896	147,896	167,800	176,800	180,800	204,146	297,569	106,599
Financing Costs (4)	86,974	87,286	83,160	82,023	87,385	82,364	86,032	83,332
TOTAL	\$3,044,870	\$3,070,182	\$2,735,960	\$2,643,823	\$3,078,185	\$2,671,510	\$2,968,601	\$2,749,931
Public Fees as a % of Total Cost	4.9%	4.8%	6.1%	6.7%	5.9%	7.6%	10.0%	3.9%
Housing Fund Fee as % of Total Cost	1.2%	1.2%	1.4%	1.4%	1.2%	0.0%	0.0%	0.0%

- (1) Based on .4 P.A.R.
- (2) Excludes all fees; includes on-site improvements.
- (3) From Table 4.
- (4) Includes an allowance for negative cash flow during lease-up.

Note: This table has been prepared to illustrate approximate development costs against which to measure the impact of the fees. See Explanatory Notes to the Tables

SOURCE: Keyser Marston Associates, Inc
 27-Jan-89

28

Table 6
 Impact of Proposed Housing Fund on Rents¹
 Prototype 100,000 SF Warehouse Space
 Sacramento, California

Housing Fund Contribution	\$38,000
Approximate Monthly Rent Increase Required to Support Housing Fund	\$372
Monthly Rent per SF	\$0.004

	Current Market Rent Range	Percent Impact of Housing Fee

(per sq. ft./mo.)		
Richards Boulevard (City)	\$0.23 to \$0.28	1.33% to 1.62%
Norwood (City)	\$0.27 to \$0.33	1.13% to 1.38%
Rancho Cordova (County)	\$0.25 to \$0.35	1.06% to 1.49%
... Inn (County)	\$0.20 to \$0.30	1.24% to 1.86%
Northeast Sacramento (County)	\$0.27 to \$0.33	1.13% to 1.38%
Woodland (Yolo)	\$0.23 to \$0.28	0%
Roseville (Placer)	\$0.20 to \$0.35	0%
West Sacramento (Yolo)	\$0.25 to \$0.35	0%

Note: This table indicates the amount rents would have to be raised to cover costs.
 Rents are dictated by what the market will bear and may not necessarily be
 increased by the amount indicated.

SOURCE: Keyser Marston Associates, Inc.
 13-Jan-89

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2

ATTACHMENT 3

EXPLANATORY NOTES FOR CALCULATIONS

Fee Categories

BUILDING PERMIT FEE

Generally, the building permit fee is a charge for inspecting work authorized by the permit. The fee pays for building, mechanical, plumbing, and electrical inspectors. This fee is determined by the value of the work termed Project Valuation.

City of Woodland

Building Permit Fee - Warehouse Type V-N Hr Construction

Warehouse

Based on a Project Valuation of 2,040,000

Building Permit=approx. 25,000 (Bob Martino - Building Dept.)

City of West Sacramento

Building Permit Fee - Warehouse Type V-N Hr Construction

\$852.00 permit fee for the first 200,000 valuation and 2.50 for each additional \$1,000 valuation thereafter.

Warehouse

(100,000 sq. ft.) (18.20/sq.ft.)=\$1,820,000 Project Valuation

Building Permit Fee=\$4,902

Office

(100,000 sq ft) (\$43.80/sq ft)=\$4,380,000 PV

Building Permit Fee=\$11,302

City of Sacramento

Building Permit Fee - Warehouse Type V-N Hr Construction

Warehouse

Based on the Project Valuation of \$1,870,000.

Fee= \$7,810 (Effective 1/18/89)

Office

Based On a PV of \$4,500,000

Fee= \$18,541 (Effective 1/18/89)

2

County of Sacramento

Building Permit Fee - Warehouse Type V-N Hr Construction

Warehouse

Fee up to \$500,000 P.V.= \$5,347

Fee over \$500,000 PV is .0094*Valuation over \$500,000 and below \$2,000,000

$\$5,347 + (.0094 * \$1,420,000) = \$18,695$

Office

Project Valuation= \$4,550,000

Fee up to \$3,000,000 P.V.= \$28,247

Fee over \$500,000 PV is .0077*Valuation over 3,000,000

Fee= \$40,182

City of Roseville

Building Permit Fee - Type V-N Hr Construction

Warehouse

\$5,657 (John Kintz-Building Inspector)

Office

\$11,071 (John Kintz-Building Inspector)

PLAN CHECK FEE

Generally, the plan checking fee is a charge for checking plans that have been submitted as a part of the building permit application. Plan check fees are usually based on a percentage of the building permit fee.

Woodland

Plan Check Fee Is figured into the Building Permit Fee

City of West Sacramento

Plan Check Fee - 65% of the Building Permit Fee

Warehouse

\$3,186

Office

\$7,346

2

City of Sacramento

Plan Check Fee - Based on the Project Valuation (Effective 1/18/89)

Warehouse
\$6,937

Office
\$16,468

County of Sacramento

Plan Check Fee - 45% of the Building Permit Fee

Warehouse
\$8,413

Office
\$18,081

City of Roseville

Plan Check Fee=

Structural Plan Check - 65% of Building Permit

Energy Plan Check - 50% of Building Permit

Warehouse
\$3,677 SPC+\$2,828 EPC= \$6,505 Plan Check Fee

Office
\$7,196 SPC+ \$5,535 EPC= \$12,731 Plan Check Fee

BUSINESS LICENSE

This is a pay-as-you-go type of business license for licensed contractors. The fee is collected each time a permit is issued.

City of Woodland
\$38.00

City of West Sacramento
\$20.00

City of Sacramento
Warehouse
\$748.00

Office
\$1,800.00

County of Sacramento
\$85.00

City of Roseville
\$100.00

SEISMIC MOTION INSTRUMENTATION FEE

This is a State of California required fee that is used for seismic design, research, and earthquake recording instrumentation. The S.M.I. fee is based on the Project Valuation. For permits valued from \$1 to \$7,000 the fee is \$.07 per \$1,000 or fraction of \$1,000.

All Warehouse
\$131.00

All Office
\$315.000

REGIONAL SEWER FEE

The regional sanitation fee offsets some of the operational and capital costs associated with administering the Sacramento Regional Wastewater Treatment Plant. The City of Roseville imposes a similar fee for developments in their city.

City of Sacramento

Warehouse
(\$3,225/acre of land) (5.7 acres)=\$18,382

Office
(\$3,225/acre of land) (4.6 acres)=\$14,807 North Sac
(\$3,225/acre of land) (12.6 acres)=\$40,719 Dntn Sac

County of Sacramento

Warehouse
(\$3,225/acre of land) (5.7 acres)=\$18,382

Office
(\$3,225/acre of land) (4.6 acres)=\$14,835

City of Roseville

Warehouse
\$2,400/6,000 sq ft of development
(\$2,400) (16.6)=\$40,000

2

Office

\$2,400/3,000 sq ft of development
(\$2,400) (33.3)=\$80,000

LOCAL SEWER DEVELOPMENT FEE

The fee is charged for all new services and the increase when a service is upgraded to a larger size. It is a one-time charge to offset some of the capital, maintenance, and operating costs associated with pumping and disposal of sanitary wastewater.

City of Woodland

One Family Residential Usage + \$2.00*Occupant Load of 100,000 sq ft building
\$1,440 + (\$2.00*2.00*200)= \$1,840

City of West Sacramento

This fee is based on the diameter of the lateral connection (6 inches in this example). The minimum Commercial and Industrial cost is \$1,950. This fee is multiplied by the factor used for each lateral (\$2.25 for the 6 inch lateral).
(\$1,950) (\$2.25)=4,387 (W&O)

City of Sacramento

The Tap fee is 1/2 the street right-of-way (80 feet for purposes of this study) multiplied by 86.81.
(40) (86.81)=\$3,472 (W&O)
Level of service (6 inches for this study)=\$250 (W&O)
\$3,472+\$250= \$3,722 Total Fee (W&O)

County of Sacramento

Local Sewer - \$1,420/Acre of Land

Warehouse

(\$1,420) (5.7 acres)=\$8,094

Office

(\$1,420) (4.6 acres)=\$6,532

City of Roseville

Warehouse and Office

\$6,666 (Roseville Public Works, pers.comm.)

WATER DEVELOPMENT FEE

This fee is collected on the basis of the water service or water meter size. It is charged for all new services, and for the increase when a service is upgraded

to a larger size.

City of Woodland

The development cost for the "ability to use" is \$1,050/Acre of Land. Using the 2.5-1 ratio of land to building, the cost is \$5,985.

$$(\$1,050) (5.7 \text{ acres}) = \$5985$$

City of West Sacramento

Charges are for varying sizes of services. The 2 inch line and meter size was used. In addition, a Plant Availability Charge is also assessed to assure continued availability of facilities through system expansion and replacement.

$$(\$1,575) + (\$10,398) = \$11,973 \text{ (W\&O)}$$

City of Sacramento

The size of service and tap fees are based on a 4" level of service. A per acreage fee is added in addition to these two fees.

Warehouse

$$(\$15,000) + (\$2,956) = (\$2,500 * 5.7) = \$32,206$$

Office

$$(\$15,000 \text{ size of service}) + (\$2,956 \text{ tap}) + (\$2,500 * 4.6 \text{ per acreage fee}) =$$

\$29,456 North Sac Office

$$(\$15,000) + (\$2,956) + (\$2,500 * 12.6) = \$49,456 \text{ Dntn Office}$$

County of Sacramento

The locations for development fall into private water districts that oversee water development in the County. There are no water development charges per se; however, the developer must pay for pipe connections from the meter to the development.

