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| **DATE:** | March 18, 2016 |
| **BOARD MEETING DATE:**  | March 29, 2016 |
| **SPECIAL NOTICE/HEARING:** | None |
| **VOTE REQUIRED:** | None |
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| **TO:** | Honorable Board of Supervisors |
| **FROM:** | Peggy Jensen, Deputy County ManagerJohn C. Beiers, County Counsel |
| **SUBJECT:** | Study Session for Affordable Housing Impact Fees |
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| **RECOMMENDATION:** |
| Receive information regarding affordable housing residential impact fee and commercial linkage fee and provide guidance to staff regarding next steps.  |
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| **BACKGROUND:** |
| The Board of Supervisors has directed staff to analyze the legality and feasibility of adopting fees to address the impact of commercial and market rate housing development on the need for affordable housing in the unincorporated area of the County. County staff members from the County Manager’s Office, Planning and Building, Housing, and the County Counsel’s Office, in conjunction with consultants from 21 Elements, have received and reviewed a number of documents, including a *Residential Impact Fee Nexus Study* and a *Commercial Linkage Fee Nexus Study*. (Copies of these nexus studies are available at <https://planning.smcgov.org/nexus-study>.) Staff has also analyzed legal and operational issues related to the adoption and implementation of affordable housing impact fee ordinances. Based on this work, staff concludes that adoption of such impact fee ordinances would be legal and feasible. However, staff has also determined that there are some issues and questions related to the development of affordable housing impact fee ordinances that would be helpful to discuss with the Board prior to bringing such ordinances for final consideration and adoption. Therefore, staff has scheduled this study session to receive Board and community input as a component of the ordinance development process.  |
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| **DISCUSSION:** |
| Affordable housing impact fees are intended to help pay for building homes for lower income residents who require housing as a result of commercial or market rate housing development. Such fees may only be charged where a nexus is established between new residential or commercial development and additional demand for affordable housing. Some local San Mateo County jurisdictions, including, for example, Redwood City, San Carlos, Daly City, and Menlo Park, have adopted affordable housing impact fee ordinances. Further, a number of other San Mateo County jurisdictions recently collaborated to study potential affordable housing impact fees through the 21 Elements planning project, and as a result of this work, the County has received the two nexus studies mentioned above. During the first portion of the study session, staff will explain the legal framework governing impact fees, including under the California Mitigation Fee Act. Among the matters discussed by staff will be the need to establish a reasonable relationship between the impacts created by development and to cost of providing the services to address these identified impacts and the role that nexus studies play in establishing such a relationship.We then anticipate that Josh Abrams, a consultant working with 21 Elements, will provide the Board with a review of the affordable housing nexus studies for commercial and market rate housing that have been developed for San Mateo County. This presentation will include an explanation of the process and methodologies used in the nexus studies and a discussion of the studies’ conclusions with respect to defensible and feasible affordable housing impact fees. Thereafter, staff will provide the Board with information about the general structure of impact fee ordinances and present the Board with a number of decision points related to the ordinances. Among the matters that staff will present are the following:* How would an impact fee interface with the County’s Inclusionary Housing Ordinance?
* Would an impact fee on market rate housing apply to ownership units? Rental units? Both?
* Would any types of market rate housing development be exempt from an impact fee?
* Would an impact fee on market rate housing vary based on size of unit or other factor, such as neighborhood, number of units in a proposed development, etc.?
* For commercial development, what types of development would be subject to an impact fee (e.g., office, retail, hotel, warehouse and industrial, etc.)?
* Would any commercial development be exempt from the impact fee (e.g., small developments)?
* Would impact fees on commercial development be the same in all areas of the County?
* At what level should the impact fees be set in light of other existing development fees?
* Should the fees be adjusted periodically and, if so, what methodology should be used?
* How will funds raised through impact fees be used (i.e., will the County establish a separate fund to hold and expend funds and/or direct funds to an agency addressing affordable housing on a regional/County-wide basis)?

The Board may then wish to discuss these and other matters, ask specific questions of staff, and provide direction regarding whether to move forward with developing impact fee ordinance and if so, what components to include in such ordinances. If the Board directs staff to return with impact fee ordinances for possible adoption, we anticipate having such ordinances ready for introduction at the Board’s meeting of April 26, 2016. |
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