

TO: Thomas Frutchey, City Manager

FROM: Warren Frace, Community Development Director

SUBJECT: Reduced Development Impact Fees for Studio and One-Bedroom multi-family residential units.

DATE: April 19, 2016

Needs: For the Council to consider adoption of amended Development Impact Fees for multi-family residential studio and one-bedroom apartment units.

Facts:

1. In a letter to Mayor Steve Martin dated December 15, 2014, Larry Werner encourages the City Council to adopt a lesser impact fee for studio and one-bedroom apartment units based upon their likeliness to house only one individual.
2. The specific project presented by Werner is Tentative Tract 3047, owned by Rick Jeffrey, located at 34th and Spring Streets. This project is located within the Uptown Specific Plan.
3. The Uptown-Town Centre Plan advocates development of a range of housing opportunities, including mixed use in the Downtown, to provide greater independence from automobile use.
4. The Paso Robles Economic Strategy encourages a wide range of residential uses in the town center, promoting compact development, walking, biking, transit access and less auto use.
5. A key policy statement from the Economic Strategy, "encourage community development in live/work, mixed use, and compact, pedestrian oriented forms to accommodate all income levels and lifestyles", supports the development of the type of units proposed by Jeffrey.
6. Another example of small apartment units are those restricted to seniors. Three such projects exist today at Oak Park, Los Robles Terrace and Oak Creek Apartments on Oak Hill Road.
7. At their meeting of March 16, 2016, the Housing Constraints and Opportunities Committee received a presentation from David Taussig of David Taussig and Associates, public finance consultants. Taussig presented data from the City of Los Angeles Housing Authority and from the United States Department of Agriculture Rural Development that provided typical occupancy rates for studio and one-bedroom apartment units (among other sizes).
8. Based upon the data received at their meeting of March 16, 2016, the Housing Constraints and Opportunities Committee determined that occupancy rates for studio and one-bedroom apartment units are less than typical multi-family units and therefore their impacts on the community are less than typical multi-family units.

9. The Housing and Constraints and Opportunities Committee voted to recommend to the City Council reduced impact fees for studio and one-bedroom apartment units.

**Analysis &
Conclusion:**

In a letter to Mayor Steve Martin, Larry Werner encourages the City Council to adopt a lessor impact fee for studio and one-bedroom apartment units based upon their likeliness to house only one individual. There is policy basis, demographic projection, and nexus to support a case for a reduction of fees in a mixed-use development where small residential apartments are constructed in the same building with commercial uses.

The Uptown-Town Centre Plan, for example, advocates a range of housing opportunities, including mixed use in the Downtown and North Spring Street to provide greater independence from automobile use. The Paso Robles Economic Strategy encourages residential uses downtown, promoting compact development, walking, biking, transit access and less auto use.

Small apartment units restricted to seniors also impact the community differently than common market rate multi-family housing. While we currently have no new proposals for this type of housing, it would seem likely that we would see new applications, given our aging population.

At the March 17, 2016, Housing Constraints and Opportunities Committee meeting, the Committee directed their attention to the Werner letter and small apartment units in general. Based on the projected occupancy of small units from the City of Los Angeles and the USDA the Committee determined that these units house fewer occupants and therefore have less of an impact on the community than a typically multi-family unit.

The Committee is recommending the City Council adopt the following population density assumptions for the following units:

- One-bedroom units* are occupied by an average of 1.5 persons.
- Studio units** are occupied by an average of 1.0 persons.

In order for staff to consistently apply development impact fees to multi-family residential projects, one-bedroom and studio units need to be tightly defined. The following definitions were provided by the Building Division:

* One Bedroom Units are limited to a maximum of 600 square feet and are comprised of one room, one kitchen, a bathroom and no other rooms with more than three walls (see Attachment 3).

** Studio Units are limited to a maximum of 450 square feet and are comprised of one room including a kitchen, bathroom, and no other room (see Attachment 4).

Based upon these numbers, the proposed fees for these categories are as follows.

