



Commercial Linkage Affordable Housing Fee

Mike Isom, Development Services Director

Presentation Format

- Background – what is it and why?
- Nexus study & methodology
- Regional comparisons
- Proposed ordinance provisions
- Projected revenue
- Next steps
- Q&A



Background

- Affordable housing is a priority for the City Council
- In 1988, City implemented 10% housing goal for new growth - 3,432 regulated units produced to date
- Places cost burden on residential landowners
- Non-residential development generates employment and demand for housing, doesn't directly contribute
- 10% goal no longer sufficient to meet RHNA obligations
 - City dealing with an 1,800-unit shortfall in lower income
- Changing legislative landscape requiring jurisdictions to put more "skin in the game"

Background

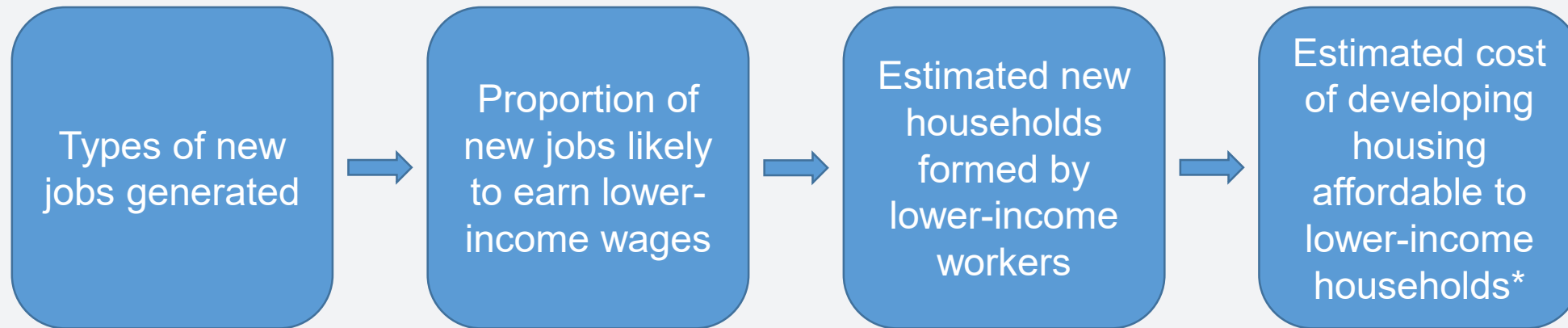
- Affordable housing projects require public financing to close the gap between development costs and operating income (gap financing)
- Funding at state and federal level declined, or unreasonably burdensome to obtain
- Dissolution of RDAs eliminated 20% “set-aside” funding for low and moderate income housing
- City frequently applies for grants, but has no dedicated local revenue source required for matching funds
- Without sufficient gap financing, many viable affordable projects are not able to move forward

Commercial Linkage Fee – What is it?

- AKA “Affordable housing linkage” or jobs-housing linkage fee
- Development impact fee on new non-residential buildings to mitigate additional demand generated by employment growth
- Allowed under California’s Mitigation Fee Act (AB 1600)
- Used throughout California to provide revenue for gap funding and other housing programs
- Last two Roseville Housing Element cycles have included linkage fee as implementation measure