City of Roseville

Based on 4 inch level of service - \$33,860 (Roseville Public Works, pers.comm.)

CONSTRUCTION EXCISE TAX

This major street construction tax for the City of Sacramento is comprised of a City imposed tax of eight-tenths of one percent of the value of the building permit issued for all new construction or for additions.

The collected tax may be expended for the acquisition of land and interest in land and for the construction, reconstruction, replacement, widening, modification, and alteration of existing and proposed streets and roads in the City.

Warehouse
\$14,960

Office
\$36,000

TRANSPORTATION DEVELOPMENT FEE

New development is required to finance roadway improvements (and transit in the case of Sac Co) through the payment of development fees prior to the issuance of building permits.

City of Woodland
\$17,325/acre of land
(\$17,325) (5.7 acres)=\$98,752

City of West Sacramento
Proposed Traffic Impact Fee - a fee of \$10,000/Acre of Land for Industrial and \$25,000/Acre of Land for Hwy Commercial is proposed for the City.

Warehouse
(\$10,000) (5.7 acres)=\$57,000

Office
(\$25,000) (4.6 acres)=\$115,000

County of Sacramento
Fee recently imposed by the County for the enhancement and construction of major roadways. Fees are assessed according to the district in which the development is proposed.

Warehouse

Rancho Cordova - District 2.
.43 /sq ft for Roadway
.08/sq ft for Transit

(.51/sq ft) (100,000 sq ft)= \$51,000

Power Inn - District 4.
.49/sq ft for Roadway
.11/sq ft for Transit

(.60/sq ft) (100,000)= \$60,000

Northeast Sac County
.48/sq ft for Roadway
.16/sq ft for Transit

(.64/sq ft) (100,000)= \$64,000

2

Office

Hwy 50 and C.Heights - District 3.

\$1.47/sq ft for Roadway

\$.70/sq ft for Transit

$(\$2.17/\text{sq ft}) (100,000) = \$217,000$

Roseville

The cost for traffic impact fees (effective 12/88) is assessed by assessment districts based on building square footage. Downtown Roseville was used for purposes of this study.

Warehouse

$(\$1.62/\text{sq ft}) (100,000) = \$162,000$

Office

$(\$3.53/\text{sq ft}) (100,000) = \$353,000$

FIRE SERVICE CONSTRUCTION TAX

A Tax imposed on all new development by the City of Roseville for the development of fire service. This fee is based on the Project Valuation. It is one-half of one percent of the PV.

\$17,650

PUBLIC FACILITIES FEE

This fee is imposed by the City of Woodland for the development, operation, and maintenance of all public facilities within the City. The fee is \$3,465/acre of land.

$(\$3,465) (5.7 \text{ acres}) = \$19,750$

STORM DRAINAGE FEE

A fee assessed by the City of Woodland for oversizing the main drainage trunk. For purposes of this study, the project is located in the Downtown C-2 Zone. The fee is \$4,851/acre of land.

$(\$4,851) (5.7) = \$27,650$

SCHOOL IMPACT FEE

A fee assessed by the State of California for the expansion/enhancement of the public school system. The fee imposed on non-residential development is .25/Sq Ft.

$(\$.25) (100,000) = \$25,000$

JB/pc:commdev.nts

updated 1/26/89

RECEIVED

JAN 10 1989

(ATTACHMENT 4)

Planning and Development

MEMORANDUM

December 20, 1988

TO: MEMBERS, BUILDING INDUSTRY ASSOCIATION OF SUPERIOR CALIFORNIA

FROM: KATHLEEN HARRIS, BIA, LEGISLATIVE ADVOCATE

RE: PROPOSED HOUSING TRUST FUND ORDINANCE

The City Council has recently a motion signifying its intention to approve the Housing Trust Ordinance subject to two very important contingencies; 1) that the County adopt a substantially similar ordinance, and 2) possible exemption of non-residential projects in the City which are difficult to develop and as a practical matter make development of adjacent infill residential development financially feasible.

It is very important that individuals voice their opposition to this proposed ordinance to both the City Council, and most importantly to your respective Board of Supervisors. The Board of Supervisors will be hearing this ordinance around the 10th or 17th of January and the City Council will have a final hearing around the end of January.

The greater number of developers who qualify for an exemption, the less likely the County will be inclined to adopt a parallel ordinance. By obtaining an exemption, you do not jepordize your position of opposing this ordinance as a whole. The goal at this point is to obtain a political victory, and the Board of Supervisors are our best target. We would prefer political victory, to expensive litigation, but if failing in the political arena, we will pursue the legal option.

Outlined in the attached background statement, you will find the main aspects of the Housing Trust Fund Ordinance. The arguments which we have been using with the City Council to oppose the ordinance are the following: 1) the ordinance impacts a specific group of businessmen (mainly commercial builders) to solve a problem which must be addressed by a broader spectrum of society. 2) of the \$42million anticipated to be funded, the commercial builders are contributing almost \$4million local dollars, with \$35million to be obtained through state and federal sources, 3) the link or "nexus", between development of commercial space and the need for affordable housing for low-income people has not been held up in court. The Pacific Legal Foundation which specializes in land use issues, criticizes the "nexus" issue as presented by the Keyser Marston study, stating

2

that the nexus must be proven on a project by project basis in order for the concept to be valid.

The following is a list of your current Board of Supervisors and City Council Members.

County Board of Supervisors, Administration Building, 700 H Street, Suite 1450, Sacramento, Ca. 95814

District 1	Grantland Johnson	440-5485
District 2	Illa Collin	440-5481
District 2	Sandra R. Smoley	440-5471
District 4	Jim Streng	440-5491
District 5	Toby Johnson	440-5465

City Council, City Hall, 915 "I" Street, Sacramento, Ca. 995814

District	Anne Rudin, Mayor	449-5300
District 1	David Shore	449-2199
District 2	Lyla Ferris	449-5999
District 3	Douglas Pope	449-5679
District 4	Thomas Chinn	449-5982
District 5	Joe Serna	449-5323
District 6	Kim Mueller	449-5467
District 7	Terry Kastanis	449-5060
District 8	Lynn Robie	449-5058

If you have any questions, or need additional information regarding this proposed ordinance, please contact Kathleen Harris at the BIA office (916) 925-2772, or either Christy Savage or Michael Cook at Hefner, Stark & Marios at (916) 925-6620.

HOUSING TRUST FUND BACKGROUND

Last summer, a Housing Trust Fund Task Force met and agreed that there was a great need for affordable housing in Sacramento. The recommendation by the majority of the Task Force, was to plan to raise \$ 42 million to build 1,000 new units of low-income housing in Sacramento each year. Much of that \$42 million was to be raised in fairly traditional ways, such as Private investment for tax credits, loans, and state and federal housing grants. But the Task Force also suggested two new funding methods; a fee on new commercial development and a business tax of \$ 10 per employee. The development fee and the employee tax each could raise around \$4 million annually.

What the minority members of the Task Force disagreed about (by the way, they happened to be developers), was that the "Nexus" which the Keyser Marston study used linking the development of new commercial buildings to the increase in low-income housing, was not valid. The Pacific Legal Foundation, has criticized the general application of the nexus, suggesting that the nexus to be valid, it must apply to each development, project by project. Also, the minority members of the Task Force felt that the development fee would be the quick solution, with the Employee tax one which would have to have implementing language by the state legislature, and passage by the electorate. The City staff and the staff from Sacramento Housing and Redevelopment Agency, did not believe that the voters of Sacramento would be in favor of this tax.

The developer fee for non-residential building permits city-wide (not including North Natomas) is \$.95 for office to \$.38 for warehouse. The North Natomas fee is \$1.04 for Office to \$.42 for light-industrial. The North Natomas non-residential developers can receive a full waiver of all fees by building or "causing to be built" any type of a specified number of housing units in North Sacramento. Fees collected from development outside North Natomas will be placed in a "city-wide" fund and will be spent by the Redevelopment Agency to subsidize low income housing anywhere in the City. Outside North Natomas - non residential developers must pay at least 40% of the "city-wide" fee. Up to 80% of the "city-wide" fee

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may be waived if the developer builds housing units of any type on deep lots or in specified infill areas.

The City Planning staff has requested developers to indicate whether their projects should be put on the exempt list.

The following criteria must be present:

- a) specific circumstances, unique to that project and not generally applicable to other projects;
- b) the project would not be objectively feasible with out the variance;
- c) a specific and substantial hardship would occur if the variance were not granted; and
- d) no alternative forms of relief are available which would be more effective in attaining the purposes of this chapter than the relief requested.

Projects which qualify for the exemption by meeting the above criteria should be on the City's list as soon as possible. Be sure that you advise Steve Peterson, City Planning Department, 1231 I Street, Sacramento, Ca. 95814.



(ATTACHMENT 5)

RECEIVED

DEC 13 1988

Planning and Development

December 12, 1988

Marty Van Duyn
Planning Director
City of Sacramento
1231 I Street
Sacramento, CA 95814

Re: I-80 Industrial Park

Dear Marty:

I appreciated the ability to talk with you at the City Council Committee hearing last week. Per our conversation, I am writing this letter to give you a few basic facts about the I-80 Industrial Park.

