

TO: JAMES L. APP, CITY MANAGER

FROM: WARREN FRACE, COMMUNITY DEVELOPMENT DIRECTOR

SUBJECT: CITY COUNCIL / PLANNING COMMISSION JOINT SESSION  
HOUSING CONSTRAINTS WORKSHOP

DATE: OCTOBER 17, 2015

**Needs:** For the City Council to appoint an advisory committee to review constraints on housing production.

- Facts:**
1. At the Planning Commission meeting on December 9, 2014, the Commission established an Ad Hoc Committee to develop, "...creative, alternative solutions to remove or reduce constraints to housing development."
  2. The Ad Hoc Committee met during the months of December and January to brainstorm the scope of issues to consider, and to develop a letter that expresses their concerns. City staff attended three of their meetings.
  3. On January 23, 2015, the Ad Hoc Committee submitted their memo to the City for consideration by the Planning Commission. To facilitate policy background information and context, and in some cases to clarify or respond to items, staff has prepared an analysis as a companion to the Ad Hoc Committee's letter (Attachment 2).
  4. On March 10, 2015, the Ad Hoc Committee presented its memo and findings to the Planning Commission during a regular meeting. The Planning Commission, on a 6-0 vote, agreed to forward the Committee's findings and recommendations to the City Council for consideration (Attachment 1).
  5. On April 21, 2015, the City Council heard the Planning Commission's recommendation and directed that an advisory committee be appointed to further review issues related to housing constraints.
  6. On May 19, 2015, the City Council discussed appointment of an advisory committee, but determined that a joint session with Planning Commission was needed prior to appointing a committee.

**Analysis and  
Conclusion:**

**Workshop Organization**

The purpose of the Joint Session Workshop is to review and discuss constraints to housing production with the Planning Commission and then to appoint an advisory committee with a scope of work. The following outline for the meeting is suggested:

- Staff Overview and Presentation
- Questions from City Council and Planning Commission

- Public Comment
- City Council and Planning Commission discussion
- Review of revised Mixed Use unit Development Impact Fees process
- Work scope of Advisory Committee
  - Consultant funding
  - Additional staff support
- City Council appointment of Advisory Committee

### **Housing Constraints Considerations**

There are a multitude of factors that influence the demand and production of housing. The Planning Commission's March 10, 2015 report provided a summary of many of these factors:

- Land Cost and Density
- Professional Design Fees
- Site Improvement Costs (Grading, Roads, Utilities)
- Construction Costs
- Government Fees / CEQA mitigation
- Financing and Marketing Costs
- Developer Profits

All of these factors plus market demand and the economic conditions factor into the supply and final cost of housing and should be considered in the joint session's discussion.

**Total Costs of Constructing a Home**

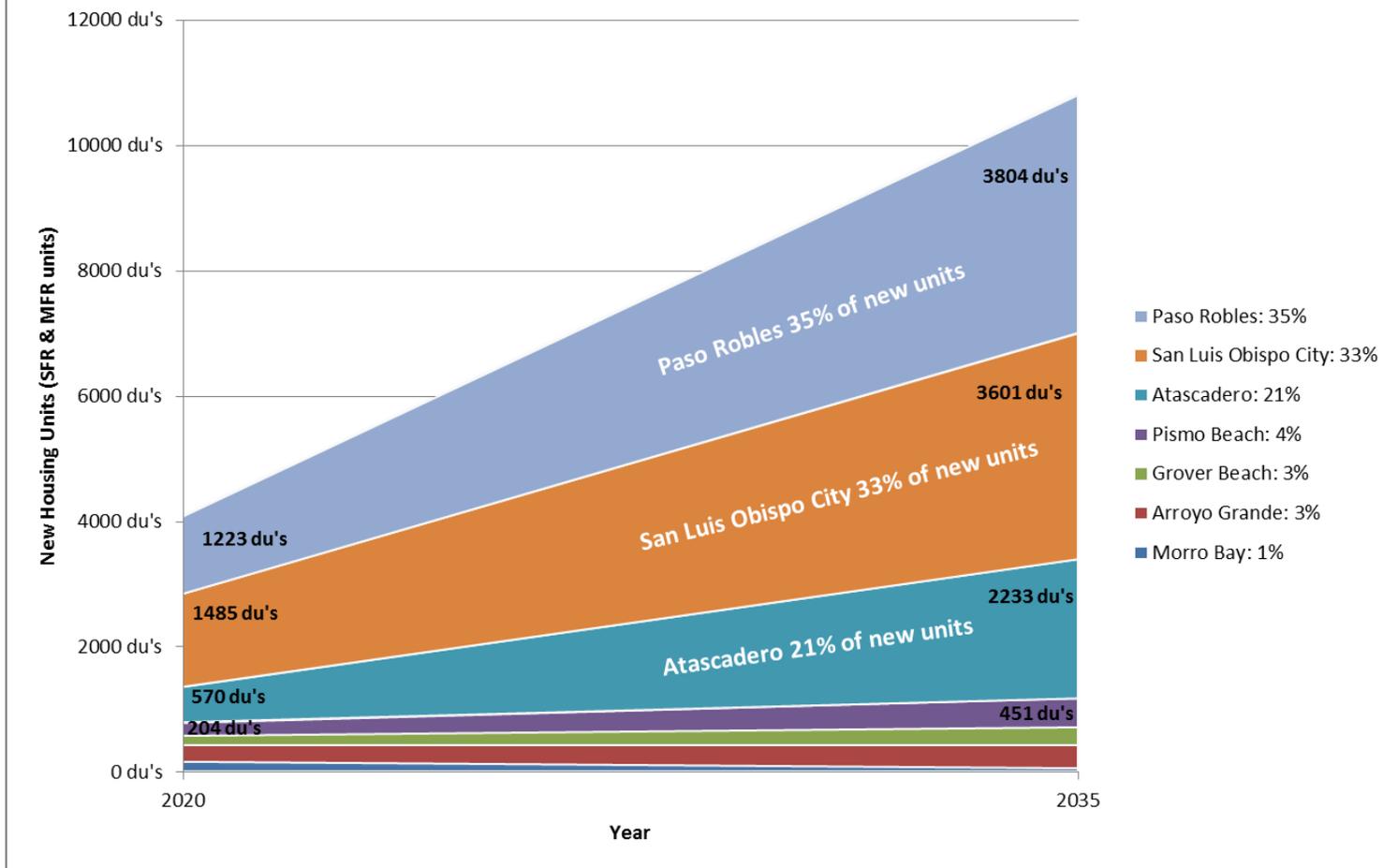
Below is an illustration of how costs are allocated for developed homes. Government fees, impacts, and charges can be structured to incentivize development of smaller units and projects. While the allocation percentage may not be typical for custom homes, because the risks are different, and there may be differences among developers, projects, or scale of projects, the approach of describing the cost allocation is useful in viewing overall costs. Clearly “one-size-does-not-fit-all” in costs, because not all homes are the same size or cost. Workforce housing should not pay the same in government fees as a more expensive or larger home.

Categories	Risk	Allocation/ unit	\$350K/unit	\$450K/unit	\$600K/unit
Cost of land (4000-7000 sq ft lot)	Stable	10%	\$35,000	\$45,000	\$60,000
Professional fees (architects, landscape, soils, etc)	Variable	10%	\$35,000	\$45,000	\$60,000
<b>Government fees (permits, impacts, water, sewer)</b>	<b>Stable</b>	<b>10%</b>	<b>\$35,000</b>	<b>\$45,000</b>	<b>\$60,000</b>
Below grade (grading, utilities, foundations, site prep)	Variable	20%	\$70,000	\$90,000	\$120,000
Above grade (housing materials and construction)	Stable	30%	\$105,000	\$135,000	\$180,000
Financial (financing, legal, accounting, marketing, sales)	Variable	10%	\$35,000	\$45,000	\$60,000
Developer profit (for development projects)	Variable	10%	\$35,000	\$45,000	\$60,000
Totals		100%	\$350,000	\$450,000	\$600,000

Much of the discussion of constraints has focused on City fees. As discussed at the April City Council meeting, the City of Paso Robles’ fees are among the highest in the County, but this is attributed to funding the public improvements necessary to accommodate the City’s aggressive growth goals. Paso Robles is planning for 35% of the future residential development within incorporated cities. That is more than San Luis Obispo City (33%) or Atascadero (21%).

The Council needs to also consider the changing legal landscape for CEQA. A recent Court case has undermined the City’s approach to mitigating cumulative traffic impacts with Development Impact Fees. The court determined the City was **not collecting enough money** to fund key interchange projects and therefore, could not rely on the fees as mitigation. The City Attorney and staff are reviewing this case and will be bringing recommendations to the City Council in the near future.

## 2014 RTP/SCS: Housing Units Growth by City



### Permit and Development Fees

There are four distinct fee categories that account for the majority of fees collected for a construction permit:

- Plan Check / Inspection fees: Staff Time cost recovery fee
- Development Impact Fees: AB1600 fees for capital improvements – streets, circulation mitigation, parks, library, police and fire facilities.
- Water Connection and Capacity Charges : Water system including Nacimiento Pipeline and water treatment plant
- Wastewater Facility Charges: Sewer system including new waste water treatment plant

These fees are collected consistent with General Plan Policy LU-4A / Action Item 2 which requires new development in annexation areas and/or specific plan areas to pay for the full cost of construction, maintenance, and operation of required City services and facilities.

By State law, all of these fees are based on the actual cost of the City providing the service or facility and the project's actual share of the impact. The City is not permitted to make a profit from these fees nor use them for a different purpose. The City's building permit fees and development impact fee rates are based upon fee justification studies approved by the City Council. The Development Impact Fee was just updated in April of 2014 and identifies \$349,334,454 in new facilities to support General Plan buildout. The Development Impact Fees assigns 39.38% of the cost (\$128,755,475) of future circulation and City facilities to new development. The remaining 60.62% of facilities costs (\$220,568,979) will need to be paid for by tax payers (Attachment 3).

For an average single-family residential permit, the estimated fees would be as follows:

• Plan Check / Inspection fees	\$ 9,500±
• Development Impact Fees	\$20,000±
• Water Connection and Capacity Charges	\$23,500±
• Wastewater Facility Charges	\$10,000±
<hr/>	
Total	\$63,000±

Paso Robles' fees are higher than those in surrounding communities. The primary reason for this difference is the City's more aggressive growth plans and the circulation barriers created by the Salinas River, Huer Huero Creek and Highway 46 East (refer to Figure 2). Because the City is planning for an additional 4,976 housing units, a new water system, a new waste water treatment plant and a new east side circulation system will be required. Approximately \$53,000 in the permit fees is attributed to paying for these facilities.

The City Council reviewed the Development Impact Fees project list recently and adopted a reduced fee schedule on April 1, 2014. Currently a consultant has been hired by the City to review the Water and Wastewater fees.

**Advisory Committee Work Scope and Appointments**

The Council needs to provide a clear scope of work and expectations to the advisory committee and staff. Since the issue of housing constraints is complex and multi-faceted, it would be very easy for the committee to get side tracked on issues that are not City Council priorities. Furthermore, a focused work scope will have a greater likelihood of producing productive results in a reasonable timeframe.

If the Council directs a review of Development Impact Fees, then consultant funding and additional staff resources will need to be identified and allocated to the process.

Changes to the City's development process and fees impact the entire community in a variety of ways. As with most City issues, there are tradeoffs between benefits and impacts. Consequently, the advisory committee should be represented from multiple community interests.

**Policy**

**Reference:** 2003 General Plan - Land Use and Housing Elements, Zoning Ordinance, CEQA, State Planning Laws, 2014 Housing Element, 2011 Circulation Element, 2006 Paso Robles Economic Strategy, Resolution 14-035: Development Impact Fee Study, Resolution 11-133: Wastewater Facility Charges, Resolution 09-032: Water Connection and Capacity Charges, 2014 Draft RTP/SCS (SLOCOG).

**Fiscal**

**Impact:** Review of Development Impact Fees will require a special fee consultant and additional staff support. This cost is likely to range between \$100,000 and \$200,000.

**Options:**

The City Council may consider the following options:

- a) Appoint an advisory committee with a scope of work.
- b) Amend, modify or reject the foregoing options.

**Attachments**

1. 3/10/15 Planning Commission Memorandum to City Council: Constraints on Housing
2. Staff Analysis of Ad Hoc Committee Memo
3. 4/1/14 Development Impact Fee Program - Public Facilities Needs List and Map
4. 2014 Development Impact Fee Justification Study (David Taussig & Associates)
5. 2003 Fiscal Impact Study (David Taussig & Associates)

Planning Commission

Ad Hoc Committee

Date: 3/10/15

From: Planning Commission

To: Mayor Steve Martin and City Council Members

Subject: Constraints on Housing

Dear Sirs:

Per California Gov Code 65040 the Planning Commission is tasked with investigating and making recommendations to the City Council regarding reasonable and practical means of implementing the General Plan, as well as reporting on the City progress in the effort to remove governmental constraints to the production of housing for all income groups. The Planning Commissioners view with great concern the housing situation in the City of Paso Robles. As the economy has begun its recovery from the recession, new home construction in the City has remained stalled and we believe that the impact of this situation is threefold:

- The lack of adequate housing impacts the current employed residents of the City as they find it difficult to find appropriate housing.
- The lack of new or newer housing impacts the economic growth of the City as new businesses may find that the limited housing inventory cannot support an influx of families.
- The lack of opportunity to build prevents the construction industry, developers, and realtors from contributing to the local economy

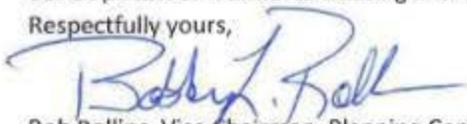
We propose that the City Council approve the review of four recommendation that, today, inhibit the development of new housing in the City. Each of these recommendations has an attachment to this letter that more fully describes the thoughts of the Planning Commission:

- Workforce Housing—establish a proactive policy encouraging the development and construction of workforce housing.
- Reduce Development Impact Fees—revalidate the restriction on development impact fees collected for a new City Hall and other City projects that may no longer be plausible.
- Reduce or Incentivize Permit Fees—revalidate or reduce government fees and eliminate a one-size-fits-all fee structure
- Modification/Elimination of East Side Specific Plans—consider eliminating the Beechwood, Olsen, and Chandler Ranch Specific Plans completely or reducing the scope of the plans to a smaller footprint.

