



DEVELOPMENT SERVICES
DEPARTMENT

Planning Division

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November 12, 2004

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: HOUSING TRUST FUND FEE REDUCTION, M04-047

LOCATION AND COUNCIL DISTRICT: Citywide, D-All

RECOMMENDATION: Staff recommends that Council 1) allow for additional public input on the Housing Trust Fund fee increase; 2) based on public comments, consider reducing the fee increase to 44 percent to address potential concerns related to infill and economic development; and 3) direct staff to report back to Council in six (6) months on the possibility of developing a two-tiered system with reduced fees for infill target areas.

- A. Resolution** amending the amount of the housing fee established by Chapter 17.188 of the City Code.

CONTACT PERSONS: Michael Medema, Interim Director of Development Services, 808-1915

FOR COUNCIL MEETING OF: November 30, 2004 (afternoon)

SUMMARY: The City Council approved an 81.3 percent increase in the Housing Trust Fund fee on October 12, 2004. The fee increase is scheduled to take effect 60-days after the date of adoption on December 11, 2004. While staff conducted several hearings and provided noticing for the Housing Trust Fund fee increase on a number of occasions, some commercial major developers and business groups active in the City of Sacramento were not noticed regarding the potential 81.3 percent fee increase and have expressed concern about the effect of the increase on non-residential infill and economic development.

COMMITTEE/COMMISSION ACTION: The initial 44 percent increase for the Housing Trust Fund fee recommended by staff was brought before the Sacramento Housing and Redevelopment Commission, Development Oversight Commission, the Planning Commission, and the Law and Legislation Committee (for specific dates refer to “Outreach Efforts” below).

The Sacramento Housing and Redevelopment Commission did not have any comments on staff’s proposal and recommended that the 44 percent increase and other related changes to the Housing Trust Fund be approved by Council. The Development Oversight Commission (DOC) expressed some concern over the one-time 44 percent increase in the fee and recommended that Council consider phasing in the fee over two to three years. The Planning Commission unanimously recommended the 44 percent fee increase though it raised some questions about the use of the San Francisco Construction Cost Index and the necessity for a one-time 44 percent fee on new commercial development. The Law and Legislation Committee recommended that the fee be increased by as much as 81.3 percent in order to address the significant increase in the housing affordability gap for lower-income workers and their families.

BACKGROUND: The following discussion identifies staff outreach and noticing efforts prior to the October 12th approval of the fee increase. In addition, staff has provided information on the potential effects of the fee increase on economic development and on the City’s ability to attract new commercial development. A financial analysis of a reduced fee is included as well.

Outreach Efforts: Staff provided the public, including the development community, with a number of opportunities to comment on the proposed increase in the Housing Trust Fund; however, several affected parties, including those in the business community did not receive adequate notice of the 81.3 percent fee increase. The following provides a detailed review of staff’s outreach efforts on the Housing Trust Fund fee increase.

- The initial increase that was proposed by staff was a one-time 44 percent increase in the fee. This fee would be adjusted annually based on the San Francisco Construction Cost Index and could also be adjusted by resolution at Council’s discretion. These proposed changes to the Housing Trust Fund were first brought before the Development Oversight Commission on Monday, May 3, 2004. Some questions and concerns were raised and staff scheduled a follow-up meeting for fall 2004.
- On August 5, 2004, Beverly Fretz-Brown, Director of Housing Policy and Planning for the Sacramento Housing and Redevelopment Agency (SHRA), met with the Building Industry Association. It is important to note that commercial builders are not organized in the same way as the residential development community; however, she had asked in advance that the BIA’s commercial

developer members be invited to the meeting. Ms. Fretz-Brown indicated that both commercial and residential developers were in attendance.

- On September 1, 2004, City staff and SHRA staff provided staff reports to a publicly noticed meeting of the Sacramento Housing and Redevelopment Commission. The staff recommended Housing Trust Fund changes, which included the 44 percent increase, were approved unanimously by the SHRA Commission.
- On September 8, 2004, City staff conducted a presentation to the North Natomas Working Group (“Working Group”), including staff reports for all attendees. The members were generally supportive of the changes, but expressed dismay over the unpredictability of past fee increases. The Working Group did appreciate that staff was recommending an automatic adjustment of the fee based on the construction cost index, thus making it more predictable to the development community. However, additional concern was expressed that the 44 percent was a significant one-time increase to developers. The Working Group also asked if other jurisdictions in the Sacramento region had a Housing Trust Fund fee.
- On September 9, 2004, City staff held publicly noticed hearing before the City Planning Commission regarding the Housing Trust Fund fee increase. Notices were sent out to the Building Industry Association of Superior California (BIA) and affordable housing advocacy groups. Due to the size of the Building Industry Association’s mailing list, the BIA was unable to provide the list to the City. Instead, the BIA notified all 412 of its members regarding the Planning Commission hearing. No one from the BIA or the commercial development community attended the hearing for this item. The only attendee was Ethan Evans of the Sacramento Housing Alliance. The Planning Commission supported the fee increase and voted unanimously to recommend adoption of the 44 percent increase and annual automatic adjustment to the City Council.
- On September 13, 2004, a follow-up meeting was held with the City’s Development Oversight Commission. The Commission members expressed support for the fee, but were concerned about the impact of a one-time increase of 44 percent on commercial development. While the Commission voted to approve the increase, their recommendation was that it be phased in over a two to three-year period.
- On September 21, 2004, the Housing Trust Fund fee increase was brought before the Law and Legislation Committee. The same mailing list that was used for the Planning Commission was also used for the Law and Legislation Committee.
- Once the Law and Legislation Committee approved its own recommendation of 81.3 percent, City staff then alerted both the BIA and the Sacramento Housing Alliance to these changes. The BIA again notified all 412 of its members. The

