

RESOLUTION NO. 17-8482

**A RESOLUTION OF THE CITY OF SANTA CLARA, CALIFORNIA,
ESTABLISHING AFFORDABLE HOUSING FEES AND
INTEGRATING THE FEES INTO THE MUNICIPAL FEE SCHEDULE**

BE IT RESOLVED BY THE CITY OF SANTA CLARA AS FOLLOWS:

WHEREAS, on December 9, 2014 the City Council adopted the Housing Element of the General Plan in compliance with State law, which includes the goal of encouraging the development of affordable housing to meet the City's assigned share of the regional housing need;

WHEREAS, to implement that goal, the Housing Element includes an inclusionary housing policy, requiring developers to provide a percentage of their units at affordable prices, and a policy to establish a housing mitigation fee to facilitate new housing units that are affordable to households with extremely low, very low, and low incomes;

WHEREAS, land prices are a key factor in preventing development of new affordable housing. New housing construction in the City which does not include affordable units aggravates the existing short of affordable housing by absorbing the supply of available residential land. This reduces the supply of land for affordable housing and increase the price of remaining residential land. At this same time, new market-rate housing contributes to the demand for goods and services in the City, increasing local service employment at wage levels which often do not permit employees to afford housing in the City;

WHEREAS, new nonresidential development all contributes to increased employment throughout the City, which increases the number of families and individuals looking for housing near employment and again increases the need for local service employment at wage levels which often do not permit employees to afford housing in the City;

WHEREAS, the City Council has considered the "Residential Nexus Analysis, City of Santa Clara," dated March 2017 and prepared by Keyser-Marston Associates, Inc. (the "Nexus Study");

WHEREAS, in accordance with Government Code Section 66001(a)(1), the Nexus Study proposed establishing a new affordable housing fee with the purpose of mitigating the impacts of new development on the need for affordable housing;

WHEREAS, in accordance with Government Code Section 66001(a)(2), the Nexus Study proposed using the fee to facilitate the construction of affordable dwelling units in the City to offset the new demand from market rate residential units and nonresidential development;

WHEREAS, in accordance with Government Code Section 66001(a)(3), the Nexus Study quantifies net new demands for affordable units to accommodate new worker households, and as such, addresses the impacts of new development, as opposed to existing deficiencies in the supply of affordable housing;

WHEREAS, in accordance with Government Code Section 66001(a)(4), the Nexus Study demonstrates the relationship between the fee and the projects subject to the fee. With the development of more housing, additional household expenditures will create a demand for more services, creating more service jobs that will create a demand for more affordable housing. New commercial buildings utilize new workers, who demand additional housing in proximity to the jobs, and a portion needs to be affordable to those workers. The Nexus Study quantifies these relationships using the "IMPLAN" model to link the expenditures of new households to job growth;

WHEREAS, in accordance with Government Code Section 66001(b), the Nexus Study demonstrates that there is rough proportionality between the fee imposed and the project to be constructed attributable to the development paying the fee. The nexus study computes the cost of providing each affordable unit and fees are collected proportionate to the incremental demand for affordable housing created by each new unit of market rate housing and square foot of nonresidential development;

WHEREAS, the Nexus Study demonstrated that, to fully mitigate the impacts of new market-rate units in for-sale and rental residential project on the need for affordable housing, an affordable housing in lieu or impact fee of \$36.00 to \$48.30 per square foot of new market rate development would be needed;

WHEREAS, the same Nexus Study demonstrated that, to fully mitigate the impacts of new nonresidential development projects on the need for affordable housing, a fee of \$142.70 to \$158.80 per square foot for office and \$47.80 to \$268.00 per square foot for all other nonresidential development would be needed;

WHEREAS, in order to implement the affordable housing goals, objectives, policies and programs of the City's Housing Element, the City Council desires to adopt the Nexus Study and implement Affordable Housing Fees applicable to residential and nonresidential projects and to encourage the development of rental housing and as well as smaller units that may be more affordable by design;

WHEREAS, the Affordable Housing Fees established by this resolution are significantly lower than the amount needed to fully mitigate the impacts of the new for-sale and rental resident projects and nonresidential project on the need for affordable housing, as shown in the Nexus study;

WHEREAS, in compliance with the Affordable Housing Ordinance, all Affordable Housing Fees collected shall be deposited into the City of Santa Clara Affordable Housing Fund to be used only for the purposes included in the Affordable Housing Ordinance;

WHEREAS, information regarding the proposed Affordable Housing Fees were made available for public review more than ten (10) days prior to the public hearing at which this Resolution was considered and adopted, by placing the data on file with the City Clerk's Office on November 21, 2017, in accordance with Government Code 66016;

WHEREAS, on November 20, 2017, a notice of the public hearing to be held on December 5, 2017 was mailed to persons who have requested notice of these fees in accordance with Government Code Section 66019;

WHEREAS, on November 22, 2017 and November 29, 2017, notice of the hearing on the proposed fees was published in the *Santa Clara Weekly*, a newspaper of general circulation, as required by Government Code Section 66018; and

WHEREAS, a public hearing was conducted by the City Council on December 5, 2017.