First, I am enclosing a sheet that sets forth the building permit fees on a lot by lot basis for the buildings currently under construction. At this juncture, we have 172,800 s.f. under construction and we are only building the shell. Additional improvements such as office, lighting, etc. will come at a later date when the tenant is known, (i.e. there will be additional building permits for those improvements). The total of \$218,699.56 does not include the "R" review process nor does it allocate any of the tentative map costs for the property.

Further, I believe it is important to point out that the fee comparison that was requested by the Committee of Staff is only one part of the overall costs related to development. Simply saying that the City fee is lower than the County fee and therefore, there is "room" for the Housing Trust Fund fee is totally erroneous. To make a fair comparison of the competitiveness between the City and County all costs of the project would have to be taken into consideration. For example, when you buy a piece of land in the City there is a transfer tax that is much greater than if you buy a piece of land in the County. The County infrastructure standards are substantially different and they have cost ramifications. For example, in the County for drainage line you could use corrugated pipe whereas in the City you are required to use cast in place concrete or pre-cast concrete drainage pipe.

The City requires mechanical compaction in back fill situations of trenches and the County allows jetting. These are but a few of the different items that are higher in the City than in the County. I would caution against making the fee comparison only.

Secondly, I want to address the Housing Trust Fund. I am enclosing the letter I sent to the City Council requesting exemption. To give you a little more background, let me explain that the project is an assemblage of eleven (11) different parcels. After we had acquired all the parcels we did a subdivision on the property and divided it into fourteen (14) lots, and in a separate action did a lot line merger and adjustment on three (3) parcels. Which gave us a total of seventeen (17) parcels on the overall project at this juncture. The total acreage is 88.43 and at the 38% coverage factor we would be in a position to build 1,456,000 s.f. of product on the project.

Our first phase is 172,800 s.f. This is a spec building program with three different product types, ranging from 1,500 s.f. incubator type space to a tenant size of approximately 12,000 s.f. our first phase is being built on three (3) lots and there are a total of eight (8) buildings.

If we were to only build the entire project out on a speculative basis, and assuming that our Phase I is representative of what the market could absorb in one year, we would have an eight (8) year build out time frame for the project. However, it is our business plan to build out the project in the form of speculative buildings, build-to-suits, and sell the remaining land to users in a four (4) year period.

As I believe, the letter to the City Council state, we have had to provide some major infrastructure to make this project possible. We have been working toward establishing a benefit area to reimburse us some of these costs if and when anyone hooks up to the sewer drainage system. At this juncture, the ordinance has not been finalized. Needless to say, we are currently fronting substantial dollars, a portion of which, may be reimbursed in the future, however, the way the ordinance is currently drafted, the reimbursements could be over the next ten years. Additionally, our costs have been substantially higher than most industrial subdivisions from all aspects, including the city required infrastructure, SMUD Infrastructure, and PT&T Infrastructure. I think that if you

2

Marty Van Duyn
December 12, 1988
Page Three

would contact any of the people that have been involved with the project, whether it be the City, SMUD, PT&T, our engineers, architects, etc, they will tell you that this has been one of the most difficult projects with which they have dealt.

All this is to say, that I believe this project above all other projects should be exempted or a variance provided from the Housing Trust Fund. That incremental additional cost will put us in an extremely noncompetitive position. At this juncture, we are fighting an uphill battle given the image of the area, our infrastructure costs are higher than other areas, and the track record of McCuen & Steele in the area does not help provide any emphasis to this area. The Housing Trust Fund's incremental cost would make a significant negative impact on this project.

I certainly appreciate your consideration on our request and look forward to working with you on this in the future.

Thank you

Sincerely,


Greg Rodgers
Partner

GR:slg

2

I-80 BUILDING ASSOCIATES

Fees For Building Permits

Lot 6

A	8,696.47
B	8,696.47
C	13,299.31
D	<u>13,558.24</u>
	<u>44,250.49</u>

<u>School Fee</u>	<u>21,042.00</u>
-------------------	------------------

<u>CIE</u>	<u>19,788.00</u>
------------	------------------

<u>Water</u>	<u>1,034.00</u>
--------------	-----------------

<u>TOTAL</u>	<u>\$86,114.79</u>
--------------	--------------------

Lot 9

A	13,056.11
B	<u>13,056.11</u>
	<u>26,112.22</u>

<u>School Fee</u>	<u>8,630.00</u>
-------------------	-----------------

<u>CIE</u>	<u>8,805.00</u>
------------	-----------------

<u>Water</u>	<u>1,034.00</u>
--------------	-----------------

<u>TOTAL</u>	<u>\$43,861.22</u>
--------------	--------------------

Lot 12

A	15,225.80
B	<u>15,841.15</u>
	<u>31,066.95</u>

<u>School</u>	<u>13,124.00</u>
---------------	------------------

<u>CIE</u>	<u>10,946.00</u>
------------	------------------

<u>Water</u>	<u>1,034.00</u>
--------------	-----------------

<u>TOTAL</u>	<u>\$56,170.95</u>
--------------	--------------------

<u>CITY TOTAL</u>	<u>\$186,146.96</u>
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20,079.00 - SMUD
12,473.60 - Plan Check

<u>TOTAL</u>	<u>\$218,699.56</u>
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November 21, 1988

Councilwoman Lynn Robie
City of Sacramento
City Hall
915 I Street
Sacramento, CA 95814

Re: Housing Trust Fund Fees on New Industrial
Projects in North Sacramento

Dear Councilwoman Robie:

On behalf of I-80 Industrial Associates, this letter is written to express a deep sense of frustration.

The City says it wants employment generating uses in high unemployment areas such as North Sacramento. The City and environmental groups such as ECOS continually talk about the need for incentives to spur infill development in areas such as North Sacramento to reduce commute trip lengths and therefore reduce traffic congestion and negative air quality impacts. The City is spending thousands of dollars out of its limited General Fund for an economic development staff to tell the City how to attract clean industry. The City has also recently spent \$30,000 for the Fantus study which identifies North Sacramento as a target area for new industry and documents that the lack of infrastructure (streets, waters, sewers and drainage) has chilled North Sacramento development in the past.

We are trying to build the 88-acre I-80 Industrial Park in a blighted area in North Sacramento. As the Fantus report notes, the cost to extend infrastructure to the site is huge. This summer, we advanced over \$359,000 to rebuild over 4,500 feet of Bell Avenue, converting this pot-holed two-lane road into a safe and improved thoroughfare. We have also advanced over \$1,100,000 for oversized sewer, water and drainage extensions. These costs do not reflect any of our on-site costs, which exceed \$2,300,000. Much of the land adjacent to the new Bell Avenue and its underlying infrastructure is vacant, residentially zoned land which heretofore has been unable to develop due to the lack of this expensive critically necessary infrastructure. This is a significant subsidy to housing.

Due to the highly competitive industrial lease market, we have taken great risks in advancing these unusually high infrastructure costs. Ultimately, our lease rates cannot exceed the rates in other industrial areas - primarily in the County - with much lower infrastructure costs.

And now we learn that the City may ask us to pay an additional \$.60-\$.80 per building square foot into a Housing Trust Fund to subsidize housing, which we have already subsidized. If the County does not adopt identical fees, it will be very difficult to compete in an industrial lease market where deals are made or lost on the basis of \$.03-\$.05 per square feet differences in lease rates.

The proposed ordinance does contain a variance procedure to waive or reduce the fee at the time of application for building permits. However, the proposed ordinance confers very limited discretion to the City to grant a variance. We are therefore understandably concerned and respectfully request the City Council to take the following actions:

1. Exempt I-80 Industrial Park from the Housing Trust Fund Ordinance.
2. Expand the discretion given to the City Council in the ordinance to grant variances for developments with the special circumstances outlined in this letter.
3. In any event - as an absolute minimum - the City Council should only tentatively adopt the Housing Trust Fund Ordinance pending, and contingent upon, adoption of identical fees in the County.

Thank you for your attention to this matter.

Sincerely,


Greg Rodgers
Partner

GR:js

cc: Bill Edgar
Steve Peterson
Tim Johnson

RECEIVED

JAN 11 1989

Planning and Development

2710 Gateway Oaks Drive
Suite 300 South
Sacramento, CA
(916) 925-6620
Fax # 925-1887
Bay Area Office
(415) 837-2138
Fax # (415) 838-9019



January 11, 1989

Steve Petersen
Sacramento City Planning Department
1231 I Street, Room 300
Sacramento, CA 95814

Re: Proposed Housing Trust Fund Ordinance;
Delta Shores Project

Dear Steve:

This letter is written on behalf of Peery & Arrillaga, owners of the 650+ acre Delta Shores project.

I hereby request staff to evaluate whether Delta Shores should be exempted from the proposed ordinance.

In a public hearing in January 1988 on the North Natomas settlement agreement, several City Council members made comments indicating an intent to exempt this project.

Reasons for Exemption

1. This project is adjacent to a blighted area. In many jurisdictions this project would be the recipient of public subsidies or tax increment incentives due to a long standing legislative recognition of the many blight-reducing benefits which result from a job generating project of this type. By imposing the proposed \$3.1+ million dollar housing fee on this project - in addition to many other exactions including 100% financing of a \$4-5 million dollar interchange, the City will provide a substantial disincentive to Delta Shores development and thus lose an opportunity to reduce blight.