Sacramento Housing Alliance did the same. Staff also contacted the Law Offices of Gregory Thatch to alert them to the change. Staff contacted the BIA of Superior California numerous times to try to obtain a breakdown of the developer types of its members, but staff did not receive this breakdown at the time of this staff report. In addition, under the requirements of Government Code Section 66016, the City also provided advance 14-day notice to parties that have specifically requested to be notified of all City fee. The notice of the Council item was also included in the *Daily Recorder* newspaper. Staff did not provide notice to business communities such as chambers of commerce or the Downtown Partnership.

In discussions with the BIA, Ardie Zehedani, the BIA's Legislative Advocate, indicated to staff in late October 2004 that most of the BIA members are residential developers, though the organization does have commercial developer members. He recommended the Sacramento Builders Exchange as a contact; however, based on discussions with the Builders Exchange, that organization does not represent commercial developers, only contractors. Staff is not aware of any organization that represents most of the commercial developers active in this region. Staff is also not aware of a comprehensive City mailing list that includes all the major commercial developers active in the City.

Despite its efforts to reach the development community, staff realizes that some commercial developers and members of the business community may not have been aware of the Law and Legislation Committee's recommendation to increase the Housing Trust Fund fee by 81.3 percent. As a result, staff has put together a more comprehensive noticing list for this public hearing.

Staff noticed this public hearing and has included those groups that were not included in the notice for the October 12, 2004 Council meeting. Staff consulted with other City Departments and Sacramento Housing and Redevelopment Agency staff to identify those groups that should be noticed. Furthermore, staff also consulted with the Building Industry Association of Superior California (BIA) and the Builder's Exchange. The noticing list includes business associations, commercial developers, affordable housing advocates, chambers of commerce, BIA members, affordable housing developers, developer representatives, redevelopment associations, and City, County, and SHRA staff. A total of 778 notices were mailed out to these individuals and groups and also to the 412 members of the BIA and the membership of the Downtown Partnership were also notified. The Sacramento Builders Exchange also notified its members.

Effects on Development: While the increase in the Housing Trust Fund fee will generate additional funds for the development of affordable workforce housing, concerns have been raised that the fee increase may act as a constraint to new commercial development, especially infill development. Since infill development often faces higher costs due to a variety of constraints and other factors, the 81.3 percent increase may impact this type of development more than it might impact commercial development in other areas of the City.

Attachment A shows some fee examples of commercial projects. These projects include the Embassy Suites hotel that was built adjacent to Old Sacramento on Capitol Mall in 2001, the new Walgreens drugstore on Broadway Blvd., and the planned Lot A Office building near 6th and L Streets, which has applied for its building permit this year. In each case, the Housing Trust Fund fee represents one of the largest fees paid by developers of these projects.

In the case of the Embassy Suites hotel, the Housing Trust Fund fee accounted for approximately 21 percent of all fees in 2000. Assuming the other fees remained the same, an 81.3 percent increase in the Housing Trust Fund would in this case lead to about a \$150,000 increase in fees, making the Housing Trust Fund approximately 33 percent of total fees. For the new Walgreens on Broadway, Housing Trust Fund fees accounted for 20 percent of all fees. The 81.3 percent increase would have increased this to 30 percent of all fees. For the planned Lot A Office project at 6th and L Streets, Housing Trust Fund fees account for approximately 19 percent of all fees. If this project were subject to the 81.3 percent increase, which it is not because it has already applied for its building permit, Housing Trust Fund fees would account for about 30 percent of all fees. Additional detail on fees for these example commercial projects is included in Attachment A.

All of these projects are projects in infill target areas. In order to address the potential impact of the fee increase on infill development, staff did research the possibility of a two-tiered fee that would allow for a reduced Housing Trust Fund fee in infill target areas. The issue of the impact on infill development was not in the scope of the original nexus and thus is not addressed in the existing nexus study. Until a new nexus study is completed, there are legal concerns about how to enact such a program.