Construction Type	Transportation	Police	Fire	General Governmental	Park and Recreation	Library	Total
Single Family	\$ 12,183	\$ 77	\$ 1,054	\$ 3,053	\$ 2,985	\$ 985	\$ 20,337
Multiple Family	\$ 8,396	\$ 91	\$ 1,054	\$ 3,053	\$ 2,985	\$ 985	\$ 16,564
One Bedroom units	\$ 4,735	\$ 55	\$ 594	\$ 1,721	\$ 1,683	\$ 555	\$ 9,343
Studio units	\$ 3,156	\$ 34	\$ 396	\$ 1,148	\$ 1,122	\$ 370	\$ 6,226

Policy

Reference: 2003 General Plan; 2015 Council Goals; AB 1600; Uptown-Town Centre Plan; Resolution 14-035 (Development Impact Fees)

Fiscal

Impact: Limits revenue growth in AB 1600 impact fee accounts. Assuming the development of 100 studio apartment units and 100 one-bedroom units, over General Plan build-out the impact fee revenue would be reduced by \$1,764,900. There are three options for addressing this potential shortfall.

First, based on the assumption these units are occupied by fewer persons than the 2.66 persons assigned to multi-family residential units, it may follow that their displacement of unit count in terms of General Plan build-out, housing units and population is something less than one per unit (fractional unit equivalency). Allowing future General Plan Amendments involving construction of more of these small units based on their projected limited occupancy could potentially off-set some or all of the loss of revenue.

Second, projects identified on the Development Impact Fees needs list could be re-examined or re-assigned to other land uses with greater impacts than small multi-family residential development.

Third, the impact fee Justification Study could also be analyzed to determine what fee increase amounts would be necessary on the other residential categories to make up the projected shortfall of revenue.

Staff recommends that all of these options be considered by the Housing Constraints and Opportunities Committee.

Options: After considering the staff report and public comment on the issue the City Council may consider the following options. Options A and B could be approved together:

- a) The City Council Adopt Draft Resolution A (No 16-xxx) to establish reduced development impact fees for studio and one-bedroom apartments.
- b) Direct staff and the Housing Constraints and Opportunities Committee to develop recommendations for addressing the potential \$1,800,000 short fall in the Development Impact Fee program.
- c) The City Council amend the above option.
- d) The City Council refer the item back to staff for additional analysis.
- e) The City Council take no action.

Attachments:

- 1) Letter from Larry Werner
- 2) Residential Occupancy Charts from City of Los Angeles and USDA
- 3) One Bedroom Unit Detail
- 4) Studio Unit Detail
- 5) Draft Resolution A

Attachment 1



NORTH COAST ENGINEERING, INC.

Civil Engineering ■ Land Surveying ■ Project Development

December 15, 2014

Mayor Steve Martin
City of Paso Robles
1000 Spring Street
Paso Robles, CA 93446

Subject: Request to consider AB1600 Fee Category for Studio/One Bedroom Living Units.

Dear Mayor Martin,

We have been working very closely for many years with Rick Jeffrey on the development of the parcel located on the corner of Spring Street and 34th Street. (The former Ford Dealership property). We received approval for a combination of Commercial and Residential uses as PD 13-001 and Vesting Tentative Tract 3047. On Spring Street there are two 2 story Commercial buildings approved with a public courtyard in between. For nearly 2 years we have been pursuing financing for the project and have discovered that obtaining financing for second story commercial in this area is extremely difficult. Based on input from lenders, real estate professionals and community members we have been advised that a much more appropriate, compatible and needed use on the second story would be small studio/one bedroom living units. The units of approximately 400 SF would provide lower cost living accommodation above the commercial. While it might not be "Live-Work" in the strictest definition of the term it would certainly be a potential place for employees of the commercial area to live as well as single people who may work in town. The studio/one bedroom units would be owned and managed by the owner of the commercial building. They would not have separate ownership.

One of the obstacles to providing this type of residential accommodation is the fact that there is no category for Studio/One Bedroom Living Units in the AB1600 Fee structure. The closest category is Multi-Family. According to the Taussig Development Impact Fee Justification Study dated March 20, 2014 Multi-Family impacts were based on an occupancy rate of 2.66 persons per Multi-Family Unit. There was no impact analysis for a single person/one room unit. Based on the method of calculation for the Taussig Study it would be logical to use the same method in calculating the fee for a single person/one room unit.