We urge the creation of an ad hoc working group consisting of City Council, two Planning Commissioners, City Staff, and appropriate functional experts from industry to review the above policies and to develop creative solutions to each of the recommendations.

The Planning Commission Ad Hoc Committee will be pleased to meet with the Council and Staff to answer questions, discuss ideas and solutions, and assist in any way possible to encourage the development of workforce housing in the City in the near term.

Respectfully yours,



Bob Rollins, Vice Chairman, Planning Commission

### Attachments

- 1 Background and constraints
- 2 Recommendation 1: Workforce Housing Development
- 3 Recommendation 2: Reduce Development Impacts
- 4 Recommendation 3: Reduce or Incentivize Permit Fees
- 5 Recommendation 4: Modify/Eliminate East Side Specific Plans

### References:

- 1 2006 Economic Strategy – City of Paso Robles
- 2 Paso Robles General Plan – Housing Element

### Facts

#### “State Housing Policy:

- a) The availability of housing is of vital statewide importance, and the early attainment of decent housing and a suitable living environment for every Californian, including farmworkers, is a priority of the highest order.
- b) The early attainment of this goal requires the cooperative participation of government and the private sector in an effort to expand housing opportunities and accommodate the housing needs of Californians of all economic levels.
- c) The provision of housing affordable to low- and moderate-income households requires the cooperation of all levels of government.
- d) Local and state governments have a responsibility to use their powers to facilitate the improvement and development of housing to meet the needs of residents at all economic levels.
- e) The Legislature recognizes that in carrying out this, each local government also has the responsibility to consider economic, environmental, and fiscal factors and community goals set forth in the general plan and cooperate with other local governments and the state in addressing regional housing needs.”

#### “City Housing Goals:

##### a. Goals (bolded for emphasis)

**H-1. Develop a range of housing types, densities, and affordability levels to meet the diverse needs of the community, maintaining a balanced supply of ownership and rental units.**

H-2. Preserve the City’s inventory of housing that is affordable to low income households.

H-3. Preserve the City’s neighborhoods in a safe and decent condition and eliminate the causes and spread of blight.

**H-4. Mitigate or remove potential governmental constraints to housing production and affordability.**

H-5. Ensure choice of housing types and locations to all persons regardless of race, creed, age, or sex.

**H-6. Design neighborhoods, subdivisions, sites, and housing units to effectively manage natural resources.”**

## Background and Constraints

### Background

The purpose of this letter is to highlight our concerns as well as to offer possible suggestions to eliminate, or alleviate constraints upon the housing situation. While the Housing Element of the Paso Robles General Plan meets statutory requirements for content, it is very general in nature. The 2006 Economic Strategy quoted in the Housing Element highlights the housing objectives:

- a) Maintain safe, healthy, and attractive physical environment.
- b) Establish cohesive, compact, and livable community for individuals and families.
- c) Encourage community development in live/work, mixed use, and compact, pedestrian-oriented forms to accommodate all income levels and lifestyles.
- d) Increase labor force residents within City (limits).
- e) Preserve energy and natural resources.

### Perceived Barriers and Constraints

- State laws and regulations drive costs for developers (EIRs, CEQA, etc) and may not serve a useful purpose in certain situations.
- The City's General Plan may not be flexible enough to meet changing economic conditions that affect the housing market, both single-family and multi-family units.
- Specific plans that were originated years ago that were and still are expensive to create and update, particularly EIRs, changing environmental regulations, and changing market-based development requirements. A realization that large development projects may not be optimal for all developments and there may be a need for smaller developments crafted to meet housing needs in a shorter time period/horizon.
- A litigious environment that causes government and private business to make decisions based on fear of legal challenges.
- The lack of consistency in the planning system that affects stable costs, changing processes and rules, and agreements that are abrogated.
- The overall time that is required to begin a new project.
- Administrative and planning time—working with developers on specific plans and on smaller projects facilitating all projects to successful completion.
- The overall cost of City fees and charges inhibit development.
- Permit Costs—developing solutions for faster permitting processes, how to reduce costs.
- Capacity Connection Charges—developing cost solutions that better match developer needs while ensuring validated City costs are recouped.
- Development Impact Fees—developing cost solutions that better match developer needs while ensuring City validated costs are recouped.

### Overview of Possible Solutions

Creative and innovative solutions must be sought out by the City and private industry such that housing element objectives are satisfied and constraints are removed for housing at all economic levels.

Some thoughts include:

- Obviously, for the City to remove all barriers to development under its control.
- Reducing the amount of up-front permit and connection fees to the developer.
- City “financing”, in effect, the development costs over a period of time and ensuring cost recovery in the long term similar to Oak Park.
- Examining the basis for the costs and matching the basis more closely to the size of the housing unit—square footage, bedrooms, lot size, etc.
- Offering quantity fee and connection discounts for various housing developments.
- Developing specific incentives for workforce and management level housing to attract new businesses to the City.
- Examining other cities and how they handle these costs and identifying best practices.

Furthermore, we respectfully propose that the City Council approve an ad hoc or blue ribbon committee of two Councilmen, two Planning Commissioners, appropriate City Staff, and specific additional skills (developers, bankers, realtors) to develop options and solutions to reduce or eliminate constraints.

### Assumptions

- Economic development in the City of Paso Robles is a clear goal of the City Council and will be supported to pursue commercial and industrial companies that will offer head-of-household jobs.
- Economic development creates head-of-household jobs resulting in a direct demand that will afford the purchase of workforce housing in the City.
- There is a multiplier effect with economic development of at least 3:1 that results from head-of-household jobs, from the construction of new homes to the daily expenses of living.
- Permit fees and impact development fees are considered, validated, and implemented under the jurisdiction of the City Council.
- The costs of building workforce housing are understood and there are metrics for cost estimates available (sample shown next page).

**Total Costs of Constructing a Home**

Below is an illustration of how costs are allocated for developed homes. Government fees, impacts, and charges can be structured to incentivize development of smaller units and projects. While the allocation percentage may not be typical for custom homes, because the risks are different, and there may be differences among developers, projects, or scale of projects, the approach of describing the cost allocation is useful in viewing overall costs. Clearly “one-size-does-not-fit-all” in costs, because not all homes are the same size or cost. Workforce housing should not pay the same in government fees as a more expensive or larger home.

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Notes for Above Chart:

“Categories” are one way of looking at the costs per unit of a development project

“Risk” is understood as “Stable” which means that costs can be well known at the beginning of a project and are not likely to change significantly. “Variable” risk are those cost which can vary with changes in project scope, unforeseen changes, changing market conditions, or external pressures affecting the project.

“Allocation/unit” refers to commonly accepted costs and how they are allocated in the estimation for the project.

“\$350K/unit, \$450K/unit, and \$600K/unit” are examples of workforce and lower end management price points for market rate housing.

Source: (Mr. Garcia to provide)

### **Recommendation 1: Workforce Housing Development**

We recommend the City Council establish a policy that strongly encourages the development of workforce housing in Paso Robles and will take appropriate measures to ensure the construction of such housing complements the effort to attract new business to the City. Economic development in the City requires that there be housing available for the employees of new companies opening their doors for business.

In the past 15 years, there were an average of 200 permits per year and during the housing boom around 2003 and 2004, there were over 400 permits issued each year for new home construction. That fell to fewer than 50 permits per year during the economic downturn years from 2008 to 2014 even with City offered incentives. During that same time Development Impact Fees increased 650% and overall permit fees increased 100%. Higher than normal unemployment, the lack of head-of-household jobs, and high number of foreclosed or distressed homes on the market caused the new home construction business to decline precipitously. As a result, today the inventory of new homes and re-sales in the City is very limited. With the construction of workforce housing in Atascadero and Templeton, it is quite possible that Paso Robles will lose potential residents to other communities.

Although this recommendation is obvious, the complexity is that there is limited space in the City for developing new housing except in the three Specific Plan areas (Chandler Ranch, Beechwood, and Olsen). Because those three specific plans are still in the City approval process, the likelihood of any action in the near term seems unlikely. Similarly, as the three specific plans establish the infrastructure for over 3000 housing units, it should be a Council consideration that the likelihood of demand for 3000 units within the planning horizon should be reviewed for appropriateness. If housing demand is linked to economic development, then a level of demand in the range of 200 units per year may be more useful. A more realistic demand for housing could change water and sewer connections and funding for new capacity, and it could change the need for large, 1000-unit specific plans.

A strong policy statement by the Council encouraging new housing development would include commitments to reducing obstacles to development, expediting processing of development plans, and commitment to economic development to ensure demand for housing.

## **Recommendation 2: Reevaluate Development Impact Fees**

Looking at the city budget from 2014, a significant amount of funds are set aside for a new city hall and other municipal facilities, yet the funds are not sufficient to fund these facilities. In addition, the rate of growth is insufficient to forecast any near term projects in the mid or long term. It may make more sense to stop collecting for these facilities and to return collected funds if possible. While the concept of building these funds was valid in the past, perhaps not so much any longer.

We recommend that the City Council implement a zero-cost-baseline model for all development impact fees and perform a complete review of cost estimates for all projects defined as part of the impact fees. With an estimate of \$270 million total required and \$83 million as the development impact fee component, it would be useful to perform a detailed review (one more time) of the projects, what purpose they are to solve, their costs, and the likelihood of actually being funded within the next 20 years or planning horizon. While there may be valid rationale for including all the possible projects, it is a daunting list that does not seem plausible within the next 10-20 years. Therefore, it would seem logical to divide the projects into three categories:

1. Projects which are critical to economic development and housing development and are within a realistic planning horizon
2. Projects which are desirable, but not critical to either economic development or housing
3. Projects which are unlikely to occur, because of their size and cost, their relationship to other projects, their reliance on outside funds, and they are not needed in the foreseeable future.

In addition, in consonance with permit and connection fees, there should be a cap on the total amount of fees that should be collected for each unit. That could be done as a percentage of the cost or sales price of the housing unit and the fees collected could be apportioned among permit fees, impact fees, and water and sewer capacity charges based on a formula.

### **Recommendation 3: Reevaluate City Fees**

We recommend the City Council review the City fees and capacity charges to validate costs and to creatively determine options for reducing or incentivizing costs. The cost of building affordable workforce housing during an economy that does not provide wages commensurate with the cost of buying a home keeps many working Americans from achieving the dream of owning a home or renting a house or condo. Without the capability of affording suitable housing, the workforce cannot have the quality of life desired by all Americans.

The cost of housing is driven not only by land, labor, materials, and profits, but also by government imposed fees and costs. The builders have control over their costs of land, construction, and profitability, but they have little control over governmental costs. It is appropriate to review fees, funding, and permits imposed by local governments. What can be done to reduce costs? These government costs add to the cost of a home from a low of \$3,000 to a high of \$65,000. The wide variance in government costs is a function of geography, infrastructure costs, and City processes. While some percentage of a new home should be government imposed costs, there should be some level of equality among local governments. The wide variance in costs imposes a penalty in development projects that affects economic development.

Creativity is needed to develop alternative solutions that reduce government imposed costs:

- No grass installed by builder– water connection fee reduce 5% based that developer will not install grass in front or back yards.
- Recognize “one-size-fits-all” government fee structure as smaller projects and should not be penalized..
- Unit square footage based on 2000 sq ft home – reduce permit and connection fees by similar ratios as above (1/2000 per sq ft smaller and larger).
- Build permit and water and sewer connection rate structure for housing based on square footage, number of bedrooms, number of toilets in order to equalize “granny” units, 1 BRs, 2BRs, etc.
- Don’t charge additional plan check fees on the use of stock tract plans. Housing targeted for workforce and management price points (~\$350K to \$500K), then have a “rebate” for all fees and connection costs, perhaps 1 or 2 percent
- Develop payment structure for fees and capacity charges that reduces up-front costs for developers and collects fees and charges at percentage completion points or when unit is sold, etc (33-33-34%) or (25-25-50%) to make bank financing easier
  - Sewer capacity charges are collected at Certificate of Occupancy
  - Water meter and usage charges are paid during construction; however water capacity charges are collected at Certificate of Occupancy

#### **Recommendation 4: Reevaluate the Use of Specific Plans**

We recommend that the City Council review the current Specific Plans and consider modifying or eliminating the Plans to more closely match the needs of the City, developers, and home buyers. When the Chandler Ranch and Beechwood-Olsen specific plans were initially required and developed, 1000 unit projects made a lot of sense. The realities of slower growth in the city and the economics of developing large projects in a small economy cause a re-evaluation of the validity of the specific plan concept. Understanding the city planning and growth perspective, it would be useful to reconsider the value in having large specific plans weighing upon developments. It might be more appropriate to have smaller specific plan area with smaller footprints. Water, sewer, and street footprints could be modified to smaller growth patterns. The cost of development would not be so burdensome to a developer causing the developer to balk at the "numbers".

