

TO: TOM FRUTCHEY, CITY MANAGER

FROM: WARREN FRACE, COMMUNITY DEVELOPMENT DIRECTOR

SUBJECT: **Habitat for Humanity Request for Fee Relief
Vine St. Project (9-units)**

DATE: July 19, 2016

Needs: For the City Council to give staff direction to respond to Habitat for Humanity's May 12th letter requesting a 50% fee reduction for a low income, affordable housing project approved at 2811 Vine Street (PD 11-002 / tentative tract map 3036).

Facts:

1. Habitat for Humanity was approved to build a 9-unit single-family residential, "sweat-equity," affordable housing project at 2811 Vine Street.
2. On November 16, 2010, the City Council considered Habitat's request for financial assistance and determined that acquisition of the Property would best be accomplished with CalHome funds, and that a waiver of City building permit and development impact fees for the Project would best be accomplished with a grant of Paso Robles Redevelopment Agency Low and Moderate Income Housing (LMIH) funds to offset said fees.
3. In November 2010, the City Council provided a \$225,000 CalHome loan to Habitat for Humanity to assist with purchase of the property (City Council Resolution 10-148).
4. On April 26, 2011 the Planning Commission approved Planned Development 11-002 and Tentative Tract Map 3036 to allow a 5-unit, small-lot single-family residential affordable housing project (Planning Commission Resolution 11-009, 010).
5. On May 23, 2011 the City and Habitat for Humanity entered into a \$225,000 loan agreement to purchase the property.
6. In 2011 the California Supreme Court upheld the State legislation abolishing Redevelopment Agencies and thereby eliminating the Paso Robles Redevelopment Agency's LMIH fund.
7. From 2012 – 2014 City staff and Habitat for Humanity attempted to find alternative funding sources to replace the lost Redevelopment Agency funds.
8. Following approval of the Uptown / Town Center Specific Plan, Habitat for Humanity applied for a project amendment to allow a total of 9 single-family residential units. The Planning Commission approved the amendment on August 26, 2014 (Planning Commission Resolution 14-025). It was anticipated the loan would be

paid back to the City through the sale of the lots.

9. On September 22, 2014 Habitat for Humanity sent a letter to the City Council requesting additional financial assistance in the form of a fee waiver to develop the project.
10. Following the City's offer to defer the project fees but not waive the fees, Habitat for Humanity informed the City they would not develop the project due to financial infeasibility.
11. On December 4, 2014, the City approved an amendment for a 6-month time extension to the 2011 loan to allow Habitat for Humanity additional time to sell the property.
12. On January 20, 2015 the City approved a 2nd amendment, to waive the interest repayment requirement on the 2011 loan.
13. On July 17, 2015 the City approved a 3rd amendment, for an additional 6-month time extension to the 2011 loan to allow Habitat for Humanity to sell the property.
14. In January 2016, City staff started to prepare a 4th amendment to the 2011 loan. This agreement has not been executed.
15. On May 12, 2016, Habitat for Humanity submitted a letter to the City requesting a 50% fee reduction for the building permit fees, Development Impact Fees, water connection fees and sewer connection fees (Attachment 1).
16. The Regional Housing Needs Allocation and Paso Robles Housing Element identifies a need for 77 low-income and 123 very low-income units to be constructed in Paso Robles between 2014 and 2019.

Analysis and

Conclusion: Habitat for Humanity is requesting a 50% fee waiver to reduce the City permit fees to a maximum of \$30,000 per unit. The project fees are estimated as follows:

Fee	Estimated Amount	Fund Source
Building plan check and permitting	\$9,100	General Fund
Development Impact Fees	\$20,337	Development Impact Fees Fund
Water Connection and Capacity Charge	\$23,500	Water Fund – enterprise account
Wastewater Facility Charge	\$10,900	Wastewater Fund – enterprise account
Total	\$63,837	

The proposed Habitat for Humanity justification for the fee waiver is based on providing nine (9) low-income housing units. All of Habitat’s family will make between 30 and 60% of median income. Families that make between 30 and 50% of median income are considered very low-income (refer to Attachment 2). Provision of both low and very low-income units meet a number of the City’s Housing Element policy goals and would assist in meeting the City’s Regional Housing Needs Allocation targets.

The City does not have an affordable housing funding source to “back-fill” permit fee waivers. Consequently, the City’s policy of fiscal neutrality is not to waive fees for affordable housing projects, but to grant fee deferrals in the form of long-term loans. This is the process by which the fees were deferred for the Oak Park housing project.

