**2017 – HOUSING TASK FORCE – FACT SHEET- RESTRICTED UNITS OR IMPOSE IMPACT FEES**

**Objective:** Explore options to assess impact fees or otherwise mandate the construction of rental housing affordable to households earning 80 to 120% of the Area Median Income.

**Restricted Units or Impact Fees**
California State Law limits the ability of cities to apply inclusionary zoning requirements to rental housing unless some form of financial assistance is provided. Due to this, many cities have turned instead to the use of development impact fees charged on new, market-rate housing developments, known as "Housing Impact Fees". These Housing Impact Fees are based on an assessment of the extent to which the development of new housing generates additional demand for affordable housing.

Adoption of a Housing Impact Fee must be established through a "Nexus Study." The Mitigation Fee Act (Government Code Sections 66000-66008:

http://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=GOV&division=1.&title=7.&part=&chapter=5.&article requires California jurisdictions to show through a Nexus study that:

(1) The proposed development is in fact creating an impact and

(2) The fee or restricted units are proportional to the impact. The Nexus study effectively establishes the *maximum* fee amount that a jurisdiction may legally assess.

Some jurisdictions have adopted a policy that allows the developer the option to provide inclusionary units or be assessed a housing impact fee on new rental developments. To ensure long-term affordability of the restricted units, an Affordability Covenant Imposed on Real Property document is recorded on title. The Covenant would require compliance monitoring which includes submission of annual reports.

However, imposition of Housing Impact Fees and/or setting affordability restrictions (inclusionary rental housing) or altering the AUD Program incentives will change project economics. Setting the fees too high or making the AUD Incentive Program too restrictive could result in unintended consequences such as curtailing AUD development all together.

**Use of Housing Impact Fees:**

Housing Impact Fees could be used by the City to provide financing for:

- Acquisition (Land/Property)
- Contribution to Low Income Housing Tax Credit Projects
- Development of new low & moderate income housing units

- Rehabilitation of existing affordable rental housing units to extend useful life
- Moderate income condominium projects

Approximately 170 California jurisdictions have an Inclusionary Housing program. The degree of implementation varies. Each jurisdiction's utilization of Inclusionary or Density Bonus varies due to the jurisdiction's base density level and how that relates to a project's size.

The below table shows a representative sample:

| AFFORDABLE RENTAL HOUSING POLICY | | |
|---|---|---|
| Jurisdiction | Restricted Units | Housing Impact Fee |
| | | |
| City of Salinas | Yes-Very Low to Workforce | No |
| | | |
| City of Pasadena | yes-15 (5% low,10% mod) | Yes |
| | | |
| City of San Diego | No | Yes |
| | | |
| City of San Jose | 15% (6%VL & 9% moderate) | $17 per sq. ft. |
| | | |
| City of Walnut Creek | 10% Low, 6% VL | $1.60 to $7.20 per sq. ft |
| | | |
| City of Berkeley | No | $28,000 per rental unit |