The challenge for the developer of any project is risk and time. Risk is related to all the factors involved in bringing a project to fruition, including planning, financing, construction, sales, and profitability. Time, as the old adage goes, is money. The longer a project takes, the more money is involved and the risks increase. The above mentioned specific plans offer a case in point of the risks in making the plans a reality, their costs, and the length of time needed. While the economic downturn clearly contributed to the situation, it is also apparent that much time was lost because of the City's "sequence of plans" policy.

It certainly appears that local developers are interested in smaller projects (50-200 homes) and not developing large 1000 home projects. Depending on the success of the City's economic development program and depending on how many jobs are brought into Paso Robles, the housing requirement favors the smaller developers, especially those that want to move fast with a simplified planning and permitting process, reduced impact fees, and reduced water and sewer fees. The developer's reduced risk (time and money) make this type of project feasible for implementation.

Attachment 1: 3/10/15 Planning Commission PowerPoint presentation (Al Garcia)

Planning Commission Memo Attachment 1:  
3/10/15 Planning Commission PowerPoint presentation (Al Garcia)

# Constraints on Work Force Housing

A Letter to the City Council from the Planning Commission  
Ad Hoc Committee: Vince Vanderlip, John Donaldson, Al Garcia

## Request for Consideration

- Planning Commission is very concerned about housing in Paso Robles
  - Lack of work force housing impacts employed Paso Roblans
  - Lack of newer housing impacts economic growth
  - Lack of opportunity to build prevents housing industry from growing
- Policies affecting work force housing need in-depth review by the City Council, validation of the policies and their underlying principles and costs, and development/consideration of innovative changes to policies to provide for housing development

## Background

### **City Housing Goals from the General Plan Housing Element:**

*"a. Goals*

***H-1. Develop a range of housing types, densities, and affordability levels to meet the diverse needs of the community, maintaining a balanced supply of ownership and rental units.***

***H-2. Preserve the City's inventory of housing that is affordable to low income households.***

***H-3. Preserve the City's neighborhoods in a safe and decent condition and eliminate the causes and spread of blight.***

***H-4. Mitigate or remove potential governmental constraints to housing production and affordability.***

***H-5. Ensure choice of housing types and locations to all persons regardless of race, creed, age, or sex.***

***H-6. Design neighborhoods, subdivisions, sites, and housing units to effectively manage natural resources."***

## Planning Commission Task

- Section 65400 of the Government Code requires that the Planning Commission shall do the following:
- (a) Investigate and make recommendations to the legislative body regarding reasonable and practical means for implementing the general plan or element of the general plan, so that it will serve as an effective guide for orderly growth and development, preservation and conservation of open-space land and natural resources, and the efficient expenditure of public funds relating to the subjects addressed in the general plan.

## Barriers and Constraints

- State laws, regulations, court cases, Paso Robles General Plan
- Specific plans and large developments
- City fees, capacity charges, development impact fees
- Time
- Risk
- Relationship between Time and Risk impacts business decisions

## Assumptions

- Economic development is a major City goal
- Economic development creates head-of-household jobs
- The multiplier effect is at least 3:1
- City fees and costs will be validated by the City Council
- Housing costs are understood

Planning Commission Memo Attachment 1:  
 3/10/15 Planning Commission PowerPoint presentation (Al Garcia)

## Example Costs of Constructing a Home

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***Paso Robles Government Fees are approximately \$62,000 regardless of house size***

## Cost of Home with Fee Costs

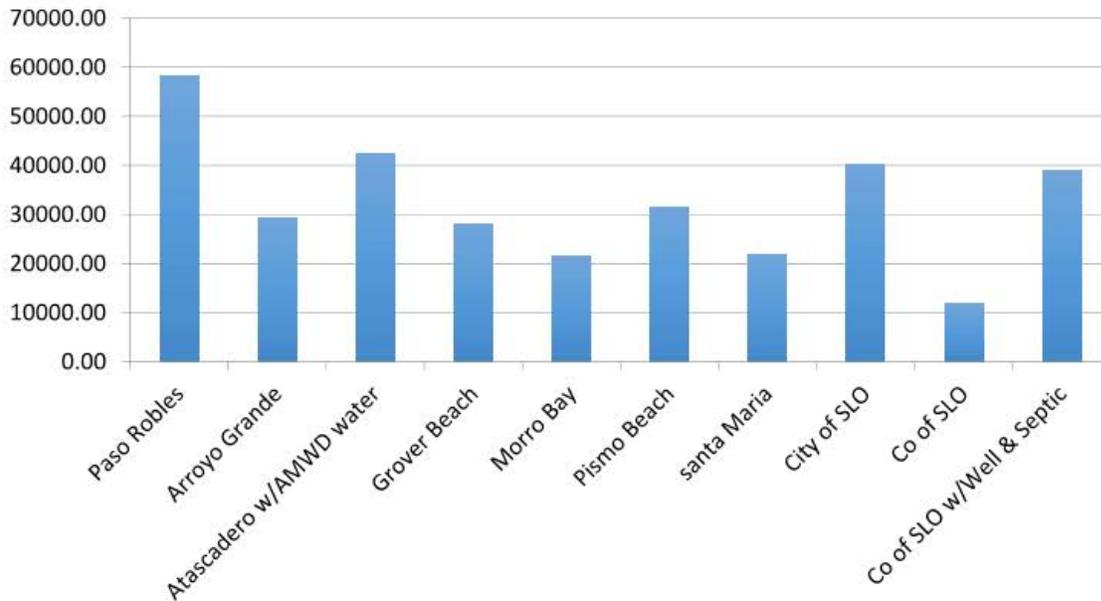
### Assumptions

- Standard cost of Paso Robles fees (permits, capacity charges, impact fees) is about \$62K
- Three home examples: “granny unit”, workforce housing on 4,000 sq ft lot, luxury home on 10,000 sq ft lot



	<b>900 sq ft - \$200,000</b>	<b>1800 sq ft - \$350,000</b>	<b>3000 sq ft - \$600,000</b>
Fee cost/sq ft	\$62K/900=\$69/sq ft	\$62K/1800=\$34/sq ft	\$62K/3000=\$21/sq ft
Fee as % of home cost	\$62K/\$200K=31%	\$62K/\$350K=18%	\$62K/\$600K=10%
Desired goal of 10-12%	\$9K to \$10K	\$35 to \$40K	\$65K

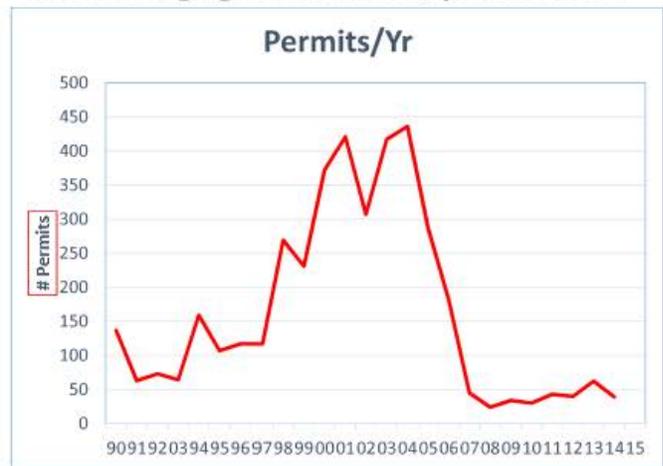
## Comparative Permits & Development Impact Fees for Single Family Residences as of 2014



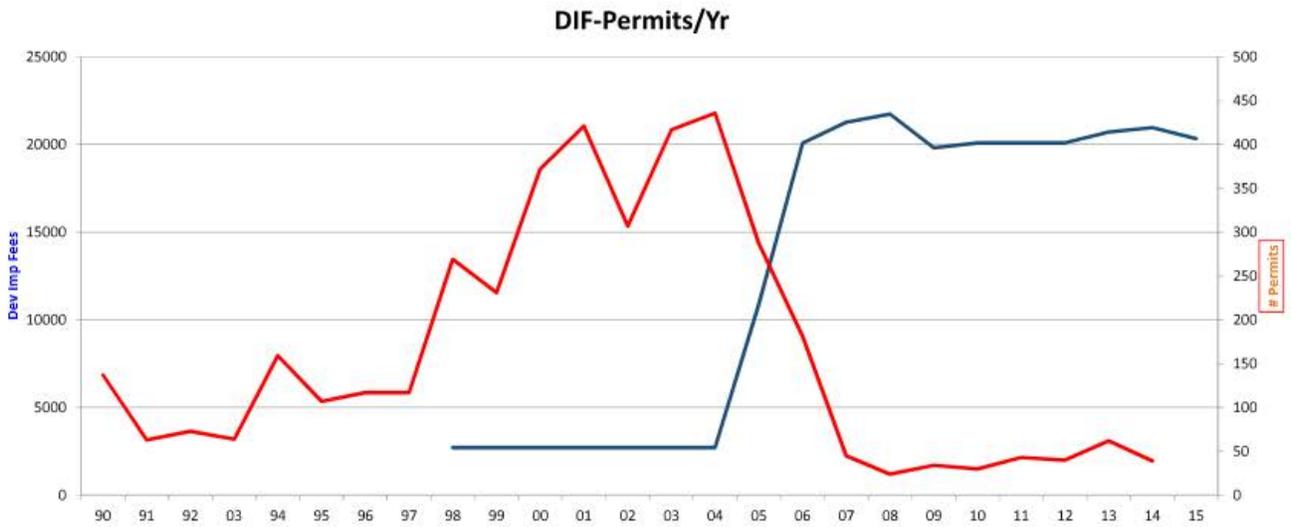
# Paso Robles Development Impact Fees vs Residential Permits

DIFs grew dramatically from \$2,711 to \$20,000 in 2005 and 2006 and have been adjusted annually since.

Permits averaged 227/yr in the past 24 years, with large increase in 2000-2005 and downturn since, averaging fewer than 40/yr since 2007.



# Development Impact Fees and Residence Permits



## Planning Commission Concerns

- Is the fee structure fair to all concerned? Compared to other cities?
- Does the fee structure help or hinder economic development?
- Should the Paso Robles fee structure be examined and validated?
- What can be done to improve the permit process, reduce the fee structure, ensure fairness, and assess the validity of all costs?

## Recommendation 1: Workforce Housing Development

- Strengthen policy to encourage workforce housing
- Not just the right words, but the right actions
- Establish an ad hoc committee with 2 Councilmen, 2 Planning Commissioners, City staff, and stakeholders/experts from the development, financial, and real estate functions

## Recommendation 2: Reduce Development Impact Fees

- Realistic impact fee projects
- Nexus of developer dollars to projects
- Prioritized projects
  - **Priority 1:** Projects critical to economic development and housing development, are within a realistic planning horizon, and are needed
  - **Priority 2:** Projects desirable, but not critical to either economic development or housing
  - **Priority 3:** Projects unlikely to occur, because of their size and cost, their relationship to other projects, their reliance on outside funds, and they are not needed in the foreseeable future.

## Recommendation 3: Reduce or Incentivize Permit/Capacity Fees

- Cap city costs and cover costs with volume....
- Change percentage of costs relative to cost of housing....
- Help developers finance the costs....(i.e. water and sewer fees at CofO)
- Incentivize developers if water and energy use is reduced....

## Recommendation 4: Modify/Eliminate East Side Specific Plans

- Take a fresh look at the Specific Plans
- Are they needed?
- Can they be “downsized”?
- What do developers need to develop?

## Conclusion

- Planning Commission has deep concerns about the housing inventory, especially work force housing needed to attract new business
- Economic development is critical to the future of our City, and housing is a critical element to attracting new business
- Paso Robles has justifiable pride in its “Can Do” heritage...we should look forward and develop new ideas and solutions to achieve economic development and provide good housing for all residents
- Let’s bring down the barriers and eliminate constraints!

## Attachment 2: Staff analysis of Planning Commission memorandum to City Council

Staff has numbered the Committee's comments which are shown in **bold** text. Staff's analysis is shown in *italics*.