The Taussig Study uses Equivalent Dwelling Units (EDU) and Equivalent Benefit Units (EBU) to calculate the proportionate fee for each land use type. The EDU for a land use is based upon the number of people in each dwelling unit. For residential uses, both Single-

Family and Multi-Family the EDU consists of 2.66 persons. Therefore the calculation of the fees is directly related to the number of people per unit. This is clearly documented in the Demographics Chapter and repeatedly reinforced in the Methodology Chapter. Using the Taussig methodology the fee for single person Studio/One Bedroom units should be 1/2.66 or 43% of the Multi-Family fee. Please see attached proposed fee breakdown.

We would encourage the City Council to utilize the same calculation approach as the Taussig study and approve an AB1600 Development Impact Fee for Studio/One Bedroom Units.

Respectfully,



Larry Werner

Cc: City Council
Jim App
John Falkenstien
Susan DeCarli

Attachments:

Proposed Development Impact Fees for Studio/One Bedroom Living Units
Demographics Chapter from the 2014 Taussig Development Impact Fee Justification Study
Methodology Chapter from the 2014 Taussig Development Impact Fee Justification Study

Attachment 2

HOUSEHOLD SIZE BY NUMBER OF BEDROOMS

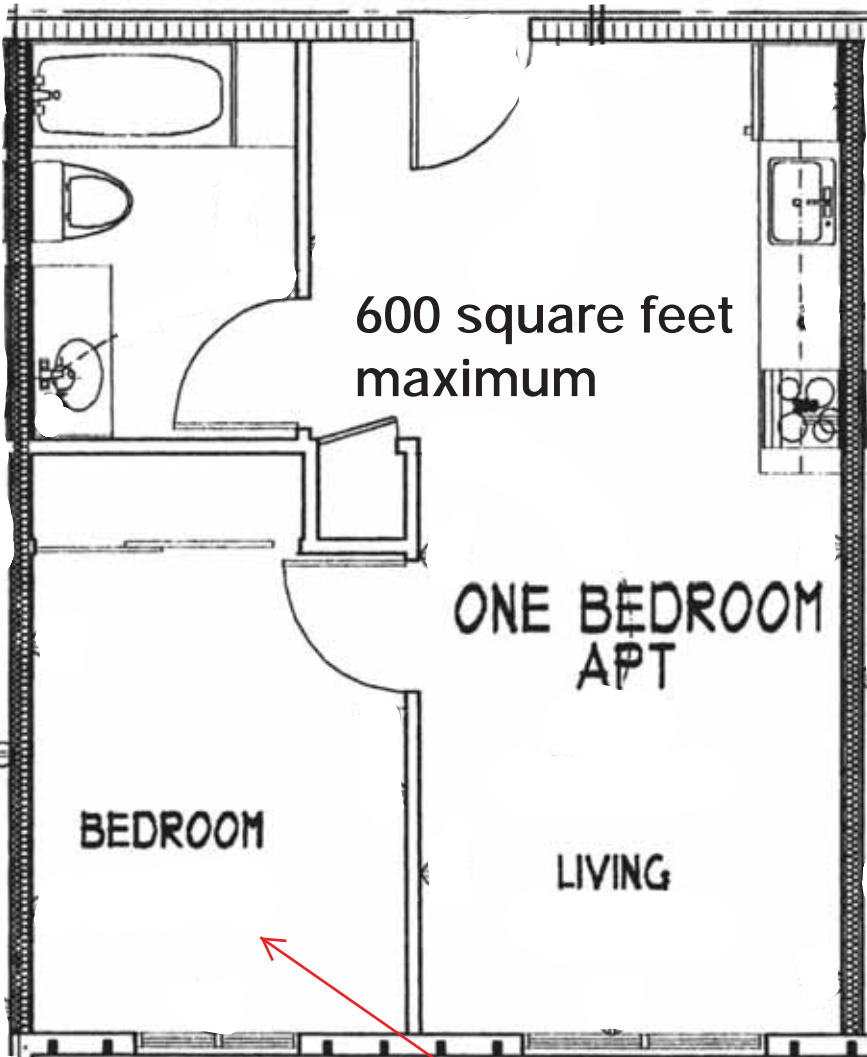
Los Angeles Housing Authority

Bedrooms	Number of Family Members
1	1-2
2	3-4
3	5-6
4	7-8
5	9-10
6	11-12

USDA Rural Development

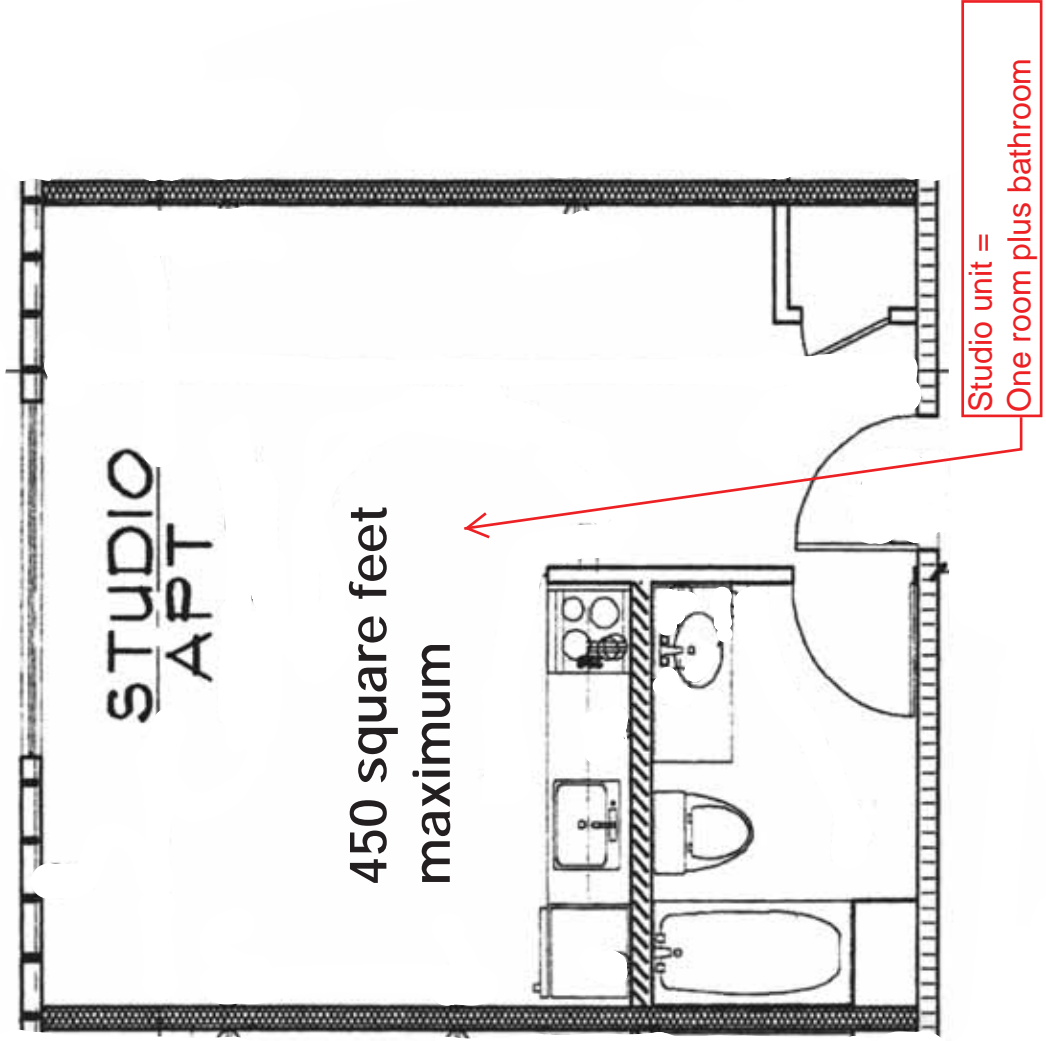
Bedrooms	Household Size (Minimum)	Household Size (Maximum)
0	1	1
1	1	2
2	2	4
3	3	6
4	4	8
5	5	10

Attachment 3 - One Bedroom Unit Detail



One bedroom unit =
One room with four (4)
walls allowed in addition
to bathroom and kitchen.

