



**CITY OF SALINAS  
COUNCIL STAFF REPORT**

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**DATE: DECEMBER 1, 2020**

**DEPARTMENT: COMMUNITY DEVELOPMENT DEPARTMENT**

**FROM: MEGAN HUNTER, DIRECTOR**

**BY: MEGAN HUNTER, DIRECTOR  
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**TITLE: UPDATE TO PUBLIC FACILITIES IMPACT FEE SCHEDULE FOR  
RESIDENTIAL UNITS**

RECOMMENDED MOTION:

A motion to approve a resolution approving an update to the Public Facilities Impact Fee Schedule for residential units based on the Residential Development Impact Fee Structure Analysis conducted by Willdan Financial Services.

RECOMMENDATION:

It is recommended that City Council approve a Resolution approving an update to the Public Facilities Impact Fee Schedule for residential units based on the Residential Development Impact Fee Structure Analysis conducted by Willdan Financial Services.

EXECUTIVE SUMMARY:

As noted in the 2015-2023 Housing Element, Salinas’s residents are facing increasing difficulty in securing affording housing. The Housing Element identified that 77% of Salinas households experience significant cost burdens, defined as maintaining gross housing costs exceeding 30% of gross household income. These conditions have worsened over the years as the lack of affordable housing has resulted in increased rents, averaging \$1,500 per month for a one-bedroom apartment. Although the City invests a substantial portion of its HUD funding into housing production, only 108 affordable and moderate housing units were developed in 2019.

Community Development Department (CDD) Staff have begun implementing policies and regulations needed to facilitate the construction of new units, many of which are aligned with the Monterey Bay Economic Partnership’s (MBEP) White Paper on *Policy Changes that Could Improve Housing Affordability in the Monterey Bay Region*. In 2019, CDD initiated a contract with Willdan Financial Services to evaluate the Public Facilities Development Impact Fee Nexus Study and propose modifications to the fee schedule based upon housing size. The purpose of Willdan’s analysis was to ensure equity among smaller units that have less impact while promoting more affordable housing types. The “rightsizing” of development impact fees was also a

recommendation in MBEP's White Paper. The original public facilities development impact fee schedule adopted on April 8, 2014 is charged per unit regardless of size. As a result, a 3,500 square foot single-family home pays the same fees as a 400 square foot studio apartment. In contrast, the proposed fee schedule is based on dwelling unit square footage. Smaller units pay proportionally lower fees based on fewer assumed occupants compared to larger units. The revised fee schedule also provides lowered rates for age restricted senior housing, which has fewer residents than non-age-restricted housing.

## BACKGROUND:

In June of 2019, the City entered into a contract with Willdan Financial Services to support the development of a Residential Development Impact Fee Structure Analysis based upon the City Public Facilities Impact Fee Nexus Study dated February 3, 2020. With the loss of Housing Division Staff, the project was temporarily delayed. With the assistance of Madison Roberts, AmeriCorps VISTA, this effort resumed. Madison coordinated with Willdan to complete the analysis and recommendations for rescaling the impact fee structure based upon housing size. These initial findings were presented to the Technical Advisory Committee on Housing (TAC) in August of 2020. CDD staff and Willdan then integrated this feedback to produce a revised Public Facilities Impact Fee Analysis and review. In September 2020, CDD staff received a final recommendation from the TAC to move forward with the proposed fee schedule outlined later in the report.

The proposed fee schedule was presented to the City Council Finance Committee on October 5, 2020. The committee supported moving the item to the full City Council for consideration. A Public Hearing Notice for this item was published in The Monterey Herald newspaper on November 17, 2020. The Public Facilities Impact Fee Analysis was made available to the public at the City's website through the Housing Division webpage and could be requested through mail. The minimum fifteen (15) day public comment period began on November 17, 2020 and ends on December 1, 2020 culminating in the City Council public hearing. The public hearing provides additional opportunity for public comment regarding the Public Facilities Development Impact Fee Schedule for Residential Units.