### **Ad Hoc Committee - Identified Barriers & Constraints**

- 1. State laws and regulations drive costs for developers (EIRs, CEQA, etc.) and may not serve a useful purpose in certain situations.**

*While staff agrees that State laws undoubtedly add to the cost of projects, there is little the City can do to address this concern. The City is required to follow and enforce State laws and regulations, including the California Environmental Quality Act (CEQA), Endangered Species laws, California Planning laws, the California Building Code and Regional Water Quality Control Board storm water regulations. City staff attempts to implement these requirements in the most expeditious and cost effective manner while maintaining legal standards.*

- 2. The City's General Plan may not be flexible enough to meet changing economic conditions that affect the housing market, both single-family and multi-family units.**

*The Committee indicated this item refers to: (1) the General Plan, Land Use Element requirement for Specific Plans in growth areas; and (2) that the General Plan planning horizon is very long-term, and that it is cumbersome to "get around," should a developer want to modify General Plan provisions.*

*All cities are required by State law (Gov't Code §65300) to adopt a comprehensive General Plan to provide a long-term plan for the physical development of each City. State law includes an in-depth list of mandatory requirements for General Plans, and requires it to be used as a basis for local government decision-making. The General Plan provides a bridge between community values, visions, and objectives, and physical decisions on land use development, zoning and public works projects. General Plans are intended to include a vision of future improvements, development patterns, and resource management, and therefore must look into the future. State law limits General Plan amendments to four times per year, so that jurisdictions carefully consider the implications of amending its long-term vision and plan. Amendments to a General Plan are required to be considered in a transparent public hearing process that provides citizens with opportunities to participate in how it might affect their community.*

*The issue of Specific Plan requirements is discussed in detail in one of the major points below, however, in brief, the General Plan's "Specific Plan" policies are intended to ensure that new development in areas under large property holdings are comprehensively planned. With the adoption of the 2003 General Plan, the Council adopted resolution 03-232 which established numerous findings that specific plan's would be used to master plan and mitigate the impacts of new residential development. The goal of the Specific Plan policy is:*

- 1. Ensure that "piecemeal" development does not occur, and that infrastructure is designed to seamlessly connect with existing and future networks;*
- 2. Comprehensively address wider-scale environmental impacts and provision of services;*

3. *Establish funding mechanisms that can be shared by all development in a specific plan area to address future, costly improvements; and,*
  4. *Provide flexible development standards that allow project specific development solutions, instead of adhering to strict standards that may not result in the most beneficial design solutions,*
- 3. Specific plans that were originated years ago, were and still are, expensive to create and update, particularly EIRs, changing environmental regulations, and changing market-based development requirements. A realization that large development projects may not be optimal for all developments and there may be a need for smaller developments crafted to meet housing needs in a shorter time period/horizon.**

*Specific Plans are a step below the General Plan in the land use approval hierarchy. The purpose of a specific plan is to coordinate land use, zoning, environmental review, design guidelines, phasing, infrastructure, and financing in a single master plan. A primary benefit of a specific plan is that a single CEQA document (typically an EIR) can cover all future projects and phases.*

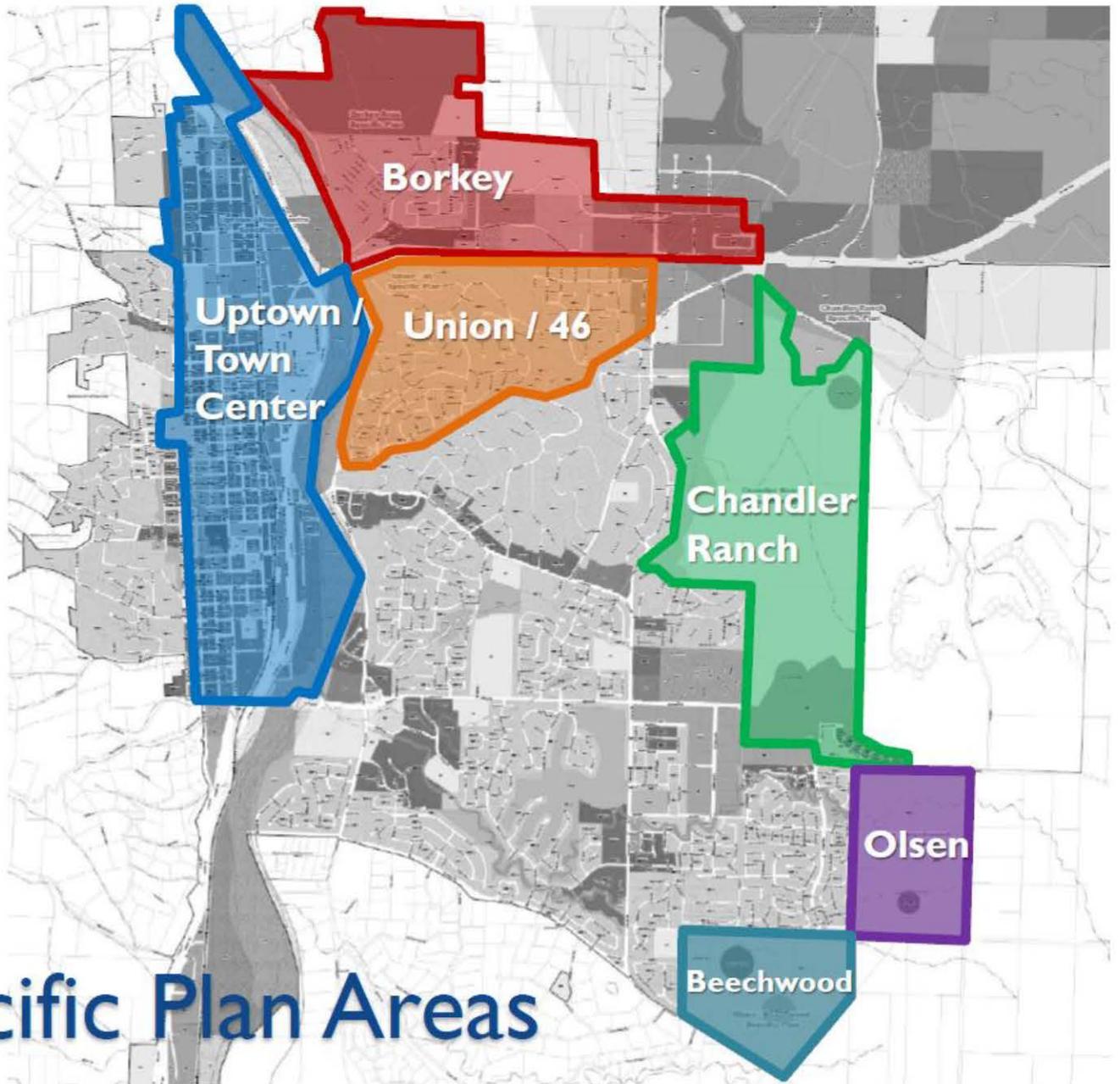
*The City has successfully used specific plans to guide development since the 1980's including the Union/46 Specific Plan, the Borkey Area Specific Plan (BASP) and most recently the Uptown / Town Center Specific Plan (UTSP) (refer to Figure 1).*

*Specific plans do not require development of subdivisions of any particular size or scale. Most development in specific plan areas are implemented in phases and at a scale chosen by the developer. The Union/46 Specific Plan and Borkey Area Specific Plan have developed over the years in smaller phases by multiple developers. While a specific plan can entitle 1,000 units or more; it is expected that development will occur in smaller phases of 10, 20 or 100 unit tracts.*

*In 2003, the City Council adopted resolution 03-232 approving the 2003 General Plan with the findings that specific plans would be used to plan and entitle new growth areas and that new development would need to be fiscally neutral to the City. Consistent with the policy, the General Plan identified three future specific plan areas: Beechwood, Olsen and Chandler Ranch and assigned a build-out density. As the Beechwood and Olsen areas were annexed the City relied on the specific plans policy as part of the annexation pre-zoning process. The Chandler Ranch was required to complete a Specific Plan as early as 1988. This requirement was removed in the early 1990's; however, due to the poor quality of development subsequently proposed. The City Council reinstated this requirement for completion of a Specific Plan in 2001.*

*It is acknowledged that these specific plans have been delayed in completion; however, there are very specific, unique issues that occurred over time for each of these plans that has delayed adoption of these specific plans. The City is currently working with each planning areas' representatives to restart the entitlement process. Staff has not heard from any of the property owners or prospective property buyers of these projects about a desire to remove the specific plan requirement.*

**Figure 1: General Plan Specific Plan Areas**



**Specific Plan Areas**

**4. A litigious environment that causes government and private business to make decisions based on fear of legal challenges.**

*Legal challenges to development projects are always a possibility and can significantly delay a project. The best way to address these issues is with a robust planning and public participation process that follows General Plan policy, identifies issues, and provides equitable solutions for the project and public. Projects are most vulnerable to legal challenges during the CEQA certification process. A major benefit of the specific plan process is the ability to rely on a single EIR. Once the City Council certifies the specific plan EIR, there is a 30 day window to file a legal challenge. After 30 days, the EIR cannot be challenged and the entire specific plan area and all future maps and development plans are protected from legal challenge. This would not be the case with smaller, piecemeal development, where each individual project would require a separate CEQA document that could be challenged.*

**5. The lack of consistency in the planning system that affects stable costs, changing processes and rules, and agreements that are abrogated.**

*This item is in reference to the River Oaks II development proposal, which is a significant amendment to the Borkey Area Specific Plan changing agricultural zoned land to residential. The project will require a General Plan, Specific Plan, and Zoning Map amendment to change the land use designation from Agricultural to Residential. In addition a development plan and tentative tract map will need to be approved for 271 single-family residential homes. The amendment is currently in process and has not completed the environmental and public review processes.*

*The underlying Borkey Area Specific Plan was adopted over 25 years ago, and has been amended numerous times since then, with several updated environmental reassessments over time. The City has recently provided the applicant with an outline of the process to complete the environmental review process.*

**6. The overall time that is required to begin a new project.**

*The timing of a development project depends on the scope and scale of the project. Projects that are consistent with the General Plan and zoning can move through the permitting process fairly quickly. Larger projects with General Plan amendments and EIR's are more complex entitlements, which add time to the overall process to approve projects.*

*The building permit process is also a timing consideration. The City's is currently in the process of reorganizing and re-staffing the building department to improve permit review and issuance timelines. This process is being overseen by a separate Council Ad Hoc committee.*

**7. Administrative and planning time—working with developers on specific plans and on smaller projects facilitating all projects to successful completion.**

*The City endeavors to expedite the planning review process to the maximum extent possible. However, many of the larger specific plan projects are impacted by complex circulation and environmental constraints that require significant staff and applicant time to address. See item #6 above.*

## 8. The overall cost of City fees and charges inhibit development.

*There are four distinct fee categories that account for the majority of fees collected for a construction permit:*

- *Plan Check / Inspection fees:* *Staff Time cost recovery fee*
- *Development Impact Fees:* *AB1600 fees for capital improvements - roads, parks, library, police and fire facilities.*
- *Water Connection and Capacity Charges :* *Water system including Nacimientto Pipeline and water treatment plant*
- *Wastewater Facility Charges:* *Sewer system including new waste water treatment plant*

*These fees are collected consistent with General Plan Policy LU-4A / Action Item 2 which requires new development in annexation areas and/or specific plan areas to pay for the full cost of construction, maintenance, and operation of required City services and facilities.*

*By State law, all of these fees are based on the actual cost of the City providing the service or facility and the project's actual share of the impact. The City is not permitted to make a profit from these fees nor use them for a different purpose. The City's building permit fees and development impact fee rates are based upon fee justification studies approved by the City Council. The Development Impact Fee was just updated in April of 2014 and identifies \$349,334,454 in new facilities to support General Plan buildout. The Development Impact Fees assigns 39.38% of the cost (\$128,755,475) of future circulation and City facilities to new development. The remaining 60.62% of facilities costs (\$220,568,979) will need to be paid for by tax payers (Attachment 3).*

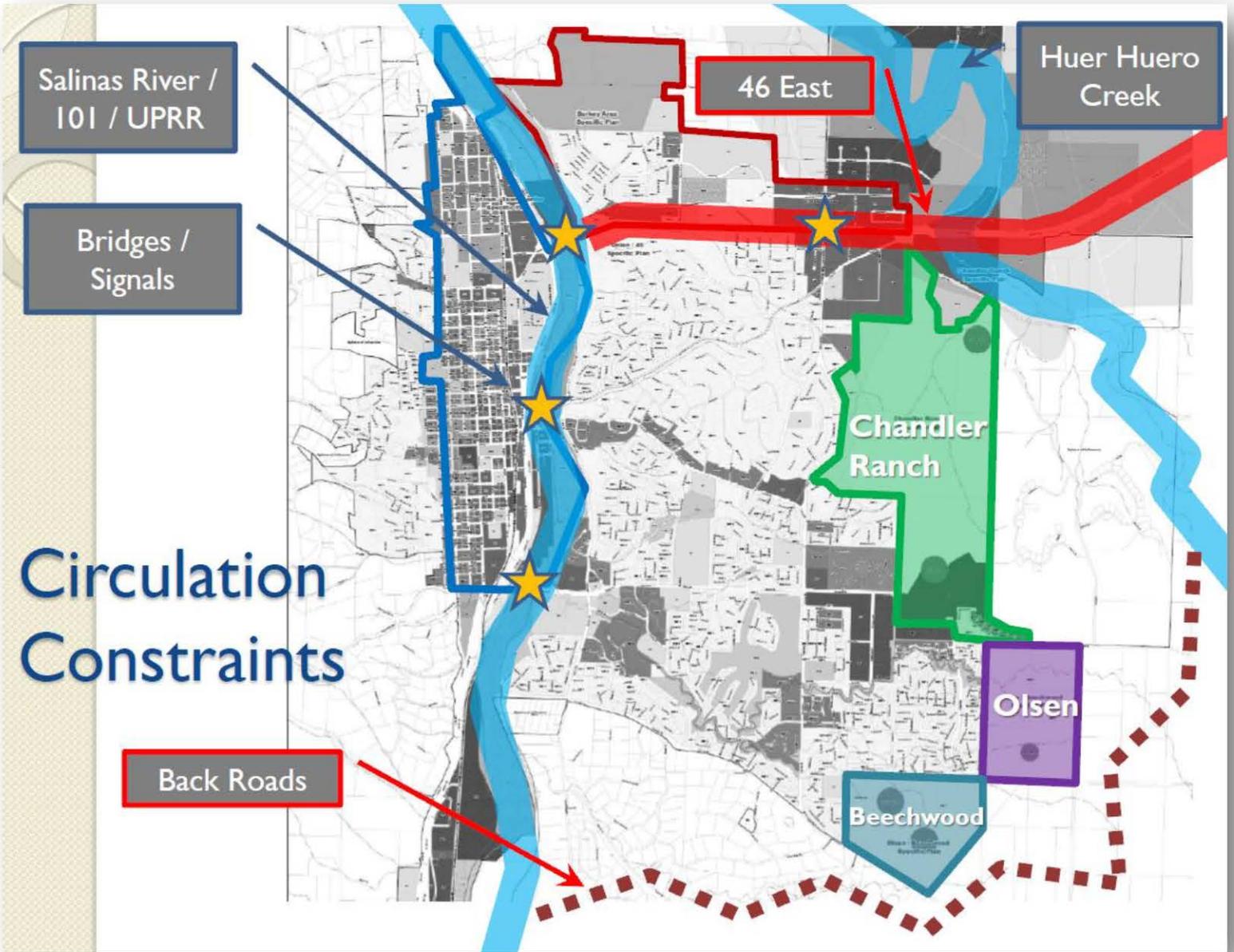
*For an average single-family residential permit, the estimated fees would be as follows:*