Attachment 4 - Studio Unit Detail



**STUDIO
APT**

**450 square feet
maximum**

**Studio unit =
One room plus bathroom**

Attachment 5 – Draft Resolution A

RESOLUTION NO. 16-xxx

A RESOLUTION OF THE CITY COUNCIL OF THE CITY
OF PASO ROBLES REDUCING DEVELOPMENT IMPACT FEES
FOR QUALIFIED STUDIO AND ONE-BEDROOM APARTMENT UNITS

WHEREAS, in 2015 the City Council created a Housing Constraints and Opportunities Advisory Committee to review the issues constraining the production of housing within the City of Paso Robles including the issue of Development Impact Fees for studio apartment units, and

WHEREAS, the Housing Constraints and Opportunities Committee reviewed the issue of Development Impact Fees for studio apartment units at their March 17, 2016, and

WHEREAS, the General Plan and Uptown-Town Centre Specific Plan advocates development of a range infill housing opportunities including mixed-use development and compact development to promote less reliance upon automobile use; and

WHEREAS, the Paso Robles Economic Strategy encourages a wide range of compact residential uses to encourage walking, biking, transit access and less auto use, and

WHEREAS, the existing Development Impact Fees, adopted by Resolution No. 14-035 on April 1, 2014, was based on a Justification Study prepared by David Taussig & Associates; and

WHEREAS, the Justification Study was based upon an occupancy rate of 2.66 persons per single-family and multi-family residential unit;

WHEREAS, data from the City of Los Angeles and the United States Department of Agriculture show that small apartment units have occupancy rates of one to 1.5 persons per unit (Exhibit D), which is less than the 2.66 persons per unit estimated for multi-family residential development in Paso Robles; and

WHEREAS, such reduced occupancy rates can mean that the development of such units will have a lesser impact on community facilities than typical multi-family residential development; and

WHEREAS, the Housing Constraints and Opportunities Committee recommended at their March 17, 2016 meeting that development impact fees for studio apartment units and one-bedroom apartment units be calculated based on a projected occupancy of one person per studio unit and one and one-half persons per one-bedroom unit; and

WHEREAS, the City Council desires to adjust Development Impact Fees based on the following:

- Studio apartment will have an average of 1.0 person per units because they are limited to a maximum of 450 square feet, and
- One-bedroom apartment units will have an average of 1.5 person per units because they are limited to 600 square feet based, and

NOW, THEREFORE THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. Incorporation of Recitals. All of the Recitals above are true and correct and are incorporated herein by reference.

SECTION 2. Findings and Determinations. The City Council hereby finds and determines that based on the information presented to it regarding the goals of the Uptown-Town Centre Specific Plan to encourage a wider range of housing opportunities and mixed-use projects, the Paso Robles Economic Strategy and the information presented by David Taussig regarding the lower occupancy rates for small studio and one-bedroom units than those for typical multi-family residential units, there is a sufficient basis to justify a reduction of development impact fees for such small units based upon their lesser impact upon the community. Therefore, the City Council hereby approves and adopts the reduction of impact fees for studio apartments of up to 450 square feet in size and one-bedroom apartments of up to 600 square feet in size. The fees shall be as set forth in Exhibit A, B, C, and D, attached hereto and incorporated herein by reference.

SECTION 3. General Plan Review. The City Council recognizes that a reduction in impact fees for qualified small units, as set forth in this Resolution, will reduce revenues for infrastructure improvements to be financed by such fees. Therefore, staff is directed to evaluate whether any adjustments to the number of authorized multi-family units in the Land Use Element of the City's General Plan, or other revisions should be made that will off-set the projected loss of revenue due to the reduction in fees for qualified small units.

SECTION 4. Severability. If any action, subsection, sentence, clause or phrase of this resolution, the Justification Study, or other attachments hereto, shall be held invalid or unconstitutional by a court of competent jurisdiction, such invalidity shall not affect the validity of the remaining portions of this resolution or other fees levied by this resolution that can be given effect without the invalid provisions or application of fees.

SECTION 8. Effective Date. This resolution shall take effect immediately upon its adoption by the City Council.