Nexus Study & Methodology

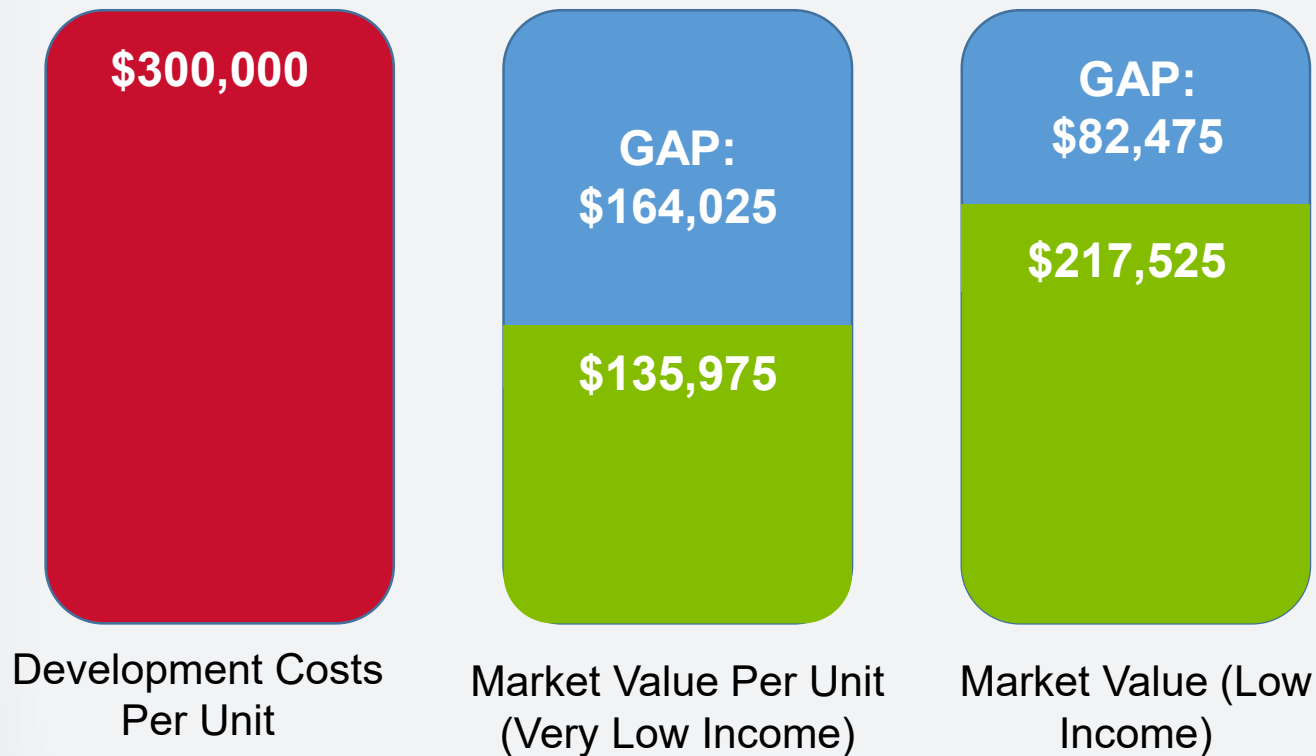
- Per Mitigation Fee Act, must demonstrate the nexus between commercial development and need for affordable housing
- Factors used to establish nexus:



*Lower-income households in Placer County include four-person households earning:
Up to \$45,300 annually (very-low income); or
Up to \$72,500 annually (low income)

How Is It Calculated?

- Determine subsidy required to produce affordable housing units
 - Compare typical development costs for new housing units to the value of units when rented at levels affordable to lower-income households



Subsidy needed to develop affordable units:

Very Low Income =
≈ \$164,025 per unit

Low Income =
≈ \$82,475 per unit

How Is It Calculated?

- Once required subsidy is established, maximum supportable fee can be determined



Maximum Allowable Fees

- EPS calculated the maximum allowable fee for six commercial land use categories
- City can legally charge any fee up to maximum, but is proposing much lower fee consistent with other communities in the region

Land Use	Maximum Allowable Fee (per Sq Ft)	City-Proposed Fee (Per Sq Ft)
Commercial Office including Medical Office	\$32.99	\$1.41
Retail / Restaurant	\$98.97	\$1.39
Warehouse / Industrial / R&D	\$14.02	\$0.88
Lodging	\$80.83	\$1.79
Nursing and Residential Care Facilities	\$67.63	\$1.50
Hospitals	\$42.89	\$1.41