2. The adjacent Meadowview community has more than its fair share of affordable housing. Redevelopment Agency staff have indicated that they have no intent of spending any part of the fees generated from Delta Shores in the adjacent

Archie Hefner
(1951-1988)

- Theodore M. Marois, Jr.
- James M. Woodside
- John D. Bessey
- Kenneth R. Stone
- Timothy D. Taron
- Judy Campos McKeegan
- William M. Gallagher
- Robert S. Willett
- Todd A. Murray
- Timothy M. Cronan
- Joel S. Levy
- Christina J. Savage
- Dennis L. Viglione
- Robert P. Biegler
- Ronald H. Sargis
- John W. Feist
- Jack T. Holland
- Joseph E. Hustein
- Peggy J. Turner
- Janice L. Thurston
- Kevin F. Schoneman
- Steven R. Crooks
- Lucy W. Burns
- Delbert W. Oros
- Ralph T. Ferguson
- Martin B. Steiner
- Lisa A. Wible Wright
- Jeffrey H. Graybill
- Howard S. Nevins
- Daniel W. Smith
- Douglas R. Thorn
- Michael J. Cook
- Edward E. Jaszewski
- Judy J. Borchers
- Maris J. Winterberger
- Marshall K. Jaquish
- Julie B. Gustavson
- Scott B. Hayward

Of Counsel
Robert N. Stark
Robert W. Bell

Steve Petersen
January 11, 1989
Page 2

neighborhood because it is likely that any such new low income housing project would quickly become the victim of existing problems in the area.

If fees will, therefore, be spent for housing distant from Delta Shores, how can anyone argue that the fees will reduce the potential traffic and associated air quality impacts of this project?

3. Delta Shores will finance a new freeway interchange, a major east-west collector road, and other major infrastructure which will make economically feasible for the first time hundreds of acres of residentially zoned vacant land to the east of Delta Shores.

4. Delta Shores has an excellent onsite jobs/housing mix; the project includes approximately 1,200 single family detached residences on 170 acres and 1,900 multi-family units on 125 acres. The project has an even better job/housing mix given the vast amount of existing housing and vacant residentially zoned land in the immediate vicinity. The proposed ordinance very unfairly gives no credit for construction of new housing onsite or offsite notwithstanding the clear "infill" nature of this housing in the metropolitan area.

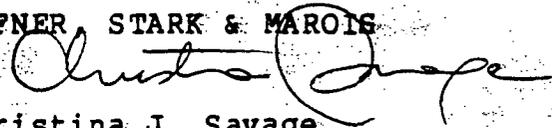
5. Delta Shores will generate at full buildout substantial net revenues to the City and County General funds which can be used to subsidize a myriad of human services--including affordable housing. The proposed fee is tantamount to "double-dipping"--i.e., taking twice from this and other new non-residential projects--to fund solutions to a problem not caused by new development.

Thank you for your evaluation of this request.

Very truly yours,

HEFNER, STARK & MAROIS

By


Christina J. Savage

7.4CJS:sw

cc: City Clerk
Mayor & City Council
Dick Peery

(ATTACHMENT 7)

LAW OFFICES OF

BALFREY & ABBOTT

1801 I Street, Suite 200
Sacramento, California 95814
(916) 447-8899

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DEC 6 1988

Planning and Development

Steven John Balfrey
William W. Abbott
Brigit S. Barnes
Howard W. Shook
Marian E. Moe
Timothy M. Taylor*

RECEIVED

DEC 6 1988

Planning and Development

Fax No. (916) 444-0617
Bay Area Office:
Webster Street Tower
2101 Webster St., Suite 1700
Oakland, California 94612
(415) 268-1527

December 6, 1988

If this box is checked,
please reply to Oakland
address.

HAND-DELIVERED

Steve Peterson
City Planning
1231 I Street, Room 200
Sacramento, CA 95814

RE: Housing Trust Fund

Dear Steve:

This letter is to confirm my understanding of our discussions with Marty Van Duyn on Tuesday, December 6, 1988. At that meeting, we reviewed the potential application of the Housing Trust Fund to the currently permitted Arden Fair Mall. It is our mutual understanding that foundation permits are to be issued within the next few days for the entire area subject to the already issued special permits. Based upon this fact, we agreed that none of the approved mall could be subject to the ordinance. This interpretation is based upon the transmittal from staff to the Council indicating that the issuance of a foundation permit would qualify for the vested rights exemption.

Marty indicated that he would be willing to issue a letter to this effect at the time of permit issuance. In turn, I indicated that Arden Fair Associates would not seek further modification of the draft ordinance.

If your understanding of our conversation differs in any way, please contact me immediately. Thank you for your cooperation.

Sincerely,



William W. Abbott

WVA:yb

cc: Marty Van Duyn
David Jones
8812.26.2

Councilman Joe Serna
Jim McAdam

RECEIVED

(ATTACHMENT 8)

2

DEC 16 1988 DIEPENBROCK, WULFF, PLANT & HANNEGAN

Planning and Development

LAW OFFICES

300 CAPITOL MALL, SUITE 1700
POST OFFICE BOX 3034

SACRAMENTO, CALIFORNIA 95812-3034

(916) 444-3910

TELECOPIER (916) 446-1696
TELEX 70-5328

A. I. DIEPENBROCK 1883-1878
HORACE B. WULFF 1886-1888
VICTOR L. DIEPENBROCK 1808-1878
JOHN J. HANNEGAN 1818-1888

FRANK R. FEDOR
FELICITA S. YOUNG
WILLIAM J. COYNE
PATRICIA J. HARTMAN
DAVID R. McANANEY
DAVID L. DITORA
FRANKLIN T. ESPEGREN
R. JOHN SWANSON
DONNA J. TAYLOR
CHRISTIANE E. LAYTON
V. BLAIR SHAHBAZIAN
MICHAEL L. BLEDSOE
JAMES A. CAPRILE
JAMES M. NELSON
SCOTT O. JOHANNESSEN

SUZANNE E. HENNESSY
JOYCE A. VERMEERSCH
JOSEPH L. SPINA
JOHN R. HALUCK
RALPH R. SCHIARO
SUE ELLEN WOOLDRIDGE
TRACEY S. BUCK-WALSH
KATHERINE K. ANORITSAKIS
KATHLEEN R. MAHEL
BRADLEY J. ELKIN
MONA E. OPOYKE
JOHN M. FELDER
EDWARD TSAI
PATRICIA S. TAYLOR
D. MICHAEL SCHOENFELD

FORREST A. PLANT
JOHN V. DIEPENBROCK
R. JAMES DIEPENBROCK
ROBERT R. WULFF
CYRUS A. JOHNSON
JOHN S. GILMORE
THOMAS A. CRAVEN
DAVID A. RIEGELS
WILLIAM B. SHUBB
DENNIS M. CAMPOS
JAMES T. FREEMAN
STEVEN M. FELDERSTEIN
JACK V. LOVELL
DENNIS R. MURPHY
DAVID ROSENBERG
JOHN E. FISCHER
WILLIAM W. SUMNER
CHARITY KENYON
FRANCIS M. GOLDSBERRY II
MICHAEL S. McMANUS
CARY M. ADAMS
KAREN L. DIEPENBROCK
RAYMOND M. CADEI
JANE DICKSON McKEAG
BRIAN T. REGAN
FORREST A. PLANT, JR.
KEITH W. McBRIDE
JOHN R. WAGNER
JEFFERY OWENSBY
WHITNEY RIMEL

December 13, 1988

Our File No. 23334
Proposed Housing Trust Fund Ordinance

The Honorable Anne Rudin, Mayor
City Council
City of Sacramento
915 I Street
Sacramento, California 95814

Dear Mayor Rudin and City Council Members:

The Housing Trust Fund Ordinance which the City Council is considering should be modified to clarify the development projects to which it will apply. At section 33(C)(1), the proposed ordinance provides that it "shall apply to all non-residential development projects which have not received all discretionary entitlements from the Planning Commission and City Council prior to March 29, 1988 ..." However, section 33(C)(3)(C) specifies that the ordinance "shall not apply to: ... any development project which has received a vested right to proceed without housing fees pursuant to state law." This latter section apparently refers to projects which are subject to development agreements which are executed before

December 13, 1988
Page 2

March 29, 1988, and to projects which have otherwise obtained a "vested right" pursuant to state law. The California Supreme Court in Avco Community Developers v. South Coast Regional Commission, 17 Cal.3d 785 (1976), determined that a "vested right" to proceed with proposed development occurs when a project proponent has obtained a building permit for a project and has commenced construction pursuant to that permit.

Confusion exists as to whether the City Council intends to apply the Housing Trust Fund Ordinance to projects which obtain building permits and commence construction between March 29, 1988, and the effective date of this ordinance, presumably early in 1989. I understand that City staff believes the ordinance will not apply to any project which obtains a building permit for the foundation of a building before the effective date of the ordinance, sometime in 1989. The ordinance should be modified to clarify that the Council's intent is to exclude from the ordinance projects which receive their foundation building permits prior to the effective date of the ordinance. The most straightforward manner in which to accomplish this is simply to modify subsection 33(C)(1) to specify that the ordinance will not apply to any development project which has received a foundation building permit prior to the effective date of the ordinance.