PASSED AND ADOPTED by the City Council of the City of Paso Robles this 19th day of April, 2016 by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

Steve W. Martin, Mayor

ATTEST:

Kristen L. Buxkemper, Deputy City Clerk

Exhibits:

- A - Amended Development Impact Fee Schedule
- B - One Bedroom Unit Detail
- C - Studio Unit Detail
- D - Housing Occupancy Assumptions

Exhibit A
Development Impact Fees Summary - - Resolution 16-xxx
Amended 4/19/16

Construction Type	Transportation	Police	Fire	General Governmental	Park and Recreation	Library	Total
Single Family	\$ 12,183	\$ 77	\$ 1,054	\$ 3,053	\$ 2,985	\$ 985	\$ 20,337
Multiple Family	\$ 8,396	\$ 91	\$ 1,054	\$ 3,053	\$ 2,985	\$ 985	\$ 16,564
One Bedroom units	\$ 4,735	\$ 55	\$ 594	\$ 1,721	\$ 1,683	\$ 555	\$ 9,343
Studio units	\$ 3,156	\$ 34	\$ 396	\$ 1,148	\$ 1,122	\$ 370	\$ 6,226
Commercial Lodging Motel/Hotel	\$ 2,699	\$ 92	\$ 435	\$ 91	No Fee	No Fee	\$ 3,317
RV Parks & Campgrounds	\$ 2,251	\$ 92	\$ 435	\$ 91	No Fee	No Fee	\$ 2,869
Commercial per sq. ft.	\$ 11.01	\$ 0.12	\$ 0.39	\$ 1.11	NA	NA	\$ 12.63
Industrial per sq. ft.	\$ 3.09	\$ 0.03	\$ 0.21	\$ 0.61	NA	NA	\$ 3.94
GRACE PERIOD *							
<i>Single Family - West Side of Salinas River</i>	<i>\$ 5,141</i>	<i>\$ 77</i>	<i>\$ 1,054</i>	<i>\$ 3,053</i>	<i>\$ 2,985</i>	<i>\$ 985</i>	<i>\$ 13,295</i>
<i>Multiple Family - West Side of Salinas River</i>	<i>\$ 4,113</i>	<i>\$ 91</i>	<i>\$ 1,054</i>	<i>\$ 3,053</i>	<i>\$ 2,985</i>	<i>\$ 985</i>	<i>\$ 12,281</i>
<i>Commercial per sq. ft. - East Side of Salinas River</i>	<i>\$ 8.68</i>	<i>\$ 0.05</i>	<i>\$ 0.58</i>	<i>\$ 0.44</i>	<i>NA</i>	<i>NA</i>	<i>\$ 9.75</i>
<i>Commercial per sq. ft. - West Side of Salinas River</i>	<i>\$ 7.24</i>	<i>\$ 0.05</i>	<i>\$ 0.58</i>	<i>\$ 0.44</i>	<i>NA</i>	<i>NA</i>	<i>\$ 8.31</i>

Single Family Residential: Includes single family detached homes, town homes, condominium units, mobile homes, and pre-fabricated homes.

Multi-Family Residential: Includes buildings comprised of two or more attached dwelling units under common ownership, including apartments

Live-work units: studio or one-bedroom, 600 square feet or less in mixed use building construction

Senior units: Studio or one-bedroom, 600 square feet or less restricted to age 62 or older

The following uses are allowed in commercial zones under Conditional Use Permit

Buildings constructed for these uses shall be considered Industrial for the purposes of Development Impact Fees.

Recycling, Wholesale and Storage, Mini-Storage, Warehousing Manufacturing and Processing, including:

Apparel, Chemical Products, Electrical Equipment, Food and Kindred Products, Furniture and Fixtures, Glass Products, Cabinet Shops, Prefabricated Walls and Trusses, Machinery, Metal Fabrication, Mobile Home Manufacturing, Paper Products, Plastics, Fiberglass, Rubber, Jewelry, Stone, Structural Clay and Pottery Testing Laboratories.