NOW, THEREFORE, BE IT FURTHER RESOLVED BY THE CITY OF SANTA CLARA AS FOLLOWS:

1. That the initial Affordable Housing Fees according to project and building type are set forth in Attachment A.
2. That the Affordable Housing Fees shall be appended to the Municipal Fee Schedule kept on file in the office of the City Clerk.
3. That unless otherwise modified by the City Council, Affordable Housing Fees will automatically adjust for inflation annually, using the Engineering New Record McGraw-Hill Construction Weekly Building Cost Index for San Francisco. If this index ceases to exist, the Community Development Director shall substitute another construction cost index, which in his or her judgement is as nearly equivalent to the original index as possible. The automatic fee adjustment, as modified by the City Council, will occur when the City conducts its annual update of the Municipal Fee Schedule.
4. That it is the intent of the City Council to review the product of affordable housing and the status of collection of Affordable Housing Fees along with the City Council's annual review of compliance with the City's Housing Element.

5. That the full implementation of the Affordable Housing fees is as follows:

A. If a planning permit application has been deemed to be a complete application by the Community Development Department within the first six (6) months of the effective date, the requirements of this chapter will not be applicable.

B. If a planning permit application has been deemed to be a complete application by the Community Development Department after six (6) months of the effective date but before twelve (12) months of the effective date, one-third (1/3) of the total in lieu or impact fee will be applicable.

C. If a planning permit application has been deemed to be a complete application by the Community Development Department on or after twelve (12) months following the effective date, the full requirements, including in lieu and impact fees, will be applicable.

D. Exempt Projects: A planning permit application on file with the Community Development Department and meets filing requirements by said department by August 1, 2018, receives planning approval by December 1, 2020, will not be subject to the requirements as set forth in this Chapter.

6. Constitutionality, severability. If any section, subsection, sentence, clause, phrase, or word of this resolution is for any reason held by a court of competent jurisdiction to be unconstitutional or invalid for any reason, such decision shall not affect the validity of the remaining portions of the resolution. The City of Santa Clara, California, hereby declares that it would have passed this resolution and each section, subsection, sentence, clause, phrase, and word thereof, irrespective of the fact that any one or more section(s), subsection(s), sentence(s), clause(s), phrase(s), or word(s) be declared invalid.

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7. Effective date. This resolution shall become effective on the effective date of Ordinance No. 1974.

I HEREBY CERTIFY THE FOREGOING TO BE A TRUE COPY OF A RESOLUTION PASSED AND ADOPTED BY THE CITY OF SANTA CLARA, CALIFORNIA, AT A REGULAR MEETING THEREOF HELD ON THE 5th DAY OF DECEMBER 2017, BY THE FOLLOWING VOTE:


AYES: COUNCILORS: Caserta, Davis, Kolstad, O'Neill, and Watanabe and Mayor Gillmor

NOES: COUNCILORS: None

ABSENT: COUNCILORS: Mahan

ABSTAINED: COUNCILORS: None

ATTEST:



ROD DIRIDON, JR.
CITY CLERK
CITY OF SANTA CLARA

Attachments incorporated by reference:
1. Affordable Housing Fees (Attachment)

ATTACHMENT "A" to RESOLUTION 17-8482

1. Affordable Housing Fees (Resolution 17-8482)

A. For- Sale Residential Projects that received planning approval after January 18, 2018:

Tenure Type	January 18, 2018- July 17, 2018 (\$ per square foot)	July 18, 2018- January 17, 2019 (\$ per square foot)	January 18, 2019 and beyond (\$ per square foot)
Single-Family Home	Exempt	\$10.00	\$30.00
Townhome	Exempt	\$8.33	\$25.00
Condominium	Exempt	\$6.67	\$20.00

B. Rental Residential Projects that received planning approval after January 18, 2018:

Tenure Type	January 18, 2018- July 17, 2018 (\$ per square foot)	July 18, 2018- January 17, 2019 (\$ per square foot)	January 18, 2019 and beyond (\$ per square foot)
Rental Residential (any tenure type)	Exempt	\$6.67	\$20.00

C. Nonresidential Projects that received planning approval after November 24, 2018:

Building Type	January 18, 2018- July 17, 2018 (\$ per square foot)	July 18, 2018- January 17, 2019 (\$ per square foot)	January 18, 2019 and beyond (\$ per square foot)
Retail <5,000 sf	Exempt	No Fee	No Fee
Retail ≥5,000 sf	Exempt	\$1.67	\$5.00
Hotel	Exempt	\$1.67	\$5.00
Office ¹ <20,000 sf	Exempt	\$3.33	\$10.00
Office ¹ ≥20,000 sf	Exempt	\$6.67	\$20.00
Other Commercial	Exempt	\$1.67	\$5.00
Light Industrial <20,000 sf	Exempt	\$1.67	\$5.00
Light Industrial ≥20,000 sf	Exempt	\$3.33	\$10.00
Low-Intensity Uses ²	Exempt	\$0.67	\$2.00

1. Office including Industrial Office, R&D and Commercial Office

2. Low-Intensity Uses such as Data Centers and Warehouses