



## Staff Reports

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**File #:** 400-2021, **Version:** 1

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**To:** Honorable Mayor and Members of City Council

**From:** Steve Potter, City Manager

**Prepared By:** Liz Habkirk, Deputy City Manager

**TITLE:**

Affordable and Workforce Housing Building Permit Fees

**RECOMMENDED ACTION:**

Adopt a resolution updating City fees and charges related to residential building permit applications for affordable and workforce housing projects and new accessory dwelling units of 500 square feet or less.

**DISCUSSION:**

City staff regularly reviews the costs of providing services to the community and recommends that fees and charges be established in amounts that are based on an equitable allocation of those costs to those who benefit from those services. The last update to the City's fees and charges was brought to Council on October 19, 2021, and included a comprehensive update and three-year fee schedule to reflect the City's current costs of providing services.

During the meeting in October, City Council members expressed a desire to continue to promote the development of affordable and workforce housing units, as well as to continue to encourage homeowners to build accessory dwelling units on residential parcels. Accordingly, Council directed City staff to return to a public meeting with an item by which fees will be decreased for affordable and workforce housing units, and staff recommends that Council adopt the resolution attached to this report to do so.

As used in this report, the phrase "affordable and workforce housing unit" means each residential unit that either: (1) has a household income of 120% or less of the area median income ("AMI"), or (2) is an accessory dwelling unit of 500 square feet or less. This use of the phrase "affordable and workforce housing" is consistent with the 2018 ballot measure by which voters throughout Napa County approved a 1% transient occupancy special tax to fund projects that facilitate housing for affordable and workforce households (see Napa Municipal Code Chapter 3.22). The phrasing is also consistent with the City's affordable housing impact fee, at Napa Municipal Code ("NMC") Chapter 15.94, and corresponding state laws which define "affordable housing" for household incomes of 80% or less of the AMI and "moderate income housing" for household incomes of 120% or less of the AMI. City staff operates a variety of affordable housing programs in the City limits and throughout Napa County. This includes services that are provided directly by the City of Napa, as well as those that City staff implements through the Housing Authority of the City of Napa ("HACN"). The programs

include providing rental and purchase assistance to individuals, administering the City's Community Development Block Grant program, and providing and facilitating funding to private affordable housing developers for the development of affordable housing. The funding for affordable housing projects includes grant and loan funds from external sources, as well as funding generated locally through the transient occupancy special tax and the affordable housing impact fee.

Staff works closely with housing developers interested in providing housing within the City of Napa, starting early in the planning stages to assist the developer in creating viable and innovative solutions to maximize the number of units available.

Developers of all residential projects, including individual residential units, are required to obtain building permits through the City's development review process. The Community Development Department manages the application process and collects building permit fees from applicants in order to cover the City's costs to provide: (a) plan-check services to ensure the building plans comply with relevant laws prior to issuing a Building Permit, and (b) inspection services to ensure buildings and improvements are constructed to proper standards. The amount of the building permit fee for each permit applicant is calculated based on the estimated amount of time needed for City staff to provide the required services, which are determined according to the size, scope, and complexity of the proposed construction.

Over the last three years, the Department has processed a number of residential units as depicted in the attached table (Attachment 2) which is an excerpt from the City's annual housing progress report provided to the State Office of Housing and Community Development (HCD). As shown on the table, the Non-Deed Restricted Moderate income units are primarily ADU's of 500 square feet or smaller which amounted to approximately 20 new ADU's per year starting in 2019. The City did issue permits for ADU's 500sf or smaller prior to 2019; however, they were not considered Moderate Income Housing by HCD until the 2019 reporting period and therefore do not appear in the reporting periods of 2015-2018.

As discussed at the October Council meeting, the City currently charges an average of only about 50% of the total cost for building permit processing for most fee types. With the adopted October update to user fees, beginning in January 2022 fees will be increased over a three-year period to help align the fee amounts with the cost of providing programs and services to reduce the subsidization of these services by the General Fund.

As previously noted in this report, concurrent with Council's October adoption of the updated fee schedule, Council directed staff to return with a program to reduce a portion of the fees for new residential projects for household incomes of 120% or less of the Area Median Income ("AMI"). City staff recommends that the reduction in fees be applied to projects that meet the City's current definition of "affordable and workforce housing unit" (as summarized above), which includes either: (1) a residential unit with a household income of 120% or less of AMI, to be consistent with NMC Chapter 3.22 for the Transient Occupancy Special Tax for Affordable and Workforce Housing; or (2) an accessory dwelling unit of 500 square feet or less, to be consistent with NMC Chapter 15.94 for the Affordable Housing Impact Fee.

The recommended resolution reduces the building permit fee (including plan check and inspection services) for affordable and workforce housing units. The fees established under R2021-105 are reduced by 50% for the following fees (using the "Fee Numbers" from R2021-105, Exhibit "A, shown

on ATCH 3):

1. Residential and Multifamily Uses (Fee Numbers 2.1.6 through 2.1.10).
2. Single Family Dwellings (Fee Numbers 2.1.26 through 2.1.30).
3. Accessory Dwelling Units (Fee Number 2.1.36)

To qualify for the reduced fee, an applicant will be required to demonstrate that the proposed project is an “Affordable and Workforce Housing Unit,” as defined above, by showing that either: (a) the applicant records an affordable housing agreement against the property to ensure the ongoing affordability of the project (for at least 45 years for ownership units, and at least 55 years for rental units); or (b) the unit is an accessory dwelling unit of 500 square feet or less.

The resolution authorizes the City Manager to implement this reduced fee program and update the Master Fee Schedule accordingly.

**FINANCIAL IMPACTS:**

Reducing the dollar amount of building permit fees (intended to cover the City’s costs of plan check and inspection services) will result in the City being required to use non-fee based revenue from the General Fund to offset the lost revenue to the City, in an amount dependent on the volume and type of permits submitted.

**CEQA:**

The City Manager has determined that the Recommended Action described in this Agenda Report is not subject to CEQA, pursuant to CEQA Guidelines Section 15060 (c).

**DOCUMENTS ATTACHED:**

ATCH 1 - Resolution Updating City Fees and Charges

ATCH 2 - Historical Residential Permit Information

ATCH 3 - Excerpt from R2021-105, Exhibit “A,” pages 2 and 3

**NOTIFICATION:**

None.