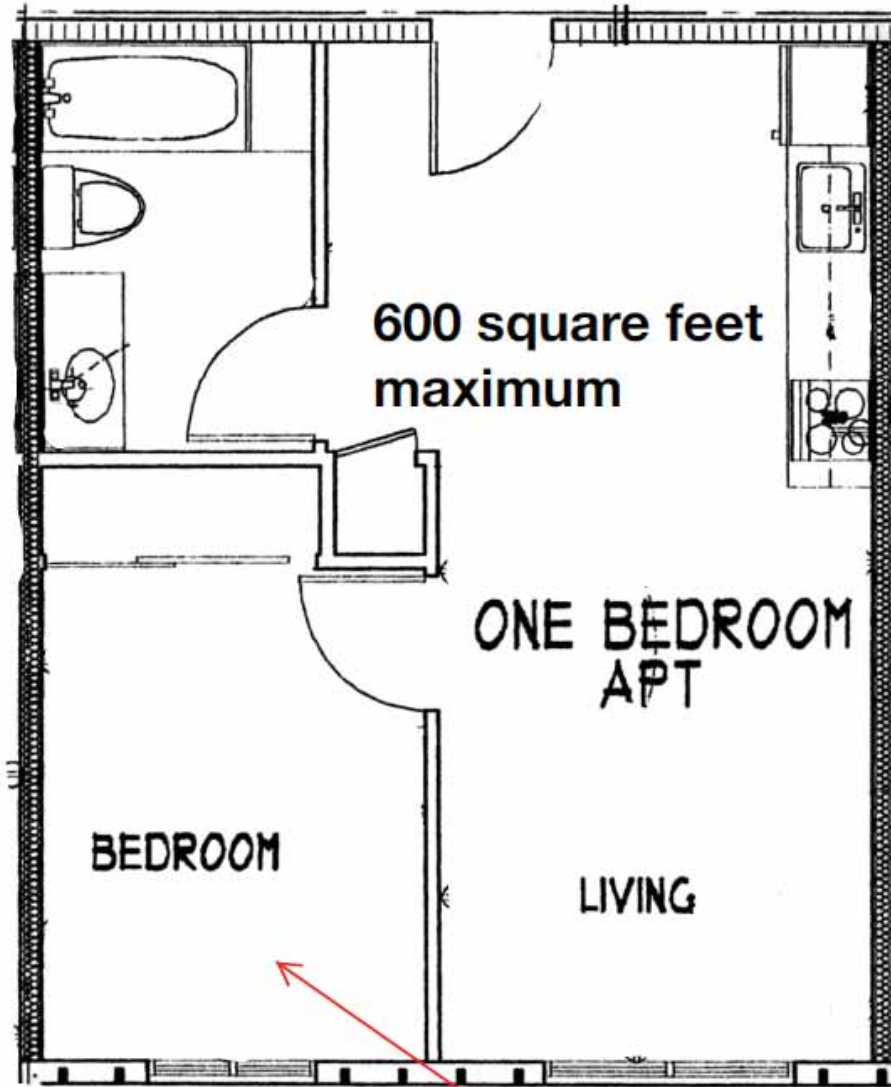
** All residential building permit applications on properties west of the Salinas River that are, or were received by the City Building Division on or before September 1, 2014, and based upon the submissions made by that date have been deemed by the City to be accepted for review to determine their compliance with City requirements, shall be processed on a first-come, first-served basis, in accordance with the City's standard policies and practices shall be subject to the Transportation development impact fees that applied pursuant to Resolution No. 06-188, prior to adoption of this resolution.*

** All commercial building permit applications that are, or were received by the City Building Division on or before September 1, 2014, and based upon the submissions made by that date have been deemed by the City to be accepted for review to determine their compliance with City requirements, shall be processed on a first-come, first-served basis, in accordance with the City's standard policies and practices shall be subject to the development impact fees that applied pursuant to Resolution No. 06-188, prior to adoption of this resolution.*

* One Bedroom Units are limited to a maximum of 600 square feet and are comprised of one room, one kitchen, a bathroom and no other rooms with more than three walls (see Exhibit B).

** Studio Units are limited to a maximum of 450 square feet and are comprised of one room including a kitchen, bathroom, and no other room (see Exhibit C).

Exhibit B – One Bedroom Unit Detail



One bedroom unit =
One room with four (4)
walls allowed in addition
to bathroom and kitchen.