• <i>Plan Check / Inspection fees</i>	<i>\$ 9,500±</i>
• <i>Development Impact Fees</i>	<i>\$20,000±</i>
• <i>Water Connection and Capacity Charges</i>	<i>\$23,500±</i>
• <i>Wastewater Facility Charges</i>	<i>\$10,000±</i>
<hr/> <i>Total</i>	<hr/> <i>\$63,000±</i>

*As pointed out by the Committee, Paso Robles' fees are higher than those in surrounding communities. The primary reason for this difference is the City's more aggressive growth plans and the circulation barriers created by the Salinas River, Huer Huero Creek and Highway 46 East (refer to Figure 2). Because the City is planning for an additional 4,976 housing units, a new water system, a new waste water treatment plant and a new east side circulation system will be required. Approximately \$53,000 in the permit fees is attributed to paying for these facilities (refer to figure 3, figure 4 and Attachment 3).*

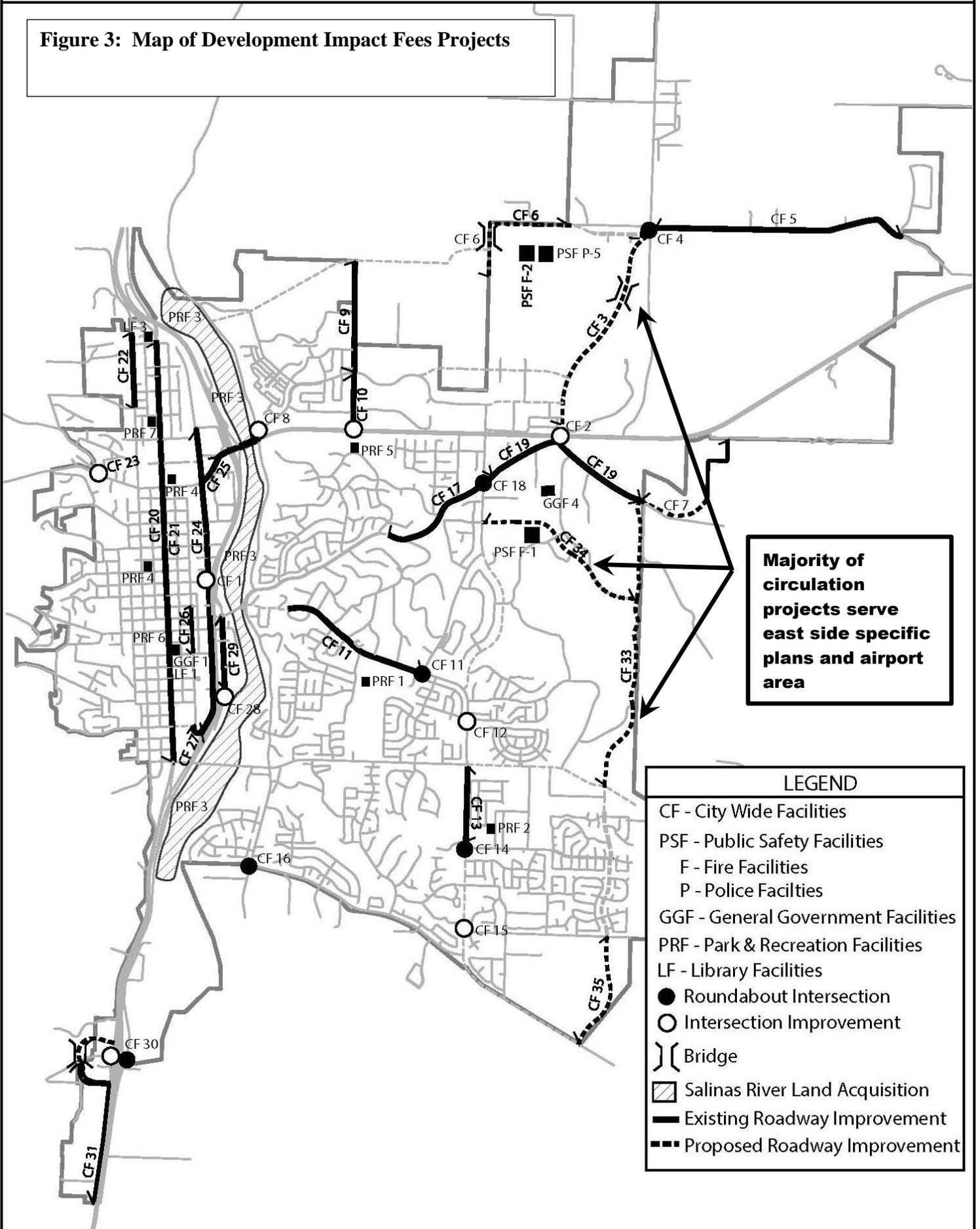
*The City Council reviewed the Development Impact Fees project list recently and adopted a reduced fee schedule on April 1, 2014. Currently a consultant has been hired by the City to review the Water and Wastewater fees.*

Figure 2: Paso Robles Circulation Constraints



2014 DEVELOPMENT IMPACT FEE (DIF)  
PUBLIC FACILITIES NEEDS LIST PROJECTS

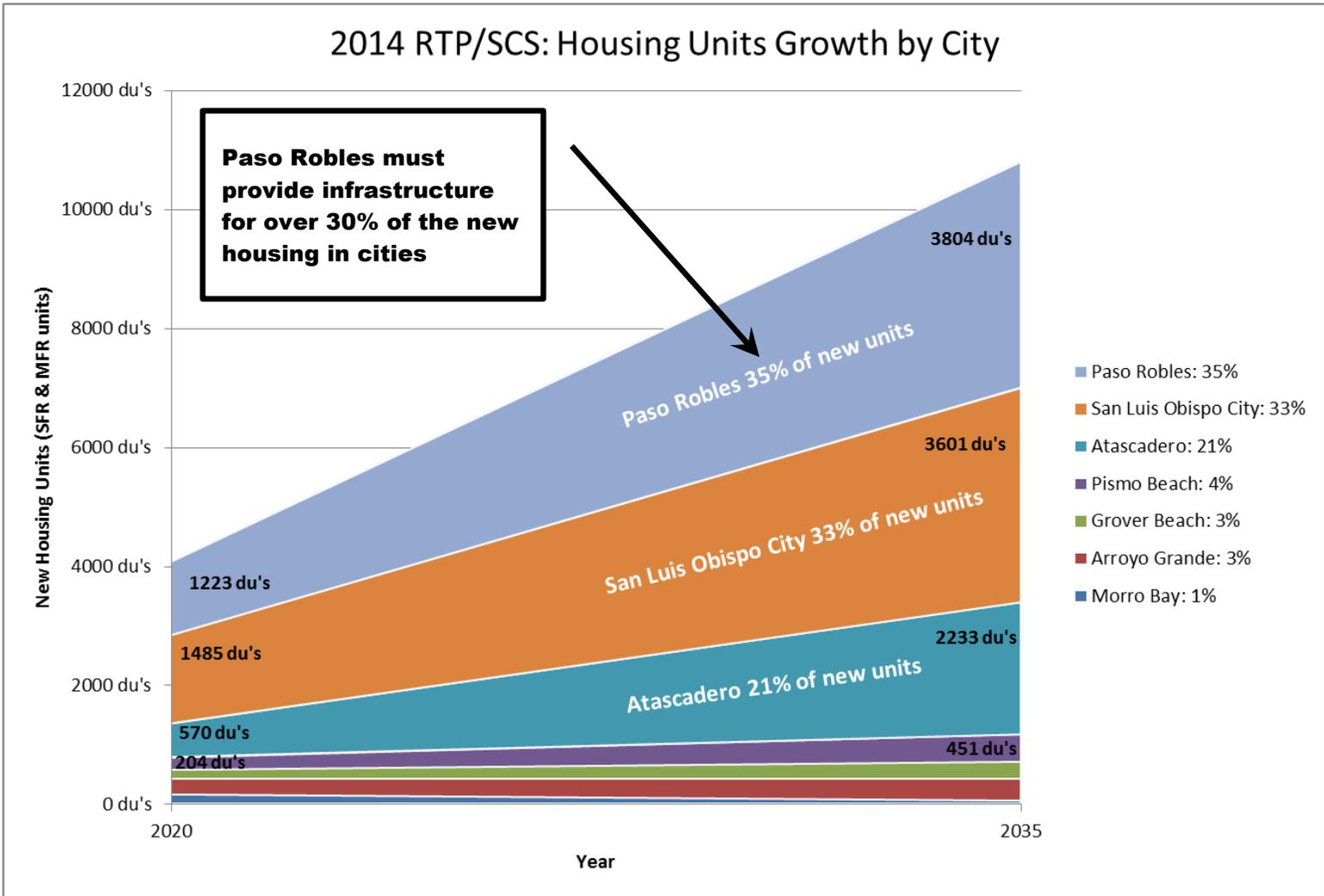
Figure 3: Map of Development Impact Fees Projects



**Majority of circulation projects serve east side specific plans and airport area**

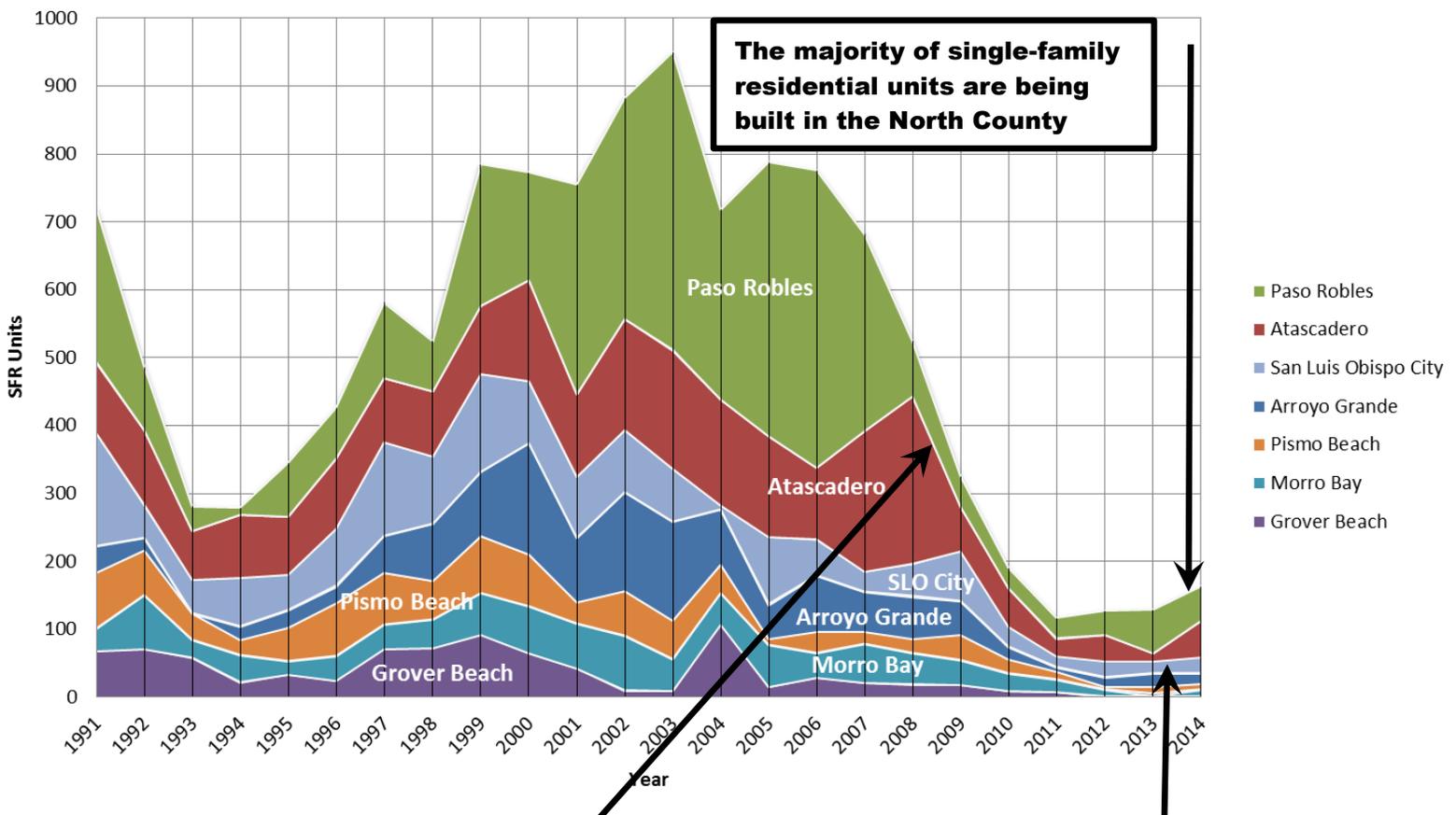
LEGEND	
CF	- City Wide Facilities
PSF	- Public Safety Facilities
F	- Fire Facilities
P	- Police Facilities
GGF	- General Government Facilities
PRF	- Park & Recreation Facilities
LF	- Library Facilities
●	Roundabout Intersection
○	Intersection Improvement
⌋⌋	Bridge
▨	Salinas River Land Acquisition
—	Existing Roadway Improvement
- - -	Proposed Roadway Improvement