Regional Implications: Though the Housing Trust Fund fees provide funds for the development of affordable housing for lower-income wage earners in the City, the need for affordable workforce housing as a result of commercial development is not just a City issue, but a regional one.

Several other jurisdictions in addition to Sacramento County have a Housing Trust Fund fee. These include: Citrus Heights, Elk Grove, Folsom, and Rancho Cordova. Currently, the cities of Elk Grove, Rancho Cordova, and Citrus Heights and Sacramento County have Housing Trust Fund fees that were comparable to those of the City of Sacramento prior to the approval of the 81.3 percent increase. However, the City of West Sacramento does not have any Housing Trust Fund or related commercial impact fee.

With the City's 81.3 percent increase, the City of Sacramento would have the highest Housing Trust Fund fees in the region. The City of Sacramento may have a more difficult time attracting new commercial development given the recent increase in the Housing Trust Fund fee, especially if the County and the other jurisdictions in the

County such as Citrus Heights, Elk Grove, Folsom, and Rancho Cordova choose not to approve a similar increase.

If the other jurisdictions in the County and the County itself were to approve a similar increase then this could result in additional funds for the development of affordable housing throughout the County rather than just additional affordable housing within the City of Sacramento.

Furthermore, it is unknown at this time whether a lower fee increase would encourage the development of more commercial development and in turn generate additional sales tax revenue for the City.

Based on this additional information and concerns brought forward to staff, staff is recommending that Council allow for additional public input on this issue to allow those persons who were not notified a chance to comment on this issue. If City Council desires to reconsider, staff would report back on a two-tier approach within six months.

FINANCIAL CONSIDERATIONS: Between 1989 and 2003, the City's Housing Trust Fund collected an average amount of \$976,943 per year. Since 1989, these funds have led to the construction of 1,601 new housing units. Based on the annual average of \$976,943, a 44 percent increase would generate approximately \$1,406,798 in fees each year – an increase of almost \$430,000 annually or the equivalent of subsidies for about 37 additional affordable housing units. Assuming the same levels of development, an 81.3 percent increase would generate \$1,771,198 per year. The difference between a 44 and an 81.3 percent increase is approximately \$360,000 per year, which would equate to subsidies for the construction of approximately 31 affordable housing units. It is unknown as whether either increase will act to reduce levels of commercial development in the city or encourage commercial development to other parts of the region.

POLICY CONSIDERATIONS: Any increase in the Housing Trust Fund is supports several of the City's policies. As identified in the 2002-2007 Housing Element, the City's goals include: providing adequate housing sites and opportunities for all households (Goal 1) and providing housing assistance to low- and moderate-income households (Goal 2). A Housing Trust Fund fee increase is consistent with both of these goals. Furthermore, an increase implements Housing Element Policy 2.E, which states that:

The City and SHRA shall aggressively pursue and maximize the use of Housing Trust Fund, tax increment, and all appropriate state, federal, and private funding for the development and rehabilitation of housing affordable to very low, low, and moderate income people. Housing Trust Fund fee increases will be proposed for the first time in accordance with the provisions of the trust fund ordinance to help remedy the increasing gap in housing affordability (2002-2007 Housing Element, Goal 2, Policy 2.E).

A Housing Trust Fund fee increase also conforms to the goals of the City's 2001-2004 Strategic Plan since it supports affordable housing development and also provides housing opportunities that will allow employees to live in Sacramento close to their place of work. Specifically, the Housing Trust Fund increase is consistent with two of the policies of the City's Strategic Plan: 1) Policies, programs and strategies should promote the maintenance and development of the fullest range of housing choices in every community in the City (Goal 1, Policy 3); and 2) The City should pursue opportunities to improve the available qualified labor force to support both existing and new business activity (Goal 6, Policy 4).

Furthermore, the Housing Trust Fund fee, which is in use by the County and several other jurisdictions in this area, is an equitable means of developing affordable housing throughout this region rather than concentrating it in just a few cities. A lower Housing Trust Fund fee that is more likely to be acceptable to the County and other jurisdictions could help increase the supply of affordable housing throughout the region. A fee that is also adopted by the County and by other jurisdictions would help "promote the equitable distribution of affordable housing," which is a key part of the City's Smart Growth Principle #15. An increased Housing Trust Fund fee that is adopted by other jurisdictions also supports Goal 2 of the City's 2001-2004 Strategic Plan, which states that the City should establish and strengthen community and regional partnerships to enhance the quality of life.