Exhibit C – Studio Unit Detail

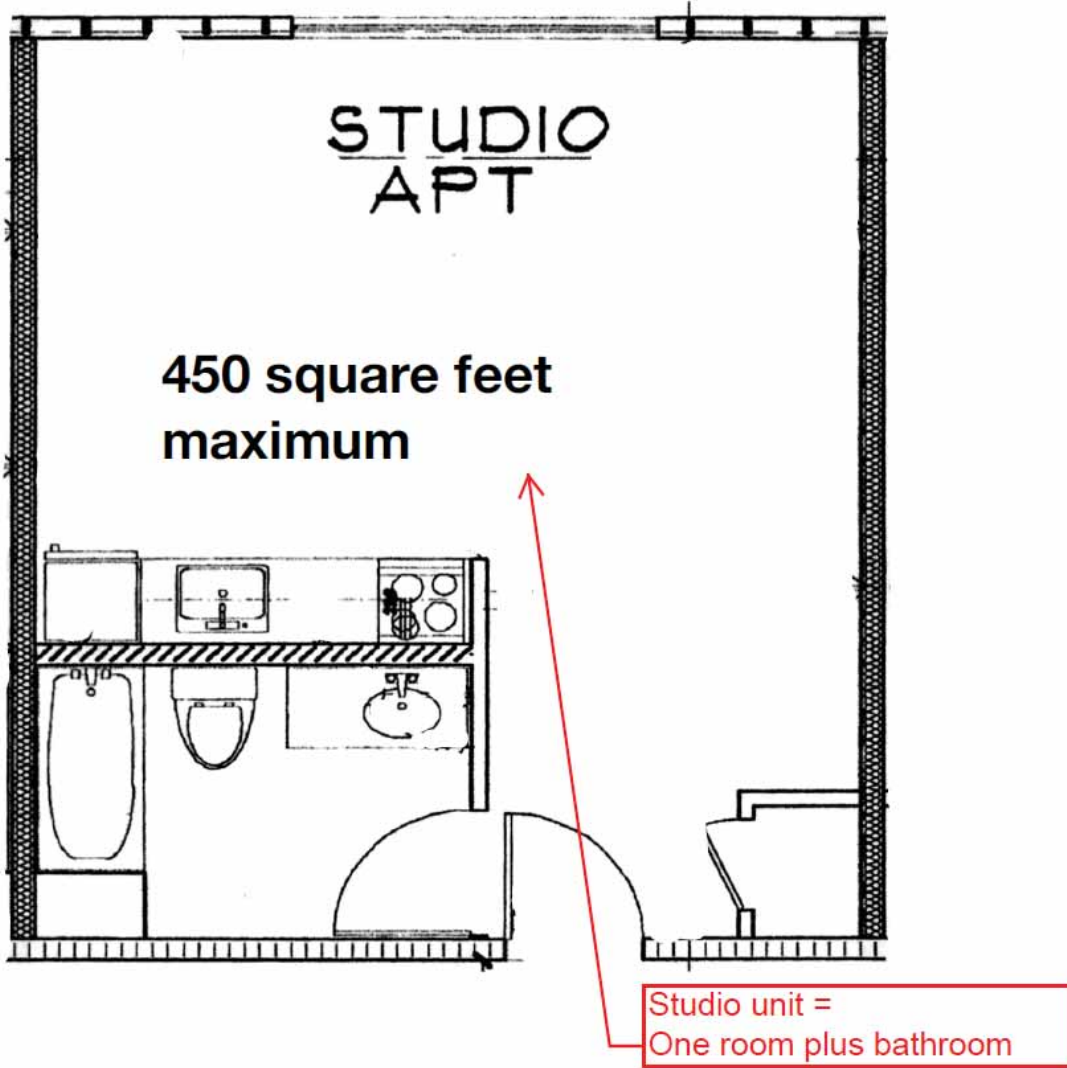


Exhibit D – Housing Occupancy Assumptions

HOUSEHOLD SIZE BY NUMBER OF BEDROOMS

Los Angeles Housing Authority

Bedrooms	Number of Family Members
1	1-2
2	3-4
3	5-6
4	7-8
5	9-10
6	11-12

USDA Rural Development

Bedrooms	Household Size (Minimum)	Household Size (Maximum)
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5	5	10