## DISCUSSION:

The City's current impact fees for Public Facilities are charged per unit, regardless of housing type, bedroom size or occupancy rate, meaning a 3,500 square foot house pays the same impact fees as a single studio senior apartment. Unfortunately, the current impact fee structure incentivizes more expensive and less dense single-family housing over more affordable housing types. CDD undertook the review of these Public Facilities Impact Fees based upon guidance from the Salinas Plan, which prioritizes affordable housing investment to assist with the long-term financial stability of the City. High development impact fees have been a barrier to the production of more affordable housing. One way of facilitating affordable housing is to "right size" development impact fees based on housing type size. This is also a recommendation in MBEP's White Paper.

The City's existing Public Facilities Impact Fees include charges for fire, police, libraries, and recreation. Other City impact fees include parks, traffic, sanitation, and street trees, which are not

modified with this action. Residential units are also subject to school impact fees established by the affected school district.

CDD staff worked with Willdan to explore ways to differentiate public facilities fees by housing type and size to more equitably spread the cost of public service level maintenance. Using census data, Willdan worked with City staff to develop two scenarios that apply existing impact fees per capita to bedrooms and square footage. Although a fee scenario based on bedroom types produced a greater contrast across larger and smaller housing typologies, CDD staff and TAC members felt that developers might create alternative spaces such as dens, playrooms, offices to avoid paying higher impact fees that could easily be converted to a bedroom. A calculation based on square footage is much more definitive and avoids any argument over what constitutes a bedroom.

Willdan evaluated the existing Public Facilities Impact Fees and based on these calculations determined a cost per capita fee calculation. The study assumed that 3.67 residents lived in each residential dwelling unit. The total fee per dwelling unit was divided by 3.67 to determine the assumed costs to provide services to a single resident, for each impact fee category. These per capita costs are the basis of the revised fee schedule and are listed in the top row of Table 1 in Willdan analysis.

Willdan also calculated persons per dwelling unit, by dwelling unit square footage using data from the Pacific Division of the American Housing Survey (AHS), 2017. The estimate of persons per square footage for the Pacific Division was then adjusted based on difference in average dwelling unit density for Salinas compared to that of the Pacific Division calculated from American Community Survey (ACS) data. These adjustments were necessary because data for the City of Salinas is not specifically available from the AHS, and the ACS does not provide data at the granularity needed to estimate persons per dwelling unit by unit square footage.

The resulting occupancy density per dwelling unit assumptions, by dwelling unit square footage were multiplied by the cost per capita from the City's existing impact fee study to calculate the fee schedule for each impact fee category. Per the recommendations of the Housing TAC, the fee schedule was also adjusted for age-restricted senior dwelling units, which have a reduced occupancy of about 62% from regular housing units. Per State law, the impact fees have also been adjusted for Accessory Dwelling Units. In 2018, the City passed a five-year development impact fee exemption for Accessory Dwelling Units (ADUs). However, if this exemption is not renewed, ADUs under 750 sq. ft would still be exempt from impact fees under California state law. The proposed fee schedule is outlined below in Table 1.

**Table 1: Revised Public Facilities Impact Fee Schedule**

	Residents per DU	Impact Fee Schedule				Total
		Fire	Police	Library	Recreation	
Existing Impact Fee per Capita <sup>1</sup>		\$ 86	\$ 475	\$ 338	\$ 188	\$ 1,087
Occupant Density per Dwelling Unit, by Dwelling Unit Square Footage <sup>2</sup>						
9: 4,000 square feet or more						
8: 3,000 to 3,999 square feet	4.18	\$ 359	\$ 1,986	\$ 1,413	\$ 786	\$ 4,544
7: 2,500 to 2,999 square feet	4.02	346	1,910	1,359	756	4,370
6: 2,000 to 2,499 square feet	3.84	330	1,824	1,298	722	4,174
5: 1,500 to 1,999 square feet	3.70	318	1,758	1,251	696	4,022
4: 1,000 to 1,499 square feet	3.41	293	1,620	1,153	641	3,707
3: 750 to 999 square feet	2.77	238	1,316	936	521	3,011
2: 500 to 749 square feet	2.27	195	1,078	767	427	2,467
1: Less than 500 square feet	1.97	169	936	666	370	2,141
Senior Unit Fee Schedule <sup>3</sup>						
9: 4,000 square feet or more						
8: 3,000 to 3,999 square feet	2.59	\$ 223	\$ 1,230	\$ 875	\$ 487	\$ 2,815
7: 2,500 to 2,999 square feet	2.49	214	1,183	842	468	2,707
6: 2,000 to 2,499 square feet	2.38	205	1,131	804	447	2,587
5: 1,500 to 1,999 square feet	2.29	197	1,088	774	431	2,489
4: 1,000 to 1,499 square feet	2.11	181	1,002	713	397	2,294
3: 750 to 999 square feet	1.72	148	817	581	323	1,870
2: 500 to 749 square feet	1.41	121	670	477	265	1,533
1: Less than 500 square feet	1.22	105	580	412	229	1,326