A lower fee increase would be consistent with and supports Goal 6 of the City's 2001-2004 Strategic Plan, which relates to supporting economic vitality in the City. Specifically, Guiding Principle 1 states that "City programs should support the development and success of new and existing targeted businesses of all sizes within the City." New commercial development brings new jobs for City residents and additional revenue for the City itself. A lower fee increase is consistent with the City's goals of promoting both infill and economic development. In particular, a lower fee increase is in keeping with Goals C and D from the City's Commerce and Industry Land Use Element, which states that the City will promote economic vitality and new employment opportunities. In addition to consistency with the City's land use goals, a lower fee increase is more consistent with Goal 1 of the City's Infill Strategy, which indicates that the City will "promote infill development, rehabilitation, and reuse that

contributes positively to the surrounding area and assists in meeting neighborhood and other City goals.”

Finally, the City generally prefers step increases rather than large fee increases. This provides time for the development community to make the necessary financial adjustments without adversely impacting development timelines or the actual developments themselves.

Overall, the policy implications raised show the difficult balance between providing affordable housing for the workers who take the jobs created by commercial enterprise on the one hand, and stimulating that commercial development on the other.

ENVIRONMENTAL CONSIDERATIONS: The Housing Trust Fund resolution is not a project under the Section 21065 of CEQA and CEQA Guidelines Section 15378 (b)(4). The activity is therefore covered by the general rule that CEQA applies only to projects, which have the potential for causing a significant effect on the environment (CEQA Guidelines Section 15601(b)(3)).

ESBD CONSIDERATIONS: No goods or services are being purchased under this report.

Respectfully submitted:

MICHAEL MEDEMA
Interim Director of
Development Services

RECOMMENDATION APPROVED:

ROBERT P. THOMAS
City Manager

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1. Attachment A: Examples of Fees for Commercial Projects, Pgs. 9-11
2. Resolution to Reduce the Housing Trust Fund Fee Increase, Pgs. 12-13.....

Attachment A Examples of Fees for Commercial Projects

The following provides information on fees for three commercial projects. All three are infill projects and include a hotel, a retail drugstore, and an office building.

Example 1: Embassy Suites Hotel Project (2000/2001)

Table 1 shows the fees paid by the developers of the Embassy Suites Hotel located at 100 Capitol Mall adjacent to Old Sacramento. The project was built in 2001 and included 195,677 square feet of hotel space and a parking garage with 48,410 square feet. Table 1 shows the estimated fees that the developer paid in 2000 and what the developer would have paid if the Housing Trust Fund fees were increased by 81.3 percent or by 44 percent.

**Table 1
Embassy Suites Hotel
Commercial Development Fees**

| Fee Category* | Current | | 44% HTF Increase | | 81.3% HTF Increase | |
|-----------------------------|---------------------|------------|---------------------|------------|---------------------|------------|
| | Fee Amount | Percent | Fee Amount | Percent | Fee Amount | Percent |
| Building Permit | \$106,268.93 | 12% | \$106,268.93 | 11% | \$106,268.93 | 11% |
| Plan Check | \$86,935.57 | 10% | \$86,935.57 | 9% | \$86,935.57 | 9% |
| Review - Utilities | \$0.00 | <1% | \$0.00 | <1% | \$0.00 | <1% |
| Review - Fire | \$9,463.48 | 1% | \$9,463.48 | 1% | \$9,463.48 | 1% |
| Review - Landscape | \$50.00 | <1% | \$50.00 | <1% | \$50.00 | <1% |
| Strong Motion (SMI) | \$4,355.19 | 1% | \$4,355.19 | <1% | \$4,355.19 | <1% |
| Construction Excise Tax | \$165,911.95 | 19% | \$165,911.95 | 18% | \$165,911.95 | 16% |
| City Business Operating Tax | \$5,000.00 | 1% | \$5,000.00 | 1% | \$5,000.00 | <1% |
| Technology Surcharge | \$7,728.18 | 1% | \$7,728.18 | 1% | \$7,728.18 | 1% |
| Water Development** | \$119,674.00 | 12% | \$119,674.00 | 12% | \$119,674.00 | 12% |
| Sewer Development† | N/A | N/A | N/A | N/A | N/A | N/A |
| Regional Sanitation‡ | \$10,706.80 | 1% | \$10,706.80 | 1% | \$10,706.80 | 1% |
| Housing Trust Fund | \$183,986.38 | 21% | \$264,940.39 | 28% | \$333,567.31 | 33% |
| Dntwn BD - Transp. Impact | \$72,116.00 | 8% | \$72,116.00 | 8% | \$72,116.00 | 7% |
| Park Devlpmnt Impact Fee | \$19,567.70 | 2% | \$19,567.70 | 2% | \$19,567.70 | 2% |
| School Fees | \$66,530.18 | 8% | \$66,530.18 | 7% | \$66,530.18 | 7% |
| Total | \$858,294.36 | 100% | \$939,248.37 | 100% | \$1,007,875.29 | 100% |

Notes:

* Represents development fee levels in FY 2000.

** Water Development fee is estimated based on pipe size. Not an exact figure.

† Developer paid for and constructed sewer improvements; not required to pay City sewer fee.