**Figure 4: SLOCOG's 2014 Housing Growth Projections**



**Figure 5: Single-family residential Housing Production 1990-2014  
San Luis Obispo County Cities**

**Single Family Housing Production 1990-2014**  
**Cities in San Luis Obispo County**  
 (California Dept. of Finance Housing Estimates)



**The majority of single-family residential units are being built in the North County**

**The recession significantly impacted housing production throughout the County, Atascadero and Paso Robles showed the first signs of housing recovery.**

**Coastal cities with the lowest fees are producing very few single-family residential housing units**

**9. Permit Costs—developing solutions for faster permitting processes, how to reduce costs.**

*Consistent with General Plan Policy LU-4A / Action Item 2 which requires new development to pay its full costs, City policy requires the Building Division to be 100% funded by permit fees. During the recession, Building Division staff were significantly reduced as permit fees declined. As the economy recovered, the limited building staff has been challenged to keep up with increasing permitting activity. The City has recently reorganized the building department and added new staff to handle the increased activity. The Building Official is preparing a report for the Council Ad Hoc Committee that will outline a strategy to speed up the plan check and permitting process. As part of the re-staffing program, the Council adopted resolution 14-111 on August 5, 2014 reaffirming the requirement that Building Division is self-funding and increased department's hourly billing rate. This will improve the processing times for building permits; however, permit fees will increase.*

**10. Capacity Connection Charges—developing cost solutions that better match developer needs while ensuring validated City costs are recouped**

*Consistent with General Plan Policy LU-4A / Action Item 2 which requires new development to pay its full costs, sewer and water capacity charges are based upon the cost of fundamental infrastructure needed to support development through implementation of build-out. Larger projects such as the Nacimientto pipeline and the wastewater treatment plant are financed. Capacity charges must be established that are adequate to pay these debts. On November 18, 2014, the City Council awarded a new rate and capacity charge study to Kennedy-Jenks. The Council will have an ad-hoc committee oversee this process.*

**11. Development Impact Fees—developing cost solutions that better match developer needs while ensuring City validated costs are recouped**

*The AB 1600 Development Impact Fees Needs List is the basic underlying document from which Development Impact Fees are calculated (Attachment 3) and identifies the facilities needed to build-out the General Plan. It is organized by departments with projects listed under transportation, public safety facilities (police and fire), general government facilities, parks and recreation facilities, and library facilities.*

*The 2011 City Council Ad Hoc Committee was established for purposes of a comprehensive review of the Development Impact Fees List and review of supporting policy issues including; General Plan language regarding development and acquisition of parks and open space, the bikeway master plan, the updated Circulation Element, transit services, maintenance and depreciation of facilities, and the uncollected revenue associated with the discount of commercial and industrial fees in the 2006 program.*

*The 2012 Ad Hoc Committee was formed to refine cost estimates and to review Taussig's allocation formulas to new development. The committee recommended to Council the retention of a civil engineering consultant to prepare construction cost estimates of the items in the transportation section. The 2012 Committee also reviewed the Town Centre Plan priorities to be consistent with the Needs List, ultimately resulting in the Council adopting Town Centre Plan updates.*

*The letter from the Committee suggests that the City Council has included projects on the Needs List that "are desirable, but not critical to either economic development or housing; or projects that are*

*unlikely to occur because of their size and cost, their relationship to other projects, their reliance on outside funds, and are not needed in the foreseeable future.” The Committee did not identify projects fitting these descriptions, with the exception of City Hall.*

*The Needs List identifies the policy and/or background of every item whether it be General Plan policy, Circulation Element mitigation or Council Goal. The Needs List projects are necessary to accommodate the impacts that will occur with new development. If new development occurs without these projects, the quality of life for existing residents will be diminished by increased traffic congestion and a lack of adequate park, library and emergency service facilities. The community’s share of many of these projects will primarily occur through grants. Grants typically require matching funds. Any project eliminated from the list will not be eligible for matching funds from the program.*

### **Ad Hoc Committee - Possible Solutions**

The Committee memo provided a list of solutions to make housing production more feasible, thereby satisfying Housing Element objectives, and supported these with underlying assumptions, and information on home construction costs and risks.

#### **12. Obviously, for the City to remove all barriers to development under its control.**

*The Council Ad Hoc Committee is working with the Building Division on evaluating the City’s plan check processes. The Building Division will be initiating new, streamlined procedures to reduce plan check processing time for certain types of building permits.*

*Development Impact Fees (DIFs) are charged based General Plan Policy LU-4A / Action Item 2 which requires new development to pay its full costs and have been reassessed by the City Council on a regular basis. The DIF was recently updated in April 2014, which resulted in adjustments to the AB1600 list of projects. Additionally, the Uptown/Town Center Specific Plan (UP/SP), was amended in October 2012, whereby the City Council eliminated numerous capital improvement projects linked to the City’s AB1600 list. Eliminated projects were determined to be too expensive to construct, and/or had such a low priority for accomplishment, that they warranted removal from the plan.*

*Planning staff strives to review discretionary development projects under the lowest possible review authority to the extent possible, while complying with codes, regulations, and laws. Some regulations such as CEQA, do not provide for discretion.*

#### **13. Reducing the amount of up-front permit and connection fees to the developer.**

*City policy requires the payment of permit fees, water connection fees and wastewater connection fees at time of permit issuance. The Development Impact Fees are deferred until the permit is final thereby reducing a portion of the upfront permit fees. Deferral of additional connection fees could be considered by the Council if it were found that the impacts did not occur until after the permit was final. Water is used throughout the construction process, so collection upon issuance of permit is appropriate. However, it may be reasonable to consider collecting the sewer capacity charges upon occupancy, since that impact does not occur until final occupancy.*

**14. City “financing”, in effect, the development costs over a period of time and ensuring cost recovery in the long term.**

*The City has not considered financial incentives such as “financing” permit fees or Development Impact Fees for market-rate conventional development. The only circumstances where the City has made an exception were for very low-income housing projects, such as the Oak Park Redevelopment Project, where there would be direct social benefits to low-income residents. The Council found that these projects would help the City meet its low-income housing needs set forth in the 2011 Housing Element. Furthermore, the Oak Park project addressed significant community blight and social issues. For the Oak Park project phases I and II, the City has agreed to two separate 30 year loan at a 3.75% interest rate, that deferred the payment of Development Impact Fees, water connection and sewer connection fees. The phase I loan was for \$871,000 (resolution 12-182) and the phase II loan was for \$889,000 (resolution 14-019).*

*It is not possible for the City to provide similar loans to market rate housing in the community. The City must have cash on hand to construct the hundreds of millions of dollars of new infrastructure that will be required to accommodate new development (Attachment 3).*

**15. Examining the basis for the costs and matching the basis more closely to the size of the housing unit – square footage, bedrooms, lot size, etc.**

*The Development Impact Fees and connection fees are based on technical studies that averaged impacts based on land use. These studies implement General Plan Policy LU-4A / Action Item 2 which requires new development to pay its full costs. As a result, there are specific fees for single-family residential, multi-family residential, commercial and industrial uses. There may be an option to consider additional fee categories for very small units, such as mixed use studios, live/work units, and second units where it can be demonstrated that the costs to serve these types of units are less than a standard sized home. However, as fees are reduced for one type of development, the fees will need to be increased for another category of development to off-set the short-fall. This issue is scheduled to be reviewed on a future City Council agenda.*

*As stated above, the City Council has established development impact fees based upon General Plan policies, mitigation of Circulation Element impacts, and specific Council objectives. Offering rebates or discounts, or attempting to align fees with current real estate market conditions would undermine the City’s long term goals and facilities needs and would be inconsistent with General Plan Policy LU-4A.*

*Furthermore, creating a sliding scale to match fees with the size of homes raises legal questions with regard to nexus. For example, can any reasonable case be made that transportation or park impacts are higher for a larger, higher value, single family residence, than a smaller, more affordable single family residence?*

*It may be possible to establish a nexus to charging higher water capacity charges on larger sized lots and larger single family houses. This nexus could possibly be extended to sewer capacity charges based on the number of fixture units in a home. However, the overall cost of the water and sewer systems are fixed, and as fees are reduced for some units, fees will need to be equally raised for other units.*

*Additionally, it is important to consider the unintended consequences of size-related fee criteria. For instance, if there is a different cost for a 2,000 s.f. unit versus as 1,999 s.f. unit, a future home*

*addition would be hard to track and monitor to ensure the next level of fees are applied. There is also a likelihood that whatever the cost and size threshold is, that developers will intentionally seek homes just under the threshold to avoid paying additional costs, yet result in the same cost and impacts to City services resulting in under-funding service obligations. Also the calculation of area is complicated; are garages, attics, lofts and decks part of the size criteria or excluded? As fees become more complicated to calculate the permit issuance process will slow down.*

**16. Offering quantity fee and connection discounts for various housing developments.**

*As mentioned previously, under AB1600 fees must be based on a nexus for the impact created by the project. Construction of multiple units by a single entity does not reduce overall impact and therefore would not justify a discount.*

**17. Developing specific incentives for work-force and management level housing to attract new businesses to the City.**

*Housing affordability is based on median income in a community and categorized by the State as follows:*

<i>Income Category</i>	<i>Max Income</i>	<i>Max 3 bed house price (San Luis Obispo County)</i>
<i>Extremely Low Income</i>	<i>&lt;30% of median income</i>	<i>\$68,000</i>
<i>Very Low Income</i>	<i>&lt;50% of median income</i>	<i>\$129,000</i>
<i>Lower Income</i>	<i>&lt;80% of median income</i>	<i>\$189,000</i>
<i>Moderate Income</i>	<i>&lt;120% of median income</i>	<i>\$367,000</i>
<i>Workforce Income</i>	<i>&lt;160% of median income</i>	<i>\$509,000</i>



### Affordable Housing Standards

**SAN LUIS OBISPO COUNTY DEPARTMENT OF PLANNING AND BUILDING**  
County Government Center San Luis Obispo, California 93408 Telephone (805) 781-5600

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This bulletin summarizes the county's affordable housing standards including maximum household incomes, home purchase prices and rents. It applies to new projects in both the Coastal and Inland portions of the County.

**Income limits:**  
The state defines family income groups as follows: "**Extremely Low Income**" is defined by Health and Safety Code Section 50106 as 30% of county median income; "**Very Low Income**" is defined by Health and Safety Code Section 50105 as 50% of county median income; "**Lower Income**" is defined by Health and Safety Code Section 50079.5 as 80% of county median income; "**Moderate Income**" is defined by Health and Safety Code Section 50093 as 120% of county median income; "**Workforce**" is defined by Title 22 of the County Code as 160% of county median income. The following income limits are effective as of February 28, 2014.

**Sample maximum sales prices: (see footnotes)**

Unit Size (Bedrooms)	Extremely Low Income	Very Low Income	Lower Income	Moderate Income	Workforce
Studio	\$40,000	\$83,000	\$125,000	\$250,000	\$349,000
1	\$49,000	\$98,000	\$147,000	\$289,000	\$403,000
2	\$58,000	\$113,000	\$168,000	\$328,000	\$456,000
3	\$68,000	\$129,000	\$189,000	\$367,000	\$509,000
4	\$75,000	\$141,000	\$206,000	\$398,000	\$552,000

*The City has limited resources to assist with the financing of housing projects. The City has focused its support on extremely low, very low and low income housing due to the difficulty of constructing and financing these types of units such as Oak Park. In addition to City support, low income housing also requires a subsidized housing program such as Tax Credits and/or State & Federal Grant*

programs. The City has not determined that market-rate workforce and management level housing requires incentives or that subsidized programs are necessary. As discussed in #14 above, it would not be possible for the City to fund fee reductions or incentives for the 1000's of planned market rate units.