<sup>1</sup> Calculated by dividing current fee per single family unit by 3.67, the assumed residents per dwelling unit.

<sup>2</sup> Based on 2017 American Housing Survey data for the Pacific Division, adjusted based on difference in average dwelling unit density for Salinas v. Pacific Division. Average residents per square foot, by dwelling unit sq. ft.

<sup>3</sup> Assumes that a senior unit contains 62% the population of regular unit based on data regarding average household size from Table S0103 from the American Community Survey for the City of Salinas for all dwelling units and units occupied by residents over 65 years of age.

**CEQA CONSIDERATION:**

The City of Salinas has determined that the proposed action involving a change to the Public Facilities Development Impact Fee Schedule is not a project as defined by the California Environmental Quality Act (CEQA) per Guidelines Section 15378. Any subsequent discretionary projects resulting from this action will be assessed for CEQA applicability.

**STRATEGIC PLAN INITIATIVE:**

The amendment to the Public Facilities Development Impact Fee will help advance City Council 2020-2023 strategic goals including “Investment Strategies and Risk Management” by accurately

scaling the impact of new development, recovering the costs of public facilities, and incentivizing more affordable housing types; and Public Safety by maintaining established city service standards for fire and police as the City's population continues to expand.

#### DEPARTMENTAL COORDINATION:

Madison Roberts, the Community Development Department (CDD) Housing VISTA assumed the lead in coordinating this effort after the loss of staff in the Housing Division. Madison has coordinated this proposal with both the Housing and Project and Plan Implementation Divisions. The proposed fee schedule amendment was shared with the Housing Technical Advisory Committee (TAC), a committee formed by Mayor Gunter to help guide city housing policy. The TAC supported the modification. The proposal was also presented to the Finance Committee on October 5, 2020 and had been discussed at multiple meetings of the Housing and Land Use Committee of City Council.

The CDD Director discussed the amendment to the fee schedule with Department Directors during the City Manager weekly meeting and explained that the overall fee did not change but would be reformulated based on housing size. The Legal Department reviewed the public notice, staff report, and resolution. The City Clerk provided support in reviewing the notice and ensuring its publication. The Finance Department provided guidance on the process to modify the fee schedule.

#### FISCAL AND SUSTAINABILITY IMPACT:

The proposed fee schedule update merely rescales existing impact fees based upon housing size. The City Nexus Study for Public Facilities completed on February 3, 2014 remains as the basis for fees for public facilities. Therefore, the changes to the fee schedule will not impact overall funding collected. Under the new schedule, larger and more expensive units will pay higher impact fees than smaller less costly units. The current fee structure essentially favors large, single-family homes, which are more economically feasible to construct. As a result, most of Salinas' private housing development over the years has been large single-family homes. This has negatively impacted the supply of affordable housing.

By "right sizing" fees for other housing types, it is possible that the financial feasibility of multi-family and workforce housing may improve and incentivize new housing construction. If this occurs, it is conceivable that development impact fee revenues could increase. However, it will be difficult to determine what the overall impact of such a modification because impact fees are only collected when development occurs. Moreover, other market factors such as interest rates or economic conditions can either stall or stimulate development.

#### ATTACHMENT:

1. Residential Public Facilities Development Impact Fee Schedule Resolution
2. Residential Development Impact Fee Structure Analysis - Willdan Financial Services
3. City Public Facilities Impact Fee Nexus Study – February 3, 2014
4. Proof of Publication for Residential Public Facilities Development Impact Fee