We would be pleased to work with staff in drafting appropriate language for the City Council's consideration. This

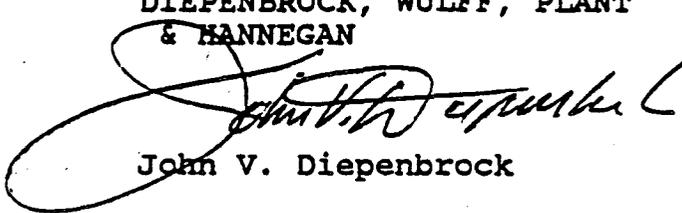
DIEPENBROCK, WULFF, PLANT & HANNEGAN

December 13, 1988
Page 3

item should be discussed at the City Council's committee meeting, tentatively scheduled for January 17, 1989, at which the ordinance is proposed to be discussed.

Very truly yours,

DIEPENBROCK, WULFF, PLANT
& HANNEGAN



John V. Diepenbrock

MLB:dl
MLB03/61

cc: David Taylor

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

2

ATTACHMENT 9

CURRENT REDEVELOPMENT AREA PROJECTS

SHRA staff has compiled the following list of current projects in City Redevelopment Areas. The developers of these projects have not yet pulled their building permits but do have prior contracts with the City and the Redevelopment Agency of the City in the form of Owner Participation Agreements (OPA's), Memorandums of Understanding (MOU's), or Development and Disposition Agreements (DDA's). The developers of these projects should not be required to pay any additional fees not previously stipulated in these agreements. Projects affected are as follows:

- a) Mixed use project, 1111 G Street
 - DDA signed September 19, 1988
 - (A predevelopment agreement and an option agreement with the Agency on the land were signed on June 15, 1987.)

- b) Orleans Hotel
 - MOU signed in 1987
 - DDA signed by developer in September 1988. SHRA will sign shortly.

- c) Library Plaza
 - DDA signed in August 1987

- d) Docks Hotel
 - MOU signed in July 1987

- e) Hahn Project
 - Have had DDA since 1968

(ATTACHMENT 10)
MICHAEL R. EATON

ENVIRONMENTAL AND
ENERGY CONSULTANT

1823 ELEVENTH STREET

SACRAMENTO, CA 95814

PHONE 447 6099 FAX 447 8689

January 2, 1989

To: Lester Smith
From: Mike Eaton *ME*
re: Proposed Housing Trust Fund Ordinance

As we discussed, I have attempted to rewrite Section II.C of the draft HTF to more accurately describe the requirements of the NNCP and Natomas Settlement. Here's my proposed substitution:

"II. North Natomas Findings ...

C The North Natomas Community Plan provides for a ratio of housing units to jobs of 66% for that portion of the Plan area within the City limits (58% for the combined City and County areas within the NNCP boundaries). The City committed itself to maintaining that ratio, except under very limited specific conditions, in the Natomas Settlement Agreement.

The NNCP also requires developers of non-residential property in North Natomas to assist in the development of 4,340 housing units in North Sacramento. This requirement has three purposes:

- To help meet the North Natomas housing deficit in areas within close proximity to the Plan area;
- To assure that adjacent neighborhoods benefit economically from the development of North Natomas; and
- To compensate partially for phasing provisions of the NNCP which do not require the construction of actual housing units in North Natomas until after substantial job-creating development has already taken place.

The North Natomas Housing Trust Fund requirements are designed to complement, not take the place of, the housing units-to-jobs ratio requirements of the NNCP and Natomas Settlement Agreement."

Please contact me if you have any questions about this language.

cc: David Mogavero, Steve J. J. Heather Fargo, Vicki Lee



ATTACHMENT 11

(Revised 1/31/89)

ORDINANCE NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

AN ORDINANCE ADDING SECTION 33 TO THE COMPREHENSIVE ZONING ORDINANCE OF THE CITY OF SACRAMENTO, ORDINANCE NO. 2550, FOURTH SERIES, RELATING TO HOUSING TRUST FUND REQUIREMENTS FOR NON-RESIDENTIAL DEVELOPMENT PROJECTS (M87-086)

I. CITYWIDE FINDINGS

The Council of the City of Sacramento finds and declares as follows:

- A. New office, commercial, research and development, manufacturing, industrial and warehouse uses hereinafter referred to as "non-residential uses" or "development projects" in the City of Sacramento have and continue to be a major factor in attracting new employees to the region. A substantial number of these employees and their families reside or will reside in the City of Sacramento. These new employees and their families create a need for additional housing in the City.
- B. Traditionally these non-residential uses have benefited from a supply of housing for their employees available at competitive prices and locations close to the place of employment. However, in recent years, the supply of housing has not kept pace with the demand for housing created by these new employees and their families. If this shortage were to grow or continue, employers would have increasing difficulty in locating in or near the City due to problems associated with attracting a labor force. Employees would be unable to find appropriate housing in the area, and accordingly would be forced to commute long distances. This situation would adversely affect their quality of life, consume limited energy resources, increase congestion on already overcrowded highways, and have a negative impact on air quality.
- C. The competition for housing is especially acute with respect to households of low income (those households with incomes of 80% or

2

below median County income). An identifiable portion of the new employees attracted to the City by new non-residential development will live in low and very low income households and will therefore compete with present residents for scarce affordable housing units in the City. Increasing the production and availability of low income housing is especially problematic. Prices and rents for housing affordable to households of low and very low income remain below the level needed to attract new construction. This is even more true for households of very low income (those with incomes 50% or below County median income). Federal and State housing finances and subsidy programs are not sufficient by themselves to satisfy the low income housing requirements associated with this employment.

- D. The City of Sacramento, in cooperation with the County of Sacramento, created a City/County Housing Finance Task Force to examine housing needs and financial mechanisms to address those needs in the Sacramento area. The report of the Task Force examined the connection between non-residential development projects and housing needs with special emphasis on very low income housing needs. The report concluded that a clear nexus can be established between the employees of various commercial and industrial buildings or land use types and the number of very low income employee households that are directly associated with such buildings and will accordingly impact the Sacramento housing market. The report further quantified the share of this need represented by very low income households.

The City of Sacramento reviewed the Nexus report and recalculated the housing subsidy amounts based on the employment densities contained in the City's General Plan. Assuming a housing subsidy of \$12,000 per unit, the City concluded that each additional square foot of office development, for example, contributes to the need for low income housing subsidy in the amount of \$2.74. Similar conclusions for other uses were as follows: research and development, \$1.87; manufacturing, \$1.32; warehouse, \$.82; commercial, \$4.33; and hotel, \$1.90.

While these numbers may be approximate, it is clear that such development brings in new employees, an estimable percentage of those employees will live in Sacramento County, and that this number yields a certain number of households from which a definable number will be of very low income. Adjustments may be made to this number of households to take into account household size, and multiple earner households, previously housed employees, etc., to yield the

2

approximate per square foot contribution each employment activity contributes to the net new need for housing subsidy.

- E. Accordingly, it is appropriate to impose some of the cost of the increased burden of providing housing for low and very low income households necessitated by such development directly upon the sponsors of the development, and indirectly upon the occupiers. The imposition of a housing impact fee and/or housing construction requirement is an appropriate means to accomplish this purpose. In calculating the amount of such fee, the City Council has taken into account other factors in addition to the simple calculation of contribution. These include impact of the fee on construction costs, special factors and hardships associated with certain types of development, and legal issues.
- F. The City of Sacramento, on October 15, 1987, adopted several air quality mitigation measures as part of the Sacramento General Plan Update. One of the mitigation measures was a Housing Trust Fund component which provided for the adoption of a housing fee or housing construction alternative.
- G. The need for additional production of housing, especially infill and low income housing, was also addressed in the settlement of litigation surrounding the North Natomas Community Plan. On March 29, 1988, the City of Sacramento entered into a North Natomas Settlement Agreement. The parties to that Settlement Agreement recognized that new employment development, in addition to adversely impacting the supply and availability of affordable housing, increasing housing demand, which if unmet in the City, will in turn increase commuting distances, create additional traffic congestion, energy consumption and air pollution.

An alternative method of offsetting and mitigating this traffic congestion is to provide additional housing in "infill" areas which are already served by infrastructure and not otherwise experiencing new residential construction, since such areas are close to employment centers and public transit service. The North Natomas Settlement Agreement recognized that the development of infill low income housing would be of benefit to the City and region, and accordingly provided that the City would adopt an ordinance providing a means by which new employment development would contribute to the supply of additional housing.

- H. Residential infill areas offer a great potential for meeting the

2

City's growth needs. However, the City has not experienced new residential development within these areas. By promoting infill incentives, the City can stimulate the construction of housing that would not otherwise be built, thereby increasing the overall supply of housing available for potential employees located within the City's employment centers.

- I. The Nexus report examined the relationship between the number of additional employees associated with various commercial and industrial buildings or land uses and the number of additional households that are directly associated with such buildings and will accordingly impact the Sacramento housing market.

The City of Sacramento reviewed the Nexus report based on the employment densities in the City's General Plan and concluded that each additional square foot of office development contributes to housing demand by .00229 units, research and development contributes .00164 units; manufacturing contributes .00075 units; warehouse contributes .00038 units; commercial contributes .00191 units; and hotel contributes .00076 units. Based on the Nexus report, the dwelling unit to jobs ratio for non-residential uses in the Sacramento area is one dwelling unit per 1.75 new employees.

