



February 3, 2015 City Council Meeting

DEVELOPMENT-RELATED IMPACT FEES AND EXCISE TAXES



Purpose

Council direction on moving forward with:

- Housing linkage fee in short term based on 2009 Study and existing linkage fee in the DT-5 zone.
- Hiring a firm or firms to update the city's current fees and/ or excise taxes and prepare any additional studies.



Goal

- Implement city's policy that "growth pay its own way"
- Ensure city's development- related fees and taxes reflect current capital costs and impacts attributable to new development.
- Address recent concerns that non-residential sector is not contributing proportionately to mitigate impact of job growth on affordable housing.

Existing Capital Facility Impact Fees and Excise Taxes

- Capital Facility Impact Fees: Library, Human Services, Municipal Facilities, Police, Fire, Parks and Recreation
- Development Excise Tax: Transportation, Park Land
- Housing Excise Tax
- Housing Linkage Fee for commercial density bonus in DT-5 zone district.
- Assessed at time of building permit application; paid at time of final inspection



Update Current Fees

- City's current capital facility impact fees and excise tax rates are based on 2009 studies.
 - Best practices suggest nexus studies be updated every 5-6 years.
 - Move forward early in 2015 to update studies and consider whether additional areas or new approaches should be included; e.g. housing linkage fee, transportation
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Update Fees

Next Steps:

- Review city's current set of fees and taxes to identify any gaps.
- Initial discussion with Council on February 10 to help identify scope of study/ studies.
- Public forum Feb. 11 at BMoCA from 5-7 PM
- Hire firm(s) to prepare studies.
- Studies could be completed by summer, with implementation in 3rd/4th quarter or Jan. 1 with other fee updates.



Citywide Housing Linkage Fee

- A housing linkage fee is charged on new non-residential uses to mitigate impacts on the demand for affordable housing created by those uses.
 - 2009 Excise Tax Study included Affordable Housing Excise Tax; resulted in ballot issue that failed.
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Citywide Housing Linkage Fee

- City can implement as a fee, as was done with other components of the Development Excise Tax, and as implemented in Downtown (linkage fee for FAR bonus)
- Could put in place now based on 2009 Study (adjusted for cost increases) while new study prepared.

Housing Linkage Fee Rates

- Rates based on 2009 study would range from just over \$3 per square foot on the low end (for warehouses) up to \$9.53 for office uses.
- Uses such as hotels and nursing homes would be charged per bed.

Nonresidential (Floor Area)

	<i>Fee per Sq Ft</i>
Retail/Restaurant	\$6.96
Business Park	\$7.70
Office	\$9.53
Hospital	\$8.23
School	\$2.24
Mini-Warehouse	\$0.09
Warehousing	\$3.11
Light Industrial	\$5.62

Other Nonresidential

Nursing Home (per bed)	\$877.64
Day Care (per student)	\$389.60
Lodging (per room)	\$1,072.44

This chart is based on 2009 study rates adjusted for cost increases



Implementation Options

If council moves forward in the short term, staff would recommend, consistent with current and historic practice:

1. Fee would be assessed at time of building permit application to all projects.
 2. To address concerns about timing, council could provide a window before the fee would be effective.
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Questions for Council

1. Does council support the proposed next steps for updating studies and fees?
 - assess current range of fees and taxes, identify scope of new study(ies) with council in February
 - Hire firm(s) to prepare studies to update fee structure
2. Is council interested in moving forward in the short term to adopt a housing linkage fee based on the 2009 Study?