‡ Developer received Regional Sanitation District sewer credits.

Source: City of Sacramento, Permits Plus System, November 2004.

Example 2: Walgreens Drugstore Project (2002)

Table 2 shows the fees paid by the developers of the Walgreens drugstore located at 1401 Broadway. The project was built in 2002 and included 14,400 square feet of retail space. Table 2 shows the estimated fees that the developer paid in 2002 and what the developer would have paid if the Housing Trust Fund fees were increased by 81.3 percent or by 44 percent.

Table 2
Walgreens Drugstore
Commercial Development Fees

| Fee Category* | Current | | 44% HTF Increase | | 81.3% HTF Increase | |
|-----------------------------|--------------------|------------|--------------------|------------|--------------------|------------|
| | Fee Amount | Percent | Fee Amount | Percent | Fee Amount | Percent |
| Building Permit | \$5,376.00 | 9% | \$5,376.00 | 8% | \$5,376.00 | 8% |
| Plan Check | \$4,458.00 | 8% | \$4,458.00 | 7% | \$4,458.00 | 7% |
| Review - Utilities | \$1,500.00 | 3% | \$1,500.00 | 2% | \$1,500.00 | 2% |
| Review - Pub. Works | \$5,000.00 | 9% | \$5,000.00 | 8% | \$5,000.00 | 7% |
| Review - Fire | \$562.00 | 1% | \$562.00 | 1% | \$562.00 | 1% |
| Review - Landscape | \$50.00 | <1% | \$50.00 | <1% | \$50.00 | <1% |
| Strong Motion (SMI) | \$1,160.00 | 2% | \$1,160.00 | 2% | \$1,160.00 | 2% |
| Construction Excise Tax | \$6,639.00 | 11% | \$6,639.00 | 10% | \$6,639.00 | 10% |
| City Business Operating Tax | \$273.00 | <1% | \$273.00 | <1% | \$273.00 | <1% |
| Technology Surcharge | \$2,452.00 | 4% | \$2,452.00 | 4% | \$2,452.00 | 4% |
| Water Development | \$5,000.00 | 9% | \$5,000.00 | 8% | \$5,000.00 | 7% |
| Sewer Development | \$3,000.00 | 5% | \$3,000.00 | 5% | \$3,000.00 | 4% |
| Regional Sanitation | \$5,000.00 | 9% | \$5,000.00 | 8% | \$5,000.00 | 7% |
| Housing Trust Fund | \$11,426.00 | 20% | \$16,453.44 | 26% | \$20,715.34 | 31% |
| Dntwn BD - Transp. Impact** | N/A | N/A | N/A | N/A | N/A | N/A |
| Park Devlpmnt Impact Fee | \$2,016.00 | 3% | \$2,016.00 | 3% | \$2,016.00 | 3% |
| School Fees | \$4,464.00 | 8% | \$4,464.00 | 7% | \$4,464.00 | 7% |
| Total | \$58,376.00 | 100% | \$63,403.44 | 100% | \$67,665.34 | 100% |

Notes:

*Represents development fee levels in FY 2002.

**Development not in Downtown Business District.

Source: City of Sacramento, Permits Plus System, November 2004.

Example 3: Planned Lot A Office Project (2004)

Table 3 shows the fees that are expected to be paid by the developers of the Lot A Office Project, which will be located at 621 Capitol Mall on the lot at the corner of 6th and between L Street and Capitol Mall. The project will include 389,435 square feet of office and retail space and a parking garage with 278,760 square feet. The developers have already applied for their building permits and would not be subject to either the approved 81.3 percent increase or any other new increase to the Housing Trust Fund fee. Furthermore, the developer is not subject to the new park development impact fee that was approved on August 24, 2004. Table 3 shows the estimated fees that the developer is expected to pay in 2004 and what the developer would have had to pay if the project were subject to either the 81.3 percent increase or a 44 percent increase for the Housing Trust Fund fee. The table also shows the increased park development impact fee in columns two and three.