- J. Accordingly, it is appropriate to impose some of the increased burden of providing housing necessitated by such development directly upon the sponsors of the development and indirectly upon the occupiers. In calculating the housing construction alternative, the City recognized that the private market will address much of the housing demand associated with these non-residential uses. At the same time, private development within infill areas is unlikely to occur without additional significant development incentives. The imposition of a housing construction requirement is an appropriate means to accomplish this objective. As an alternative to full fee payment, the housing construction requirement combines a 20% housing fee with a requirement to construct one dwelling unit within infill areas for every 18 additional employees. This requirement is established well below the relationship between housing demand and non-residential uses for the Sacramento area. Notwithstanding this finding, the housing construction requirement shall become a combination 40% housing fee with a requirement to construct one dwelling unit for every 24 additional employees if and when the North Natomas Settlement Agreement is amended.

- K. The Housing Element of the City of Sacramento General Plan calls for

2

the provision of additional housing for all sectors of the population, to accommodate the demands of both existing and new residents attracted to the region by increased employment. The housing element also provides that the City should make special efforts to encourage an increased supply of housing affordable to low and very low income households.

- L. It is the purpose of this chapter to establish a feasible means by which developers of non-residential development projects assist in (1) increasing the supply of housing and low income housing; and (2) increasing the supply of housing in close proximity to employment centers. The housing fees and housing construction requirements contained in this section are designed to create a rational relationship between the amount of housing need created by the employment use and the size of the fee or housing construction requirement, taking into account the impact of such fee on housing construction costs and economic feasibility.

The Citywide housing exaction is based upon the Sacramento General Plan, the Sacramento General Plan Environmental Impact Report, the North Natomas Community Plan (NNCP), NNCP Environmental Impact Report and air quality mitigation measures, North Natomas Settlement Agreement, the Sacramento City/County Housing Finance Task Force report and recommendations, together with the reports appended thereto quantifying the Nexus between development and low income housing need. In view of the numerous assumptions and potential inexactitudes which must attend any such studies and recommendations, the City Council has determined that the fees and unit requirements will be set well below the calculated cost of providing market rate and low income housing to persons attracted to the City by these employment opportunities.

- M. Although the low-income housing availability issue may be addressed at the City level, the housing market is a regional market. While evidence presented to the Council indicates that imposition of a fee in the City alone will not cause substantial commercial development to leave the City, the Council notes that the relationship between increased commercial development and the need for low income housing is a regional relationship, including both the City and the County. Commercial development in one jurisdiction will generate the demand for low income housing in the other jurisdictions. Conversely, the absence of available low income housing in one jurisdiction puts undo pressure on the other. Adverse environmental effects associated with long commutes impact the citizens of both the City

2

and County. Therefore, a similar fee on commercial development should be imposed within the same time frame in the City and County and dedicated to similar purposes.

II. NORTH NATOMAS FINDINGS

The Council of the City of Sacramento hereby incorporates the previous Citywide findings and also finds and declares as follows:

- A. In adopting the North Natomas Community Plan (NNCP), the City Council determined that development in North Natomas could adversely impact development in North Sacramento. To mitigate that impact, the NNCP requires North Natomas non-residential developers to participate in a Housing Trust Fund to stimulate housing development in North Sacramento.
- B. In achieving the jobs-housing balance for North Natomas, vacant residential land in North Sacramento will be utilized. Housing demand generated by Phase I employers shall be met initially through residential development in Phase I of the planning area, as well as development of residential land in North Sacramento.
- C. The NNCP establishes a 66% housing units-to-jobs ratio for that portion of the planning area within the City limits and a 58% ratio for the overall planning area. Because of the significant dwelling unit deficiency that could result within the North Natomas planning area, this ratio must be supplemented by developing 4,340 units in North Sacramento. After the development of these units, the Housing Trust Fund requirements for North Natomas will be fulfilled unless future land use amendments require more housing to maintain the specified housing-to-jobs ratio.
- ~~B. The North Natomas Community Plan (NNCP) contains specific policies and objectives to achieve a jobs housing balance and at the same time support and compliment planned residential and economic growth in North Sacramento. These include: 1) jobs and housing development in North Natomas shall be directly related to achieving housing and revitalization goals in North Sacramento. The private sector shall participate in efforts, such as the Housing and Infrastructure Trust Fund, to meet the additional housing demand in North Sacramento; 2) in achieving the jobs housing balance for North Natomas, vacant residential land in North Sacramento will be utilized; 3) housing demand generated by Phase I employers shall be met initially through residential development in Phase I of the~~

~~planning area, as well as development of residential land in North Sacramento, prior to opening up additional North Natomas lands.~~

~~G. The North Natomas Settlement Agreement establishes a 66% housing units to jobs ratio for North Natomas. However, because of the significant dwelling unit deficiency that exists within North Natomas, this ratio must be partially met by developing 4,340 units in North Sacramento and crediting those units toward meeting the North Natomas housing to jobs ratio.~~

D. It is critical that North Natomas non-residential developers participate in efforts, such as the Trust Fund, to get housing developed in adjacent communities, especially North Sacramento. The responsibility for the units will be spread on an employee per acre basis for each non-residential land use in North Natomas. Given a housing fee of \$3,500 per dwelling unit to stimulate residential development in North Sacramento, the City has concluded that each additional square foot of non-residential land uses will need to contribute the following housing subsidy fee amounts: Highway-Commercial, \$1.04; Community/Neighborhood Commercial, \$.78; Office/Business, \$.78; M-50, \$.67; M-20, \$.55; and Light Industrial, \$.42.

As an alternative to fee payment, non-residential developers can construct or cause to construct housing units in North Sacramento. Given a ratio of one dwelling unit per 15 employees, the City has concluded that each additional square foot of non-residential land use will contribute to the construction of housing units according to the following factors: Highway-Commercial, .000296 units; Community/Neighborhood Commercial, .000222 units; Office/Business, .000222 units; M-50, .000191 units; M-20, .000157 units; Light Industrial, .000121 units.

2

II. AMENDMENT TO ZONING ORDINANCE

Section 33 is hereby added to the Zoning Code of the City of Sacramento as follows:

SECTION 33

HOUSING REQUIREMENTS FOR NON-RESIDENTIAL DEVELOPMENT PROJECTS

A. GENERAL PROVISIONS

1. Limitation. Unless otherwise expressed in this Zoning Ordinance, the provisions of this Section are the exclusive procedures and rules relating to housing impact fees, and housing development requirements, in the event of conflict, these provisions shall prevail over any other provisions of this Zoning Ordinance.

B. LOW INCOME HOUSING FUNDS

1. Establishment and Definition. There are hereby established two separate funds. These funds may receive monies from other sources.

A. Citywide Fund. The Citywide Low Income Housing Fund ("Citywide Fund") shall receive all monies contributed pursuant to Paragraph D.1 and E.1.

B. Natomas Fund. The North Natomas Fund ("Natomas Fund") shall receive all monies contributed pursuant to Paragraph D.2.

2. Purposes and Limitations.

A. Citywide Fund. Monies deposited in the Citywide Fund shall be used to increase and improve the supply of housing affordable to households of low income, with priority given to very low income households. For purposes of this section, "low income households" are those households with incomes of eighty (80) percent or below the median income in the County of Sacramento as set forth from time to time by the U.S. Department of

2

Housing and Urban Development and "very low income households" are those households with incomes of fifty (50) percent or below the same median income. Monies may also be used to cover reasonable administrative expenses not reimbursed through processing fees. No portion of the Citywide Fund may be diverted to other purposes by way of loan or otherwise.

B. Natomas Fund. Monies deposited in the Natomas Fund shall be used to increase the supply of housing units located within the North Sacramento Community Plan area. Monies may also be used to cover reasonable administrative expenses not reimbursed through processing fees. For purposes of this paragraph, housing units include any price or tenure type of housing.

3. Administration. These funds shall be administered by the Director of the Sacramento Housing and Redevelopment Agency (hereinafter "SHRA Director") who shall have the authority to govern the Fund consistent with this Section, and to prescribe procedures for said purpose, subject to City Council approval.

4. Use and Disbursement of Monies in the Fund

A. Citywide Fund. Monies in the Citywide Fund shall be used in accordance with the adopted Housing Assistance Plan to construct, rehabilitate, subsidize, or assist other governmental entities, private organizations or individuals in the construction of low income housing. Monies in the Citywide Fund may be disbursed, hypothecated, collateralized, or otherwise employed for these purposes from time to time as the SHRA Director so determines is appropriate to accomplish the purposes of the Citywide Fund. These uses include, but are not limited to, assistance to housing development corporations, equity participation loans, grants, pre-home ownership co-investment, pre-development loan funds, participation leases, or other public/private partnership arrangements. The Citywide funds may be extended for the benefit of both rental or owner occupied housing.

B. Natomas Fund. Monies in the Natomas Fund shall be used

2

to increase the supply of housing units in North Sacramento in accordance with the policies contained in the North Natomas Community Plan (NNCP). For purposes of this section, increasing the supply of housing includes both the construction of housing and the rehabilitation of dangerous residential buildings as defined in Chapter 50 of the City Code. Monies in the Natomas Fund may be dispersed, or otherwise employed for these purposes by the SHRA Director, after consultation with the Planning Director, to assure compliance with the NNCP policies and objectives.