Regional Linkage Fees

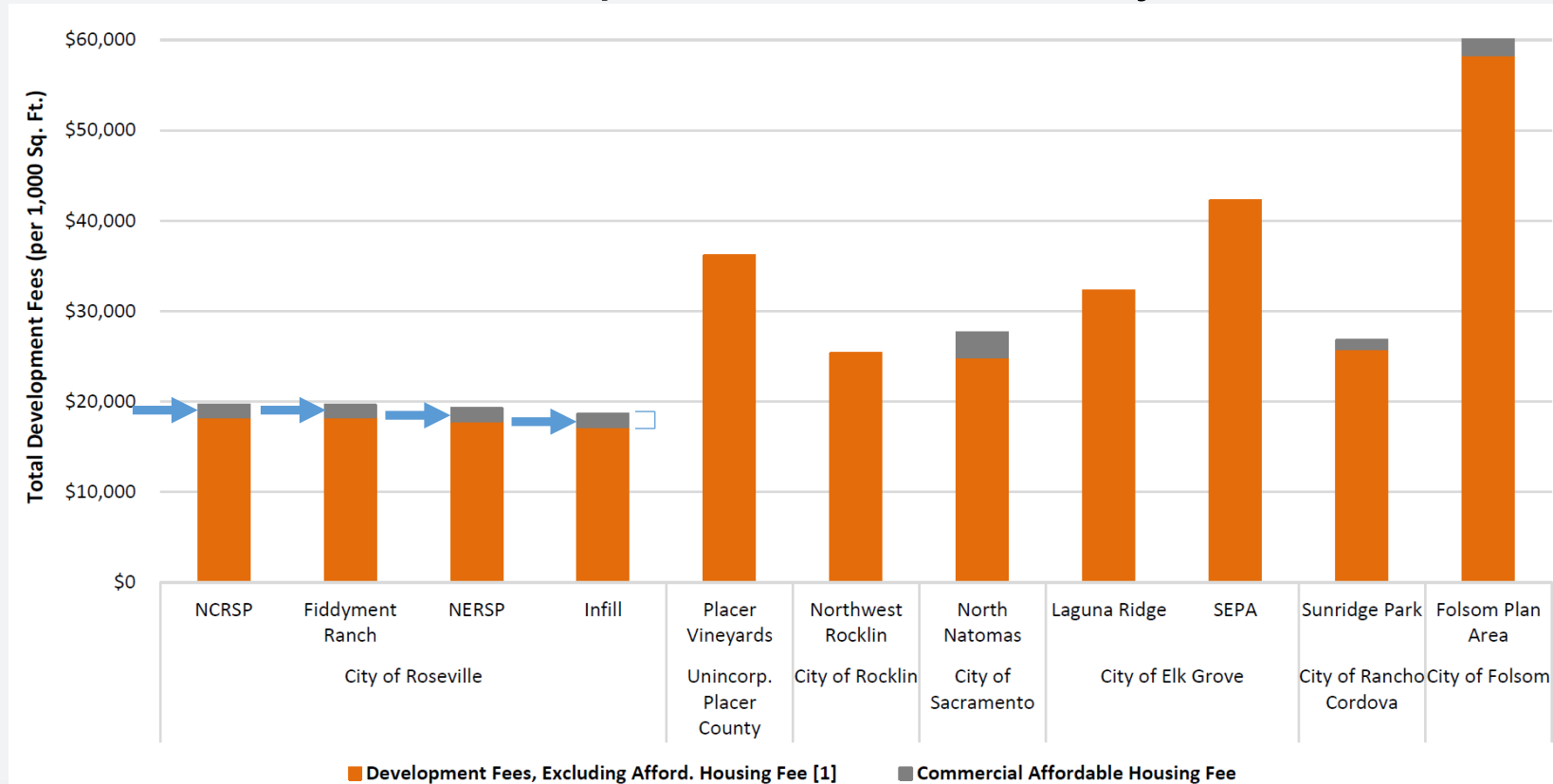
- Linkage fees in the Sacramento region range from **\$0.26 - \$2.76 per s.f.**
- Bay area cities have linkage fees up to **\$37 per s.f.**