Table 3
Planned Lot A Office Project
Commercial Development Fees

| Fee Category* | Current | | 44% HTF Increase | | 81.3% HTF Increase | |
|-----------------------------|---------------------|------------|---------------------|------------|---------------------|------------|
| | Fee Amount | Percent | Fee Amount | Percent | Fee Amount | Percent |
| Building Permit | \$203,665.09 | 10% | \$203,665.09 | 9% | \$203,665.09 | 9% |
| Plan Check | \$166,628.52 | 8% | \$166,628.52 | 8% | \$166,628.52 | 7% |
| Review - Utilities-Deposit | \$300.00 | <1% | \$300.00 | <1% | \$300.00 | <1% |
| Review - Pub. Works-Deposit | \$300.00 | <1% | \$300.00 | <1% | \$300.00 | <1% |
| Review - Landscape | \$50.00 | <1% | \$50.00 | <1% | \$50.00 | <1% |
| Strong Motion (SMI) | \$8,112.93 | <1% | \$8,112.93 | <1% | \$8,112.93 | <1% |
| Construction Excise Tax | \$309,063.82 | 15% | \$309,063.82 | 14% | \$309,063.82 | 13% |
| City Business Operating Tax | \$5,000.00 | <1% | \$5,000.00 | <1% | \$5,000.00 | <1% |
| Technology Surcharge | \$14,811.74 | 1% | \$14,811.74 | 1% | \$14,811.74 | 1% |
| Water Supply Test | \$475.00 | <1% | \$475.00 | <1% | \$475.00 | <1% |
| Water Development** | \$119,674.00 | 6% | \$119,674.00 | 6% | \$119,674.00 | 5% |
| Sewer Development† | N/A | N/A | N/A | N/A | N/A | N/A |
| Regional Sanitation | \$180,230.51 | 9% | \$180,230.51 | 9% | \$180,230.51 | 9% |
| Housing Trust Fund | \$381,237.65 | 19% | \$548,982.22 | 25% | \$691,183.86 | 30% |
| Dntwn BD - Transp. Impact | \$446,567.70 | 22% | \$446,567.70 | 21% | \$446,567.70 | 19% |
| Park Devlpmnt Impact Fee‡ | \$72,904.40 | 4% | \$160,389.68 | 7% | \$160,389.68 | 7% |
| School Fees | \$132,407.90 | 6% | \$132,407.90 | 6% | \$132,407.90 | 6% |
| Total | \$2,041,429.26 | 100% | \$2,164,251.21 | 100% | \$2,306,452.85 | 100% |

Notes:

* Represents development fee levels in FY 2004.

** Water Development fee is estimated based on pipe size. Not an exact figure.

† Developer is responsible for costs of sewer improvements and thus not subject to City sewer impact fee.

‡ Park Development Impact fees increased in late 2004.

Source: City of Sacramento, Permits Plus System, November 2004.

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

RESOLUTION TO REDUCE THE CITYWIDE INCREASE TO THE HOUSING TRUST FUND FEE FROM 81.3 PERCENT TO 44 PERCENT

WHEREAS, the City Council of the City of Sacramento finds that both affordable housing for low-wage workers and both infill and economic development are high priorities for the City;

WHEREAS, the City has held several public hearings and done extensive noticing in order to receive public comment on this issue;

WHEREAS, the City supports the development of affordable housing not only within the City, but throughout the Sacramento region;

WHEREAS, the City supports the creation of new employment opportunities;

WHEREAS, there is a need for affordable housing near employment centers in the City as well as in other cities in the County, and in the unincorporated area of Sacramento County;

WHEREAS, the cities and counties of the greater Sacramento region are part of a regional housing market and that a fee increase that is adopted by a greater number of jurisdictions is a more effective tool for the development of affordable workforce housing than an increase by one jurisdiction alone;

WHEREAS, the Council adopted Ordinance 2004-057 on October 12, 2004 that: 1) increased the Housing Trust Fund fee by 81.3 percent; 2) amended Subsection F of Section 17.188.070 of the City Code to provide for an automatic annual adjustment of the housing fee based on the San Francisco Construction Cost Index; and 3) amended the process for adjustments to the Housing Trust Fund fee, which allows Council to make adjustments by resolution rather than by ordinance;

WHEREAS, the Council also adopted Resolution 2004-803 on October 12, 2004, which encourages other jurisdictions in the region to adopt a similar increase to their Housing

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RESOLUTION NO. _____

DATE ADOPTED: _____

Trust Fund fee and it also directs City staff to prepare a new nexus study and to return to Council within six months in order to address the need for additional adjustments;

WHEREAS, the Council further directs staff to evaluate the use of a two-tiered fee structure as part of the new nexus study for the Housing Trust Fund;

NOW, THEREFORE BE IT RESOLVED by the City Council of the City of Sacramento that the citywide Housing Trust Fund fee increase on new commercial development be reduced from 81.3 percent to 44 percent (as shown in Exhibit 1), to be effective December 11, 2004.

MAYOR

ATTEST:

CITY CLERK

(M04-047)

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RESOLUTION NO. _____

DATE ADOPTED: _____

**EXHIBIT 1 – HOUSING TRUST FUND FEE SCHEDULE
WITH 44% INCREASE**

**Appendix A
HOUSING FEE REQUIREMENT-CITYWIDE**

| Fee/Building | |
|--------------------------|-------------|
| Type of Use | Square Feet |
| Office | \$1.43 |
| Hotel | \$1.35 |
| Research and development | \$1.21 |
| Commercial | \$1.14 |
| Manufacturing | \$.89 |
| Warehouse/office* | \$.52 |
| Warehouse | \$.39 |

* Warehouse buildings with a minor portion (25% maximum) of the space improved for incidental office use.