5. Location of Citywide Units to Be Assisted With Fund Monies

Subject to City Council approval, the SHRA director shall develop criteria for the location of units to be assisted with Citywide Fund monies. The criteria shall include, at a minimum, conformity with the Fair Share Plan adopted by the City Council and factors (e.g., access to public transportation) which would promote air quality goals. This provision shall become effective if and when the North Natomas Settlement Agreement is amended.

6. Annual Evaluation. Commencing one year after the effective date of this Section, and annually thereafter, the SHRA Director and Planning Director shall report to the City Council, the City Planning Commission and the Sacramento Housing and Redevelopment Commission on the status of activities undertaken with the Citywide Fund and North Natomas Fund. The report shall include a statement of income, expenses, disbursements, and other uses of the Fund. The report shall also state the number of low income and total housing units constructed or assisted during that year and the amount of such assistance. The report shall evaluate the efficiency of this Section in mitigating the City's shortage of low income housing available to employees of the projects subject to this Section, stimulating housing development in North Sacramento and alleviating the jobs-to-housing unit imbalance in North Natomas. In this report, the SHRA Director and the Planning Director shall also recommend any changes to this ordinance necessary to carry out its purposes, including any adjustments necessary to the fee or number of housing units required.

2

C. APPLICATION OF THE HOUSING REQUIREMENT.

1. Application: This section shall apply to non-residential development projects that are proposing the construction, addition or interior remodeling of any non-residential development project. This section shall apply to mixed or combined use projects if such projects propose the construction, addition or interior remodeling of such uses. Notwithstanding the foregoing, this section shall not apply to projects which fall within one or more of the following categories:

A. The precise portion of a non-residential development project which requires (1) discretionary permits (as defined herein) and (2) has received final approval of any such permit on or before March 29, 1988; provided, however, that this exception shall not apply to a non-residential development project which is a permitted use within the applicable zone and therefore does not require discretionary permits. For purposes of this paragraph, the term "Discretionary Permit" means any of the following permits: special permit, development plan ("R") review and design review as required pursuant to the City of Sacramento Zoning Ordinance; or

B. Projects which are the subject of Development Agreements currently in effect with the City of Sacramento, or of Disposition Agreements, Owner Participation Agreements, or Memoranda of Understanding with the Redevelopment Agency of the City of Sacramento, approved prior to the effective date of this ordinance, where such agreements or memoranda do not provide for compliance with this Ordinance; or

C. The non-residential uses set forth in a building permit application accepted as complete by the City or a foundation permit issued by the City prior to the effective date of this Ordinance; or

D. A non-residential development project which has received subdivision map approval prior to March 29, 1988 and has been required by the City to finance unreimburseable off-site sewer, drainage and water improvements that directly benefit residential infill sites (as defined herein); or

B. Residential uses as set forth in Section 2 of the Sacramento Zoning Ordinance; or

F. That portion of any development project located on property owned by the State of California, the United States of America or any of its agencies, with the exception of such property not used exclusively for state governmental or state educational purposes; or

G. Any development project which has received a vested right to proceed without housing fees pursuant to State Law.

~~1. Application: This Section shall apply to non-residential development projects which have not received all discretionary entitlements from the Planning Commission and City Council prior to March 29, 1988, that are proposing the construction, addition or interior remodeling of any non-residential development project. This Section shall apply to mixed or combined use projects if such projects propose the construction, addition or interior remodeling of such uses.~~

1. Definitions: For purposes of this Section, the following definitions shall apply:

A. "Non-residential Development Project" is defined as any commercial or industrial use set forth in Section 2 of the City of Sacramento Zoning Ordinance, and includes any other use that is determined by the Planning Director to impact housing demand.

B. "Gross square feet" is the area included within the surrounding walls of the non-residential development project as determined by the Planning Director. This area does not include garages or carports.

C. "Construction" is a new non-residential development project subject to this section.

D. "Interior remodel" is a tenant improvement which results in a change in the type of use of the non-residential development project that increases the employee density of the project as determined by the Planning Director.

2

- E. "Addition" is adding gross square feet to an existing non-residential development project subject to this section.
- F. "Housing Units" is a new dwelling unit of any tenure type or price, including the rehabilitation of dangerous residential buildings as defined in Chapter 50 of the City Code.
- G. "Planning Director" is either the Planning Director of the Director of Planning and Development as determined by the Director of Planning and Development.

~~3. Exemptions. This Section shall not apply to:~~

- ~~A. Residential uses as set forth in Section 2 of the Sacramento Zoning Ordinance.~~
- ~~B. That portion of any development project located on property owned by the State of California, the United States of America or any of its agencies, with the exception of such property not used exclusively for state governmental or state educational purposes.~~
- ~~C. Any development project which has received a vested right to proceed without housing fees pursuant to state law.~~

D. HOUSING FEE REQUIREMENT

- 1. Citywide Payment of Fee as a Condition of Issuance of a Building Permit. Except as provided elsewhere in this Section, no Building Permit shall be issued for any non-residential development project, located outside the North Natomas Community Plan area, subject to this Section as set forth in Paragraph C unless and until a Housing Fee is paid to the Building Inspector of the City of Sacramento who shall deposit such fee in the Citywide Fund. The amount of the fee shall be computed as follows: Gross Square Feet Non-Residential Space X (Applicable Fee by type of use as listed in Appendix A to this Section) = Housing Payment. For purposes of this Section, the fees for an interior remodel shall be the fees for the new use as defined in Appendix A, less any fees that either were paid or would have been paid based on the original use of the building.
- 2. North Natomas Payment of Fees as a Condition of Issuance of a Special Permit or Building Permit. Except as provided elsewhere in

this Section, no Special Permit or Building Permit shall be issued for any non-residential development project located within the North Natomas Community Plan area unless and until a Housing Fee is paid to the Building Inspector of the City of Sacramento, who shall deposit such fee in the Natomas Fund. The amount of the fee shall be computed as follows: Gross Square Feet Non-Residential Space X (applicable fee by type of use as listed in Appendix C to this Section) = Housing Payment.

- 3. Compliance through Housing Construction. As an alternative to payment of the Fee set forth in this Section, an applicant for a non-residential development project subject to the Citywide requirements of this Section may elect to comply with those requirements partially through the construction of housing as provided in Paragraph E.1 below. An applicant for a non-residential development project, subject to the North Natomas requirements of this Section, may elect to comply with those requirements through the construction of housing as provided in Paragraph E.2.

E. HOUSING CONSTRUCTION REQUIREMENT

- 1. Citywide Requirement. As an alternative to the fee requirement of Paragraph D.1, an applicant for a permit for uses subject to the requirements of this Section, may elect to perform both of the following prior to the issuance of a building permit for such activity: (1) pay a fee that is at least 20 percent of the fee required pursuant to Paragraph D.1 above and listed in Appendix B to this Section; and (2) demonstrate that it will construct or cause to be constructed any value or tenure type of housing as determined by the following formula: Gross Square Feet Non-Residential Space X (Applicable Factor by Type of Use as listed in Appendix B to this Section) = Housing Units. No building permit shall be issued by the Building Inspector for any non-residential development project unless and until the Planning Director has certified that the requirements of this Section have been met.

Notwithstanding the requirements of this paragraph, the minimum fee shall become at least 40 percent of the fee required pursuant to paragraph D.1 above and listed in Appendix B if and when the North Natomas Settlement Agreement is amended.

- 2. North Natomas Requirement. As an alternative to the housing fee requirement as provided in Paragraph D.2 above, an applicant for any non-residential development project within the North Natomas

Community Plan (NNCP) area may elect to construct or cause to be constructed any value or tenure type of housing as determined by the following formula: Gross Square Feet Non-Residential Space X (Applicable Factor by Type of Use as listed in Appendix C to this Section) = Housing Units. This housing shall be located in those areas of the North Sacramento Community Plan as defined in Paragraph E.7.B.

- 3. Approval of Proposal by the Planning Director. An applicant who chooses to comply with the requirements of this Section partially through the construction of housing shall submit to the Planning Director sufficient information to enable the Planning Director to determine that the applicant will construct or cause to be constructed the required number of housing units. The application shall demonstrate that the applicant possesses the financial means to commence and complete the construction of the housing within the required time period.

Where the applicant intends to construct housing units through participation in a joint venture, partnership, or similar arrangement, the applicant must certify to the Planning Director that the applicant has made a binding commitment, enforceable by the applicant's joint venturers or partners, to contribute an amount to the joint venture or partnership equivalent to or greater than the amount of the fee they would otherwise be required under Paragraph D, less the portion of the housing requirement of this section actually met through the payment of fees, and that such joint venture or partnership shall use such funds to develop the housing subject to this Section.

The Planning Director may issue guidelines for the administration of this requirement. If the Planning Director approves the proposal, he or she shall issue a certificate so indicating. This certificate shall be recorded and indicate that compliance with this Section is an obligation of the owner of the non-residential property.