	Placer County*	Folsom	City of Sacramento	County of Sacramento	Elk Grove	Lincoln	Rocklin	Rancho Cordova	Average
Commercial / retail	\$2.00	\$1.73	\$2.22	\$0.77	\$0.85	\$0.00	\$0.00	\$0.77	\$1.39
Hotel	\$2.00	\$1.73	\$2.63	\$0.92	\$2.53	\$0.00	\$0.00	\$0.92	\$1.79
Manufacturing	\$2.00	\$1.73	\$1.73	\$0.61	\$0.97	\$0.00	\$0.00	\$0.61	\$1.28
Office	\$2.00	\$1.73	\$2.76	\$0.97	\$0.00	\$0.00	\$0.00	\$0.97	\$1.41
Warehouse	\$2.00	\$1.73	\$0.76	\$0.26	\$0.26	\$0.00	\$0.00	\$0.26	\$0.88
R&D	\$2.00	\$1.73	\$0.00	\$0.82	\$0.82	\$0.00	\$0.00	\$0.82	\$1.03

*Applies to east county only

Total Impact Fees

- Linkage fee would be an additional cost on development projects
- However, the linkage fee as a percentage of total fees is relatively low
- Roseville's non-residential impact fees are already lowest in the region



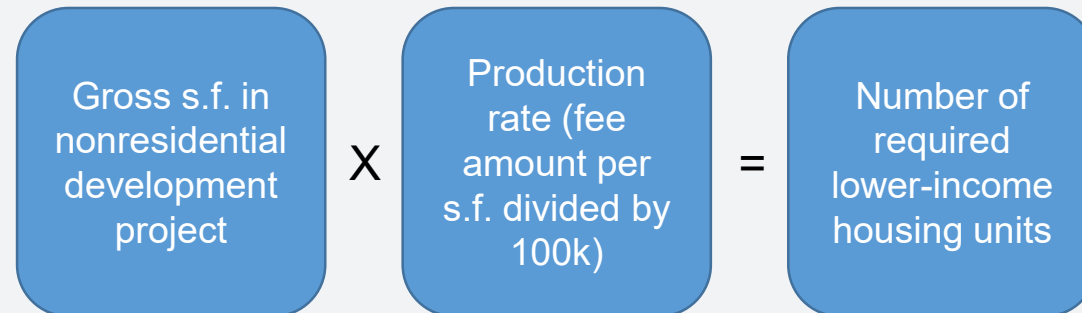
Draft Ordinance Provisions

- Except as provided, all new commercial/non-residential buildings shall pay the linkage fee
- Exceptions – development on government property, supportive services within supportive housing project, parking garages, equipment yards, etc, reconstruction if destroyed by natural catastrophe or fire
- Mixed-use projects – only applies to nonresidential portion
- Not applicable to existing development unless change in use occurs or building floor area expanded – similar to other City fees
- Adjusted annually based on the Construction Cost Index, similar to other fees
- Administered by Development Services, deposited into Housing Trust Fund
- May only be used to subsidize production of new, regulated affordable units

Alternative to Fee

- In-lieu of fee payment, applicants may elect to produce affordable units for lower-income households
- Units must be “regulated,” meaning an affordable housing agreement or other affordability covenant recorded against property

- Calculation:



- Example:



Projected Revenue

- Revenue based on buildout density assumptions ranging from 20% to 40% floor to area ratio, per General Plan
- Properties have historically developed between 25%-30% FAR
- Based only on undeveloped parcels, does not factor additional square feet on developed parcels

Land Use Type	Potential Square Feet (20% FAR Buildout)	Potential Square Feet (40% FAR Buildout)	Proposed Fee / sf	20% FAR Scenario	40% FAR Scenario
Commercial	3,662,317	7,207,477	\$1.39	\$5,090,620.63	\$10,018,393.03
Hotel	50,000	50,000	\$1.79	\$89,500.00	\$89,500.00
Office / Medical	2,235,114	5,171,883	\$1.41	\$3,151,510.74	\$7,292,355.03
R&D	286,093	572,185	\$1.03	\$294,675.79	\$589,350.55
Warehouse	3,851,044	2,008,476	\$0.88	\$3,388,918.72	\$1,767,458.88
			Potential Revenue Range	\$12,015,225.88	\$19,757,057.49

Next Steps

- Public outreach – Chamber, BIA, non-residential landholders & developers, website, social media
- City Council consideration – likely January 19, 2022
- If approved, fee would become effective July 1, 2022
- Please direct questions and written comments to:

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Questions?