**Appendix B
HOUSING FEE AND CONSTRUCTION ALTERNATIVE- CITYWIDE**

| 20% Fee/Housing Unit | | |
|--------------------------|------------------|----------------|
| Type of Use* | Building Sq. Ft. | Factor/Sq. Ft. |
| Office | \$.29 | .000127 |
| Hotel | \$.27 | .000042 |
| Research and development | \$.24 | .000091 |
| Commercial | \$.23 | .000106 |
| Manufacturing | \$.18 | .000042 |
| Warehouse/office | \$.10 | .000021 |
| Warehouse | \$.08 | .000021 |

* Nonresidential 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.

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RESOLUTION NO. _____

DATE ADOPTED: _____

**Appendix C
HOUSING FEE AND CONSTRUCTION REQUIREMENT -NORTH NATOMAS ONLY**

| Housing Unit Fee/Building | | |
|-----------------------------------|-------------|----------------|
| Type of Use* | Square Feet | Factor/Sq. Ft. |
| Highway commercial | \$ 1.56 | .000296 |
| Community/neighborhood commercial | \$ 1.17 | .000222 |
| Office/business | \$.1.17 | .000222 |
| M-50 | \$.99 | .000191 |
| M-20 | \$.82 | .000157 |
| Light industrial | \$.63 | .000121 |

* Each nonresidential development project will be subject to a fee which is based on the applicable North Natomas community plan land use category.

| Appendix D NONRESIDENTIAL LAND USE MATRIX WITH SPECIAL CATEGORICAL FEE DETERMINATIONS AND EXEMPTIONS | | | | | | | |
|---|----------------|-----------------|---------------|-----------------|---------------|---------------|--------------|
| Nonresidential Use | Off. \$1.43 | Hotel \$1.35 | R/D \$1.21 | Comm. \$1.14 | Mfg. \$.89 | Wrh. \$.39 | Other Fee |
| Agricultural uses | | | | | | | S |
| Amusement centers -- Indoor only | | | | | | | \$.73 |
| Auto sales, repair/body service, shop rental, storage | | | | | | | \$.89 |
| | Sales/service | | | | | | \$1.02 |
| Bakery or bakery goods store | | | | X | | | |
| Bank -- Savings and loan | X | | | | | | |
| Barber, beauty shop | | | | X | | | |
| Business college trade school | | | | X | | | |

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CATEGORICAL FEE DETERMINATIONS AND EXEMPTIONS**

| Nonresidential Use | Off. \$1.43 | Hotel \$1.35 | R/D \$1.21 | Comm. \$1.14 | Mfg. \$.89 | Wrh. \$.39 | Other Fee |
|--|----------------|-----------------|---------------|-----------------|---------------|---------------|--------------|
| Cabinet shop | | | | | X | | |
| Cleaning plant commercial | | | | | X | | |
| Cleaning, laundry agency | | | | X | | | |
| Convenience market | | | | X | | | |
| Dance, music, voice studio | | | | X | | | |
| Drive-in restaurant food stand | | | | X | | | |
| Equipment rental and sales yard | | | | X | | | |
| Florist | | | | X | | | |
| Food store delicatessen | | | | X | | | |
| Furniture refinishing | | | | | X | | |
| Furniture store | | | | X | | | |
| Hotel | | X | | | | | |
| Laboratory -- Medical, dental, optical | X | | | | | | |
| Laundry, commercial plant | | | | X | | | |
| Laundromat -- Self service center | | | | X | | | |
| Mortuary/crematorium | | | | | | | E |
| Motel | | X | | | | | |
| Nursery for flowers and plants | | | | X | | | |
| Offices | X | | | | | | |
| Medical clinic or office | X | | | | | | |
| Nonresidential care facility | | | | | | | S |
| Parking lot, garage or facility | | | | | | | E |
| Photographic studio | | | | X | | | |
| Prescription pharmacy | | | | X | | | |

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| Nonresidential Use | Off. \$1.43 | Hotel \$1.35 | R/D \$1.21 | Comm. \$1.14 | Mfg. \$.89 | Wrh. \$.39 | Other Fee |
|---|----------------|-----------------|---------------|-----------------|---------------|---------------|--------------|
| optician | | | | | | | |
| Printing and blueprinting | | | | X | | | |
| Recycling center | | | | | X | | |
| Reducing salon -- Masseur, racquetball, judo school | | | | | | | \$.73 |
| Restaurant -- Bar | | | | X | | | |
| Retail stores and services | | | | X | | | |
| Service station | | | | | | | \$1.14 |
| Shop for building contractor | | | | | | | \$.89 |
| Sign shop | | | | X | | | |
| Tire shop, including recapping | | | | X | | | |
| Trailer sales yard | | | | | | | \$.66 |
| Used car lot | | | | | | | \$1.02 |
| Wholesale stores and distributors | | | | | | X | |
| Commercial recreational vehicle storage | | | | | | | E |
| Christmas tree sales lots | | | | | | | E |
| Adult entertainment establishment or activity | | | | X | | | |
| Astrology and related practices | | | | X | | | |
| Adult related establishment | | | | X | | | |
| Bus and other transit terminals, depots and passenger stations, public and private | | | | | | | S |
| Mini storage/individual storage/locker buildings | | | | | | | E |