If there is interest in providing affordable housing, collection of in-lieu fees for low-income housing is a common tool used by San Luis Obispo County and other cities in the County to help fund housing for their workforce. For example, this type of funding may have been helpful in assisting Habitat for Humanity with their project on Vine Street.

#### **18. Examining other cities and how they handle these costs and identifying best practices.**

Reviewing the development and fee policies in surrounding communities is a sound method to assess City's processes. Benchmarking against other communities would be a prudent process to consider.

### **Ad Hoc Committee - Major Policy Recommendations**

#### **19. Recommendation 1: Workforce Housing Development**

The City of Paso Robles General Plan has the most aggressive growth projections of any City in San Luis Obispo County. As of July 1, 2013, 4,976 new housing units and approximately 4,394,000 square feet of new industrial and commercial development remained to be built in accordance with the General Plan. As the Committee points out, most of these units would be built in the Chandler, Olsen and Beechwood specific plan areas. Most of these units would be market rate units that would be defined as "workforce housing" (<160% of median income = \$509,000 max sales price for a three-bedroom unit).

Moving forward with completion of these specific plans as well as an amendment of the Borkey Area Specific Plan should be City priorities.

#### **20. Recommendation 2: Reducing the cost of permits and development impact fees**

As pointed out by the Committee, Paso Robles' Development Impact Fees and connection fees are higher than those in surrounding communities. The primary reason for this difference is the City's more aggressive growth plans and the circulation barriers created by the Salinas River, Huer Huero Creek and Highway 46 East. Because the City is planning for an additional 4,976 housing units, a new water system, new waste water treatment plant and new east side circulation system will be required. Consistent with General Plan Policy LU-4A / Action Item 2 which requires new development to pay its full costs, approximately \$53,000 in the permit fees is attributed to paying for these facilities required to serve new development.

The City Council reviewed the Development Impact Fees project list and reduced fees in 2009, 2012 and again in 2014. In addition, a consultant has been hired by the City and is currently reviewing the Water and Wastewater fees.

A new, zero-cost baseline fee update process would be a lengthy process that would consume significant staff resources and require special consultants. Staff time spent on this effort would reduce the ability to expedite specific plan processing and building permit streamlining.

*The Committee also raises the issue of the beneficial multiplier effect of single-family residential construction. While there are numerous broad social and economic benefits that result from a strong housing sector, due to increasing State diversions of local taxes and elimination of redevelopment agencies, few of these dollars come to the City of Paso Robles. Although local residents pay significant property taxes, sales taxes and gas taxes, only a fraction of this money comes to the City. In general the City receives 17% ± of property tax and 1.5% of retail sales. At the same time, to serve the residents, the City must provide a fully staffed and equipped Fire Department and Police Department 24 hours per day, 365 days per year. The City is also responsible for the operation and maintenance of 130± miles of streets, 105 acres of parks, swimming pools and a Library. Consequently, the City's limited revenue sources are quickly exhausted by the services demands of residential development.*

*In 2003, the City contracted with David Taussig & Associates to prepare a fiscal impact analysis of new development. The November 11, 2003 Fiscal Impact Summary found that new single-family residential development created a \$663 - \$1000 **negative** fiscal impact per unit per year on the City of Paso Robles once the cost of all services was compared against the long term revenues from property tax, sales taxes, license fees, gas taxes and State funding sources. As a result, the City General Plan includes Policy LU-4, Action Item 3, which requires all new specific plan areas to be fiscally neutral to the City.*

*In 2005, the City created a Community Facilities District (CFD) to off-set the cost of new residential development. The CFD is an on-going annual assessment that is paid with the County property taxes. The CFD revenues are dedicated to meet increased demands placed upon the City by new development.*

### **21. Recommendation 3: Reduce or Incentivize Permit Fees**

*As discussed in item #15, fees are required to be set and collected based on the AB1600 nexus standards. Although technically possible, creating a sliding scale fee structure would have to be nexus based, and reductions for one type of unit would result in increased fees for another type of unit. Creation a sliding scale fee structure or incentives for certain categories of development would require a significant fee analysis process and consume staff resources. Providing specific incentives or fee reductions (items #16 & #17) for market rate housing would have to pass the nexus test and would result in increased fees for other types of developments such as commercial.*

### **22. Recommendation 4: Modify/Eliminate Specific Plans**

*As discussed in items #2, #3, and #4, the City has a long history of successfully using specific plans for master planning large residential developments. The specific plan policy underlies the 2003 General Plan and provides significant environmental and legal benefits once adopted. Specific plans are mentioned over 80 separate times in the General Plan Land Use Element. Changing the specific plan policy now, would be a significant change in City policy and require a major amendment to the General Plan with CEQA . It appears that the best use of staff resources would be to complete the Chandler and Beechwood/Olson specific plans rather than stop and start from scratch on a new master planning policy and process. Staff is currently in contact with all of the specific plan area proponents, and expects most, if not all, of the specific plans to resume processing.*

**Attachment 3: April 1, 2014 Development Impact Fee Program - Public Facilities Needs List.**

**DEVELOPMENT IMPACT FEE PROGRAM TABLE 4-2  
CITY OF EL PASO DE ROBLES  
PUBLIC FACILITIES NEEDS LIST THROUGH 2025**

Facility Name	(1)	(2)	(3)	(4)	(5)	(6)
	Facilities Costs to City	Off-Setting Revenues	Net Costs to City	Percent of Costs Allocated to New Development	Costs Allocated to New Development	Policy Background or Objective
<b>A. TRANSPORTATION FACILITIES</b>						
<b>CITY-WIDE FACILITIES</b>						
1 Highway 101/46E-Dual Left - 17th Street Ramps	\$12,440,000	\$0	\$12,440,000	33.15%	\$4,124,283	Circulation Element
2 Union Road - Highway 46E Interchange	\$30,000,000	\$0	\$30,000,000	33.15%	\$9,946,021	Circulation Element
3 Connection Road 46E to Airport Road, bridge over Huer Huero Road	\$25,005,917	\$0	\$25,005,917	33.15%	\$8,290,312	Circulation Element
4 Airport Road - Dry Creek Road Roundabout	\$2,976,962	\$0	\$2,976,962	33.15%	\$986,964	Circulation Element
5 Dry Creek Road - Airport Road to Aerotech Center Way	\$7,728,241	\$0	\$7,728,241	33.15%	\$2,562,175	Circulation Element
6 Huer Huero Bridge Dry Creek Road to Golden Hill Road	\$18,411,076	\$0	\$18,411,076	33.15%	\$6,103,898	Circulation Element
7 Connection Road - Mill Road to Union Road	\$2,812,872	\$0	\$2,812,872	33.15%	\$932,563	Updated SOI
8 River Oaks Drive - N. River Road	\$1,055,145	\$0	\$1,055,145	33.15%	\$349,816	Circulation Element
9 Buena Vista Drive - Cuesta College Frontage	\$1,316,341	\$0	\$1,316,341	33.15%	\$436,412	Circulation Element
10 Buena Vista Drive - Highway 46E	\$1,322,951	\$0	\$1,322,951	33.15%	\$438,603	Circulation Element
11 Creston Road - River Road to Rolling Hills Road	\$16,271,218	\$0	\$16,271,218	33.15%	\$5,394,462	Circulation Element
12 Creston Road - Lana Street	\$2,470,559	\$0	\$2,470,559	33.15%	\$819,074	Circulation Element
13 Creston Road - Niblick Road to Scott Street	\$5,704,224	\$0	\$5,704,224	33.15%	\$1,891,144	Circulation Element
14 Creston Road - Scott Street Roundabout	\$3,069,462	\$0	\$3,069,462	33.15%	\$1,017,631	Circulation Element
15 Creston Road - Meadowlark Road	\$3,675,194	\$0	\$3,675,194	33.15%	\$1,218,452	Circulation Element
16 Charolais Road - S. River Road Roundabout	\$6,223,415	\$0	\$6,223,415	33.15%	\$2,063,274	Circulation Element
17 Union Road - Kleck Road to Golden Hill Road	\$9,875,660	\$0	\$9,875,660	33.15%	\$3,274,117	Circulation Element
18 Union Road - Golden Hill Road Roundabout	\$6,502,163	\$0	\$6,502,163	33.15%	\$2,155,688	Circulation Element
19 Union Road - Golden Hill Road to East City Limits	\$5,239,735	\$0	\$5,239,735	33.15%	\$1,737,150	Circulation Element
20 Spring Street - 1st to 36th Streets	\$9,909,580	\$0	\$9,909,580	33.15%	\$3,285,363	Town Centre-Uptown Plan
21 Spring Street Traffic Signal Coordination	\$253,008	\$0	\$253,008	33.15%	\$83,881	Circulation Element
22 Vine Street - 32nd to 36th Streets	\$527,443	\$0	\$527,443	33.15%	\$174,865	Uptown Plan
23 24th Street - Mountain Springs Road	\$135,958	\$0	\$135,958	33.15%	\$45,075	Council Objective
24 Riverside Ave - 4th Street to Black Oak Drive	\$7,219,661	\$0	\$7,219,661	33.15%	\$2,393,563	Town Centre-Uptown Plan
25 24th Street - Ysabel Avenue to Riverside Avenue	\$1,000,000	\$0	\$1,000,000	33.15%	\$331,534	Council Objective
26 Railroad Street - 10th Street to 14th Street	\$2,340,988	\$0	\$2,340,988	33.15%	\$776,117	Town Centre Plan
27 4th Street - Pine Street to Riverside - 101 Ramps	\$16,325,665	\$0	\$16,325,665	33.15%	\$5,412,513	Circulation Element
28 Paso Robles Street Off-Ramp	\$4,835,961	\$0	\$4,835,961	33.15%	\$1,603,286	Circulation Element
29 Paso Robles Street	\$302,921	\$0	\$302,921	33.15%	\$100,429	Town Centre Plan
30 Highway 101/46W Interchange (City's Allocation)	\$23,816,000	\$0	\$23,816,000	33.15%	\$7,895,814	Circulation Element
31 Theatre Drive to South City Limits	\$2,050,400	\$0	\$2,050,400	33.15%	\$679,777	Circulation Element
32 Bike Master Plan Facilities	\$16,973,000	\$0	\$16,973,000	33.15%	\$5,627,127	Circulation Element
<b>SPECIFIC PLAN FACILITIES</b>						
33 Airport Road - Union Road to Linne Road	\$4,363,192	\$0	\$4,363,192	33.15%	\$1,446,547	Circulation Element
34 Chandler East - West Road	\$384,137	\$0	\$384,137	33.15%	\$127,355	Circulation Element
35 Airport Road - Meadowlark Road to Creston Road	\$1,500,000	\$0	\$1,500,000	33.15%	\$497,301	Circulation Element
36 Transportation Facilities Revenues/Grants Allocated to Existing Development	NA	\$ (13,460,227)	(\$13,460,227)	0.00%	\$0	NA
<b>TOTAL - TRANSPORTATION FACILITIES</b>	<b>\$254,039,049</b>	<b>(\$13,460,227)</b>	<b>\$240,578,822</b>	<b>35.01%</b>	<b>\$84,222,588</b>	

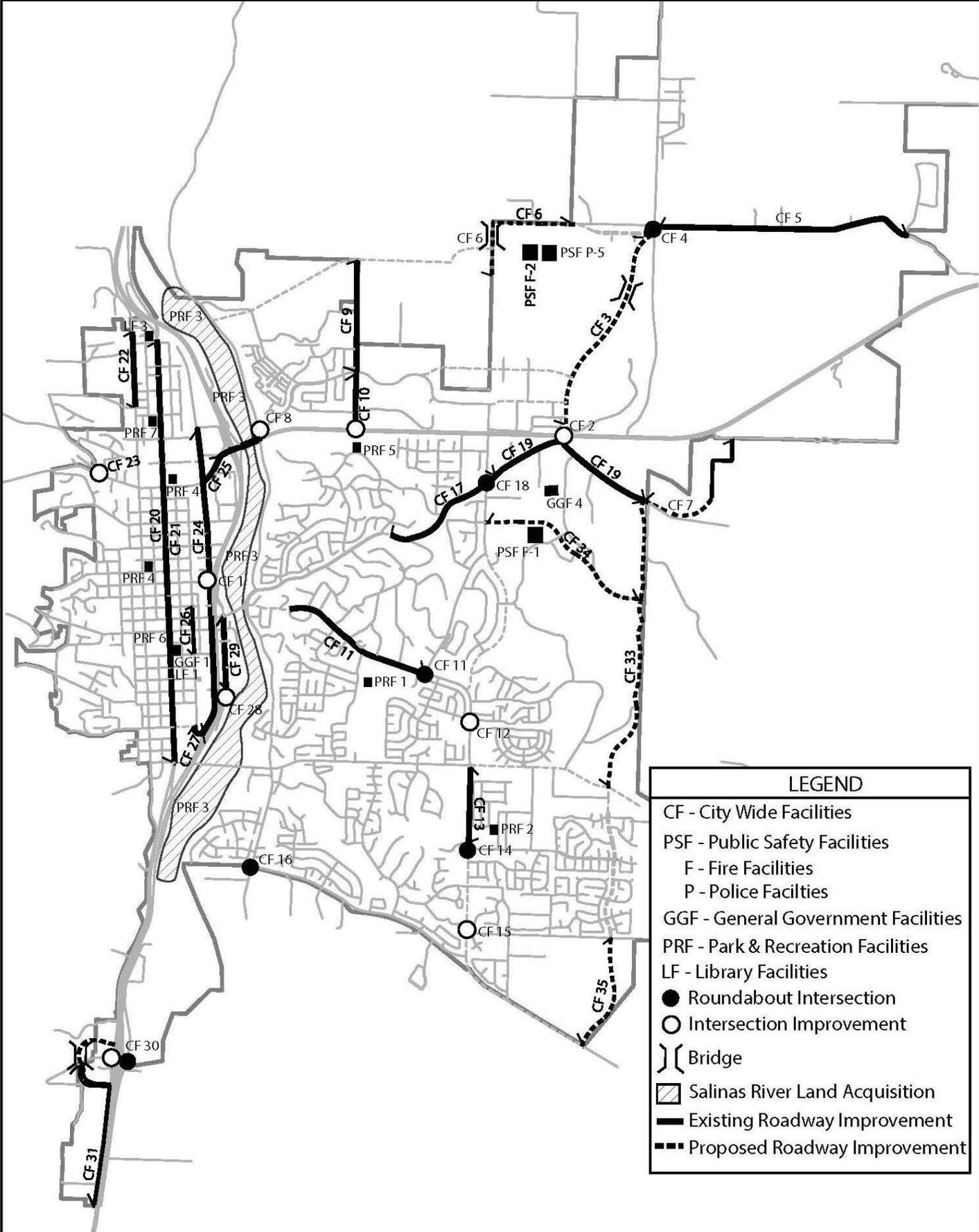
**DEVELOPMENT IMPACT FEE PROGRAM TABLE 4-2**  
**CITY OF EL PASO DE ROBLES**  
**PUBLIC FACILITIES NEEDS LIST THROUGH 2025**