- 4. Commencement of Construction. Within one year of the issuance of the first building permit for a use subject to this Section, the applicant shall provide written certification to the Planning Director that it has commenced construction of the housing units under this paragraph, and where the applicant elects to construct housing through a joint venture or partnership, or other legal entity, that the applicant's monetary contribution to the joint

venture, partnership, or other legal entity has been paid in full or has been posted in an irrevocable letter of credit. No certificate of occupancy for the non-residential use shall be issued by the Building Inspector until the applicant complies with this paragraph. This one year period may be extended by a maximum of two one year periods based on evidence submitted by the applicant, if the Planning Director determines that 1) there is good cause for an extension or an additional extension, 2) the failure to comply with the time limits of this paragraph is beyond the owner's control, and 3) the owner has made a reasonable effort to comply with this paragraph.

5. Completion of the Housing Requirement. The applicant shall obtain a final inspection from the Building Inspector for the housing required by this paragraph within two years of the issuance of the first building permit for non-residential use subject to this section. This time period may be extended by the Planning Director by a maximum of two one year periods upon showing good cause as defined in Paragraph E.4.

6. Fractional Housing Units. In the event the application of Appendix B or C to an applicable project creates an obligation to construct a fractional housing unit, that fraction shall be converted into an addition to the housing fee ~~at the rate specified in Appendix B or C,~~ or in the alternative at the election of the applicant, an additional unit.

7. Location of Housing Units Constructed.

A. Citywide Requirements: Housing units constructed under Paragraph E.1 shall be located on deep lots or infill sites as defined in Section 9 of the City of Sacramento Zoning Ordinance.

B. North Natomas Requirement: Housing units constructed under Paragraph E.2 shall be located within the following areas of the North Sacramento Community Plan.

1) Vacant or underutilized lands which have appropriate zoning and land use designations.

2) Vacant lands next to urban areas or areas with services which can be easily extended to accommodate development.

2

3) Vacant infill lots within existing urban areas south of I-80 where services are readily available.

8. Failure to Cause Housing Construction. In the event certification of housing construction is not provided as required by this Paragraph E, the Planning Director will determine an amount equal to 150% of the fee which would have been due and owing under Paragraph D to be paid to the City together with interest accrued from the date of the first building permit issuance for the non-residential use and shall so notify the applicant. If the applicant fails to demonstrate good cause for the non payment, said amount shall be assessed against the applicant.

If this amount is not paid by the applicant within sixty days of the expiration of the applicable time period, the City shall record a special assessment lien against the non-residential subject to this section in the amount of any fee and interest owed, or in the alternative the certificate of occupancy shall be revoked for the non-residential use.

After appropriate notice, the City Council shall hold a special assessment hearing. If the assessment is confirmed, the delinquent fee shall constitute a special assessment against the parcel or parcels used in the development project subject to this section. Each such assessment shall be subordinate to all existing special assessment liens previously imposed upon such parcel and paramount to all other liens except for those state, county, and municipal taxes with which it shall be upon parity. The lien shall continue until the assessment and all interest due and payable thereon are paid to the City.

F. VARIANCES

1. Variences. A variance from the provisions of this Section may be granted to an applicant by the Planning Commission. The applicant must file an application for a variance within 10 days of the Planning Director's determination pursuant to Paragraph D or E. Any hearing required by the provisions of this Section shall be governed by the provisions of Section 14 of this Zoning Ordinance.

2. Application. The application for a variance shall include financial and other information that the Planning Director determines is necessary for staff to perform an independent evaluation of the applicants' rationale for the variance and shall be a matter of

public record.

3. Standards. No variance shall be issued to an applicant unless:
- a. Special circumstances, unique to that project and not generally applicable to other projects so that the same variance would be appropriate for any applicant facing similar circumstances, justify the grant of the variance; and
 - b. The project would not be objectively feasible without the modification; and
 - c. A specific and substantial financial hardship would occur if the variance were not granted; and
 - d. No alternative means of compliance are available which would be more effective in attaining the purposes of this section than the relief requested.
4. Findings. In approving a variance, the Planning Commission shall make findings pursuant to each of the standards defined in Paragraph F.3.

G. ADMINISTRATION

1. Application Procedures for Discretionary Projects Subject to this Section

Compliance with this Section will be made a condition of approval of each Special Permit approved for a non-residential development project subject to this Section. The application procedures defined in Paragraph G.2 shall apply to all special permit applications.

2. Application Procedures for Ministerial Projects Subject to this Section

Applications for building permits for any project subject to the provisions of this Section shall not be deemed complete unless the application contains (1) a statement of the number of gross square feet in a non-residential development project to be constructed, added or remodeled that are subject to the requirements of this Section, together with documentation sufficient to support the application; (2) the intended use or uses for the non-residential development project by gross square feet; (3) a statement of an

2

election by the applicant as to its choice of compliance with requirements of this Section through payment of the fee (Paragraph D), or construction of housing (Paragraph E).

If compliance is purely through the payment of the fee, a copy of the building permit application shall be transmitted to the Planning Director by the Building Inspector. If the compliance is through a combination of payment of fee and construction of housing, the Building Inspector shall transmit a copy of the building permit application to the Director and the applicant shall furnish the information required in Paragraph G to the Planning Director.

3. Determination of Fee. The Planning Director shall determine the amount of fee and/or number of housing units required to be constructed, and shall so inform the Building Inspector who shall collect the required fee and transmit it to the appropriate Fund.
4. Revisions to Appendix A and B. The fees set forth in Appendix A, B and C shall be revised effective January 1 of each year by the percentage increase or decrease in the building cost Index of the Cost Indices for Twenty Cities published by M.C. McGraw-Hill, Inc. or its successor since January 1 of the previous year. The SHRA Director, in consultation with the Planning Director, shall prepare a recommendation to the City Council for such revision on an annual basis.
5. Infill Area Designations. The Planning Director shall make a determination of infill areas for purposes of this Section on an annual basis.
6. Processing Fees. The Planning and Development Department shall collect a processing fee to administer the Housing Trust Fund Ordinance. This fee or fees will be established by City Council Resolution.

DATE PASSED FOR PUBLICATION:

DATE ENACTED:

DATE EFFECTIVE:

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MAYOR

ATTEST:

CITY CLERK

2

APPENDIX A

HOUSING FEE REQUIREMENT
CITYWIDE

<u>* TYPE OF USE</u>	<u>FEE/BUILDING</u> <u>SQUARE FEET</u>
Office	\$.95
Hotel	\$.90
Research and Development	\$.80
Commercial	\$.75
Manufacturing	\$.60
Warehouse	\$.38 \$.25

* Non-residential development projects that do not fall within a specific type of use category will be evaluated by project basis to determine an appropriate fee.

2

APPENDIX B

HOUSING FEE AND CONSTRUCTION ALTERNATIVE
CITYWIDE

* TYPE OF USE	20% FEE/ BUILDING SQ. FT.	HOUSING UNIT FACTOR/SQ. FT.
Office	\$.19	.000127
Hotel	\$.18	.000042
Research and Development	\$.16	.000091
Commercial	\$.15	.000106
Manufacturing	\$.12	.000042
Warehouse	\$.08 \$.05	.000021

* Non-residential development projects that do not fall within a specific type of use category will be evaluated on a project by project basis to determine an appropriate fee and housing unit factor.

APPENDIX C

HOUSING FEE AND CONSTRUCTION REQUIREMENT
NORTH NATOMAS ONLY

* TYPE OF USE	FEE/BUILDING SQ. FT.	HOUSING UNIT FACTOR/SQ. FT.
Highway Commercial	\$ 1.04	.000296
Community/Neighborhood Commercial	\$.78	.000222
Office/Business	\$.78	.000222
M-50	\$.67	.000191
M-20	\$.55	.000157
Light Industrial	\$.42	.000121

* Each non-residential development project will be subject to a fee which is based on the applicable North Natomas Community Plan land use category.

2

RESOLUTION No.

Adopted by The Sacramento City Council on date of

RESOLUTION AMENDING THE FEE AND CHARGE REPORT TO
ESTABLISH FEES FOR ADMINISTERING HOUSING TRUST FUND
REQUIREMENTS (M87-086)

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO THAT:

- 1. The Fee and Charge Report be amended to include the following new fees:

Housing Trust Fund Fee Calculation:	\$50
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Housing Trust Fund Construction Alternative Certification	\$420
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- 2. Based upon information presented to it and upon all information in the public record, and in compliance with Public Resources Code Section 21080(b)(8), the City Council finds:

- a) The new fees are for the purpose of meeting operative expenses, including employee wage rates and fringe benefits;
- b) The new fees are for the purpose of purchasing or leasing supplies, equipment, or materials.

MAYOR

ATTEST:

CITY CLERK

2 2

RESOLUTION No.

Adopted by The Sacramento City Council on date of

RESOLUTION AMENDING THE CITY BUDGET FOR FY 88-89 FOR
HOUSING TRUST FUND CONTRIBUTION PROCESSING REVENUE
(M87-086)

of
29.7
of
1

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO THAT:

5

1. Increased revenue is projected from the imposition of fees for administering Housing Trust Fund requirements;
2. The City Budget for Fiscal Year 1988-89 is hereby amended by increasing the City Revenue Budget (101-350-3532-xxxx) by \$3,000 for the purpose stated in Paragraph 1 above;
3. The City Budget for Fiscal Year 1988-89 is hereby amended by increasing the General Fund Contingency Reserve (101-710-7012-4999) by \$3,000 for the purpose stated in Paragraph 1 above.

of

MAYOR

ATTEST:

CITY CLERK

1