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| Nonresidential Use | Off. \$1.43 | Hotel \$1.35 | R/D \$1.21 | Comm. \$1.14 | Mfg. \$.89 | Wrh. \$.39 | Other Fee |
|---|----------------|-----------------|---------------|-----------------|---------------|---------------|--------------|
| Bus and other transit vehicle maintenance and storage | | | | | | | S |
| Halloween haunted house | | | | | | | E |
| Bed and breakfast inn | | X | | | | | |
| Towing service and vehicle storage yard | | | | | | | \$.89 |
| Alcoholic beverage sales for off-premises consumption | | | | | | | E |
| Bar | | | | X | | | |
| Appliance repair shop | | | | X | | | |
| Delivery service | | | | | | | S |
| Janitorial service company | | | | | | | S |
| Pest control company | | | | | | | S |
| Sports complex | | | | | | | S |
| Child care center | | | | | | | E |
| Reverse vending machine | | | | | | | E |
| Mobile recycling units | | | | | | | E |
| Small recyclable material collection facility | | | | | | | E |
| Temporary parking lot | | | | | | | E |
| Drive-up service facility | | | | | | | S |
| Nonprofit organization -- Food storage and distribution | | | | | | | S |
| Nonprofit organization -- Food preparation for off-site consumption | | | | | | | S |
| Nonprofit organization -- Meal service facility | | | | | | | S |
| Industrial Use | | | | | | | |

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| Nonresidential Use | Off. \$1.43 | Hotel \$1.35 | R/D \$1.21 | Comm. \$1.14 | Mfg. \$.89 | Wrh. \$.39 | Other Fee |
|---|----------------|-----------------|---------------|-----------------|---------------|---------------|--------------|
| Beverage bottling plant | | | | | X | | |
| Billboard manufacture | | | | | X | | |
| Boat building (small) | | | | | X | | |
| Concrete batch plant | | | | | X | | |
| Cement or clay products manufacturing | | | | | X | | |
| Contractor's storage yard | | | | | | | .89 |
| Dairy products processing | | | | | X | | |
| Food processing plant | | | | | X | | |
| Fuel yard | | | | | | | .66 |
| Ice manufacture -- Cold storage plant | | | | | | X | |
| Junk yard | | | | | | | S |
| Lumber yard -- Retail | | | | | | | .89 |
| Machine shop | | | | | X | | |
| Monument works, stone | | | | | X | | |
| Petroleum storage | | | | | X | | |
| Planing mill | | | | | X | | |
| Public utility yard | | | | | | | E |
| Recycling plant | | | | | X | | |
| Railroad yard or shops | | | | | | | S |
| Terminal yard, trucking | | | | | | | .66 |
| Truck and tractor repair | | | | | | | .89 |
| Warehouse wholesaling | | | | | | X | |
| Assembly or electrical and electronic equipment | | | X | | | | |
| Assembly of plastic and rubber items | | | X | | | | |
| Garment shop | | | | | X | | |
| Laboratory research and experimental | | | X | | | | |

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| Nonresidential Use | Off. \$1.43 | Hotel \$1.35 | R/D \$1.21 | Comm. \$1.14 | Mfg. \$.89 | Wrh. \$.39 | Other Fee |
|--|----------------|-----------------|---------------|-----------------|---------------|---------------|--------------|
| Manufacturing, assembly and treatment of merchandise | | | X | | | | |
| Plating with storage | | | | | X | | |
| Metal fabrication | | | | | X | | |
| Other Nonresidential Use (Special Permit Use) | | | | | | | |
| Major medical care facility | | | | | | | \$2.28 |
| Animal hospital or dog kennel | X | | | | | | |
| Animal or poultry slaughter | | | | | | | S |
| Amusement enterprise -- Outdoor | | | | | | | S |
| Drive-in theater | | | | | | | S |
| Golf course | | | | | | | S |
| Hog ranch | | | | | | | S |
| Livestock feed and sales yard | | | | | | | S |
| Private club -- Social center | | | | | | | S |
| School -- Private, nonprofit | | | | | | | \$1.21 |
| Church | | | | | | | E |
| Marinas | | | | | | | S |
| Other Use | | | | | | | |
| Flea market | | | | | | | S |
| Residential care facility | | | | | | | \$.89 |

X - Project is subject to fee for nonresidential use category.

S - Fee amount determined by planning director on a project-by-project basis.

E - Nonresidential project is exempt from this chapter.

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