Facility Name	(1) Facilities Costs to City	(2) Off-Setting Revenues	(3) Net Costs to City	(4) Percent of Costs Allocated to New Development	(5) Costs Allocated to New Development	(6) Policy Background or Objective
<b>B. PUBLIC SAFETY FACILITIES</b>						
<b>1. Police Facilities</b>						
1 Patrol/Detective/Specialty Vehicles	\$420,900	\$0	\$420,900	100.00%	\$420,900	General Plan
2 Assigned (Additional) Officer Equipment	\$100,200	\$0	\$100,200	75.87%	\$76,023	General Plan
3 Computers and Communication Equipment	\$225,000	\$0	\$225,000	98.67%	\$222,018	General Plan
4 Multi-Channel Portable Radios	\$36,000	\$0	\$36,000	100.00%	\$36,000	General Plan
5 Shooting Range	\$416,240	\$0	\$416,240	34.83%	\$144,961	General Plan
6 Police Facilities Revenues Not Yet Committed	NA	\$ (132,539)	\$ (132,539)	100.00%	\$ (132,539)	NA
<i>subtotal</i>	<b>\$1,198,340</b>	<b>(\$132,539)</b>	<b>\$1,065,801</b>	<b>72.00%</b>	<b>\$767,363</b>	
<b>2. Fire Facilities</b>						
1 Station (3,200 SF Apparatus Bay/3,460 SF Living Quarters) & Equipment	\$6,408,790	\$0	\$6,408,790	100.00%	\$6,408,790	Growth Management Plan
2 Fire Training Facility	\$3,381,375	\$0	\$3,381,375	31.77%	\$1,074,161	Growth Management Plan
3 Type I Fire Engine	\$500,000	\$0	\$500,000	100.00%	\$500,000	Growth Management Plan
4 Fire Facilities Revenues Not Yet Committed	NA	\$ (1,606,538)	\$ (1,606,538)	100.00%	\$ (1,606,538)	NA
<i>subtotal</i>	<b>\$10,290,165</b>	<b>(\$1,606,538)</b>	<b>\$8,683,627</b>	<b>73.43%</b>	<b>\$6,376,413</b>	
<b>TOTAL PUBLIC SAFETY FACILITIES</b>	<b>\$11,488,505</b>	<b>(\$1,739,077)</b>	<b>\$9,749,428</b>	<b>73.27%</b>	<b>\$7,143,776</b>	
<b>C. GENERAL GOVERNMENT FACILITIES</b>						
1 City Hall - LEASE	\$14,250,000	\$0	\$14,250,000	31.77%	\$4,526,795	Council Objective
2 Public Meeting Facility	\$2,565,000	\$0	\$2,565,000	31.77%	\$814,823	Council Objective
3 Downtown Parking	\$14,800,000	\$0	\$14,800,000	31.77%	\$4,701,514	Council Objective
4 Consolidated Corporate Yard	\$8,428,045	\$0	\$8,428,045	100.00%	\$8,428,045	Council Objective
5 General Government Revenues Not Yet Committed	NA	\$ (4,619,206)	\$ (4,619,206)	0.00%	\$0	NA
<b>TOTAL GENERAL GOVERNMENT FACILITIES</b>	<b>\$40,043,045</b>	<b>(\$4,619,206)</b>	<b>\$35,423,839</b>	<b>52.14%</b>	<b>\$18,471,177</b>	
<b>D. PARK AND RECREATION FACILITIES</b>						
1 Centennial Park Amphitheatre	\$300,000	\$0	\$300,000	29.84%	\$89,535	Parks and Recreation Element
2 Sherwood Park Land Improvements	\$10,009,600	\$0	\$10,009,600	29.84%	\$2,987,350	Parks and Recreation Element
3 Salinas River Land Acquisition	\$4,680,000	\$0	\$4,680,000	29.84%	\$1,396,739	Parks and Recreation Element
4 Uptown Park Development	\$8,748,495	\$0	\$8,748,495	29.84%	\$2,610,975	Uptown Plan, Parks and Recreation
5 Montebello Park Acquisition and Development	\$4,750,000	\$0	\$4,750,000	100.00%	\$4,750,000	Union-46 Specific Plan, Parks and Recreation
6 Town Centre Park Redevelopment	\$4,629,760	\$0	\$4,629,760	29.84%	\$1,381,745	Town Centre Plan
7 Aquatic Facility per Uptown Plan	\$5,000,000	\$ (391,479)	\$4,608,521	29.84%	\$1,375,406	Uptown Plan
8 Park and Recreation Revenues Not Yet Committed	NA	\$ (1,236,131)	\$ (1,236,131)	29.84%	\$ (368,921)	NA
<b>TOTAL PARKS AND RECREATION FACILITIES</b>	<b>\$38,117,855</b>	<b>(\$1,627,610)</b>	<b>\$36,490,245</b>	<b>38.98%</b>	<b>\$14,222,827</b>	
<b>E. LIBRARY FACILITIES</b>						
1 Remodel Existing Library Upstairs	\$4,200,000	\$0	\$4,200,000	100.00%	\$4,200,000	Council Objective
2 Library Resources	\$1,196,000	\$0	\$1,196,000	100.00%	\$1,196,000	Council Objective
3 Study Center and Branch Library	\$250,000	\$0	\$250,000	100.00%	\$250,000	Council Objective
4 Library Facilities Revenues not yet Committed	NA	\$ (950,893)	\$ (950,893)	NA	\$ (950,893)	NA
<b>TOTAL LIBRARY FACILITIES</b>	<b>\$5,646,000</b>	<b>(\$950,893)</b>	<b>\$4,695,107</b>	<b>100.00%</b>	<b>\$4,695,107</b>	
<b>TOTAL ALL FACILITIES</b>	<b>\$349,334,454</b>	<b>(\$22,397,013)</b>	<b>\$326,937,441</b>	<b>39.38%</b>	<b>\$128,755,475</b>	

[a] April 25, 2013 Council Reviewed Needs List Working Document.

[b] City Council requests that all projects conceived should be reflected on the Needs List as actions associated with specific plans/goals adopted by Council.

# 2014 DEVELOPMENT IMPACT FEE (DIF) PUBLIC FACILITIES NEEDS LIST PROJECTS



LEGEND	
CF	- City Wide Facilities
PSF	- Public Safety Facilities
F	- Fire Facilities
P	- Police Facilities
GGF	- General Government Facilities
PRF	- Park & Recreation Facilities
LF	- Library Facilities
●	Roundabout Intersection
○	Intersection Improvement
⌋⌋	Bridge
▨	Salinas River Land Acquisition
—	Existing Roadway Improvement
- - -	Proposed Roadway Improvement

**Attachment 4:** 2014 Development Impact Fee Justification Study (David Taussig & Associates)  
Complete study provided previously to City Council

DAVID  
**TAUSSIG**  
& ASSOCIATES, INC.

Public Finance  
Public Private Partnerships  
Urban Economics

EXHIBIT "B" TO RESOLUTION 14-035

**DEVELOPMENT IMPACT FEE  
JUSTIFICATION STUDY  
CITY OF EL PASO DE ROBLES**



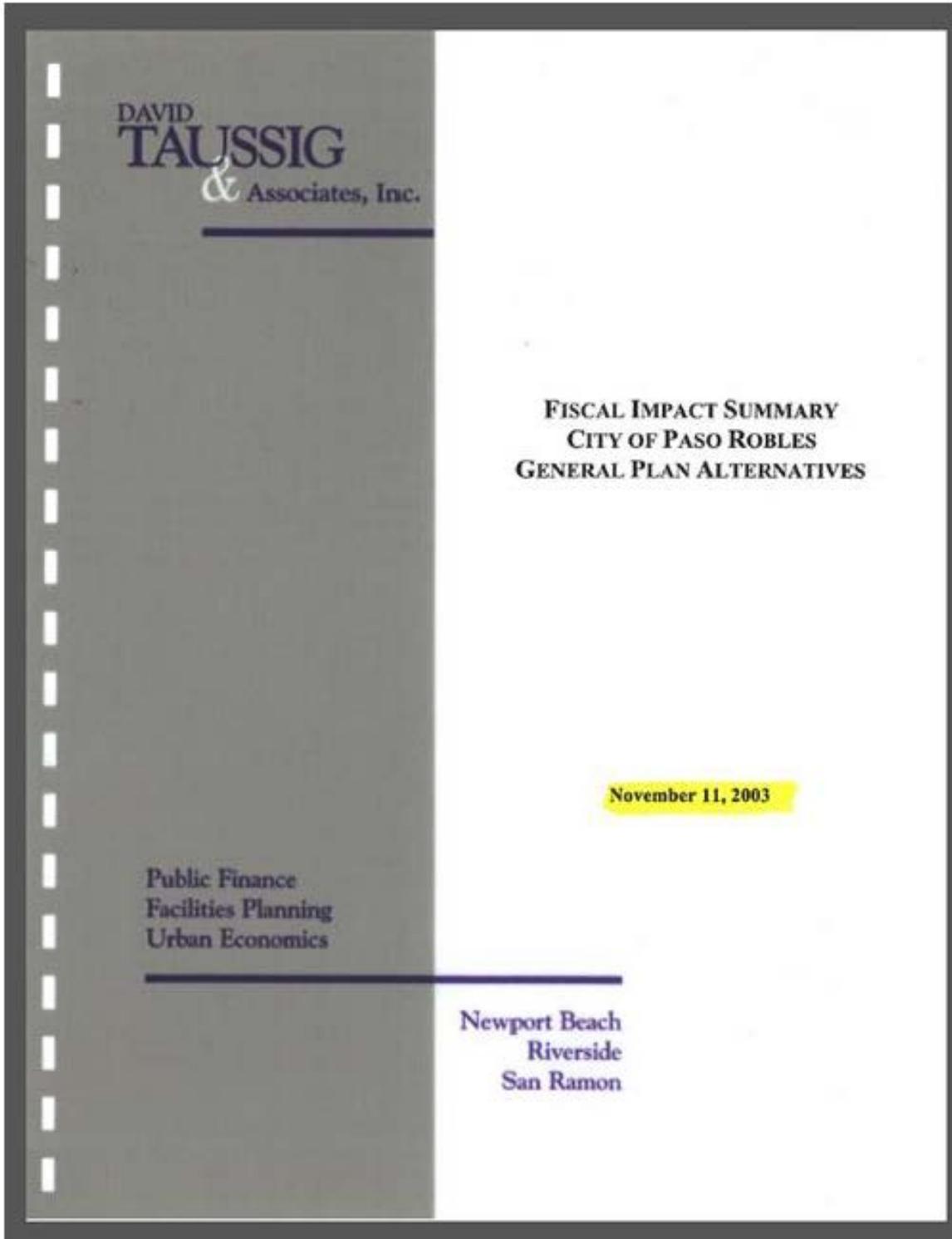
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Newport Beach  
San Francisco  
Fresno  
Riverside  
Chicago, Illinois  
Dallas, Texas

**Attachment 5:** 2003 Fiscal Impact Study (David Taussig & Associates)  
Complete study provided previously to City Council



DAVID  
**TAUSSIG**  
& Associates, Inc.

**FISCAL IMPACT SUMMARY  
CITY OF PASO ROBLES  
GENERAL PLAN ALTERNATIVES**

**November 11, 2003**

Public Finance  
Facilities Planning  
Urban Economics

Newport Beach  
Riverside  
San Ramon