Since Habitat for Humanity is a home-ownership model, deferred or silent second loans are not allowed. Therefore, Habit is requesting a fee waiver.

If the City Council determines the project’s affordable housing benefits warrant a waiver, the following should be considered.

- Waiver of fees will create a policy precedent and should be carefully considered. The Council may consider limiting fee waivers to non-profit housing projects where all of the units are affordable for people earning 60% or less of area median income.
- The Water and Wastewater Funds are enterprise accounts that are supported by the rate payers. Waivers of these fees raise a number of complicated legal issues and it is not advisable.
- The permit and plan check fees are cost recovery fees of staff time that go to the General Fund. The City Council could make certain findings to justify waiver of these fees.

- The Development Impact Fees off-set a projects impacts on City facilities and go to sub-accounts of the General Fund. The City Council could make certain findings to justify waiver of these fees.

It appears the City Council could justify the waiver of the following fees in order to assist in the production of low and very low-income housing consistent with the Paso Robles Housing Element:

Fee	Estimated Amount	Estimate Fee Waivers	Fund Source
Building plan check and permitting	\$9,100±	100% (-\$9,100±)	General Fund
Development Impact Fees	\$20,337±	100% (-\$20,337±)	Development Impact Fees Fund
Water Connection and Capacity Charge	\$23,500±	0%	Water Fund – enterprise account
Wastewater Facility Charge	\$10,900±	0%	Wastewater Fund – enterprise account
Total	\$63,837±	-29,437±	

Estimated Project Fees / Unit following waiver	\$34,400±		
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Policy

Reference: 2003 General Plan - Land Use and Housing Elements, 2014 Housing 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

Fiscal

Impact: The fee waivers would have a \$82,000± negative impact on the General Fund and \$183,000± negative impact on the Development Impact Fees Fund. The total impact would be a negative \$265,000±.

Options: After consideration of the staff report and any public testimony the City Council may consider the following options:

- a) Approve Draft Resolution A allowing a fee waiver for the Habitat for Humanity project.
- b) Amend the foregoing option.
- c) Refer the item back to staff for additional analysis.
- d) Take no action.

Attachments

1. May 12, 2016 Habitat for Humanity Letter
2. Habitat for Humanity Selection Criteria
3. Draft Resolution A

Attachment 1



*Building Homes.
Building Communities.
Building Hope.*

May 12, 2016

Warren Frace
Community Development Director
City of Paso Robles
1000 Spring St.
Paso Robles, CA 93446

RECEIVED
MAY 18 2016
City of Paso Robles
Community Development Dept.

Dear Warren,

At its May 9th meeting, Habitat for Humanity for San Luis Obispo County's Board of Directors discussed the current status of our negotiations with the City of Paso Robles regarding the possibility of building nine affordable homes on the Vine St. property as we originally planned. The discussion focused on the following items:

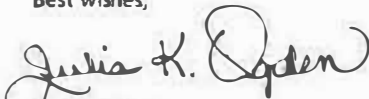
- the City staff's discomfort with including language that the high rate of the City's fees were a contributing factor to Habitat's decision to discontinue pursuing the project in the loan agreement amendment,
- the current status of the Housing Constraints and Opportunities Committee regarding fee reduction and the Committee's plan to consider primarily reductions in the Community Impact Fee,
- my presentation and the Committee's discussion concerning Habitat's financial and program processes for building affordable housing, and
- the Committee's question as to whether the Board would accept a \$10,000 fee reduction per house for the project.

After discussing these issues, the Board concluded:

- 1) The reduction in the Community Impact Fee being considered by the Committee would not be enough to reduce the fees to a level where the project would be financially viable for Habitat. Our request has been to reduce fees to \$30,000 per house for a total reduction of total fees for the project by 50%.
- 2) Therefore, the Board is requesting that City staff submit Habitat's request of a 50% fee reduction per house and a 6 year period in which to develop and build the project to the City Council as soon as possible.
- 3) In the event that the City Council rejects our request, we will immediately deed the property over to the City.
- 4) We do not believe we owe the City any interest on the loan as we have used our best efforts to sell the property and have engaged in good faith with the City staff to find a way to develop the property, and we recently paid an arborist \$1200 to remove a dead elm tree because a house adjacent to the property was at risk from falling branches.
- 5) Finally, based on the Board's decision, Habitat will not sign the most recent loan agreement amendment.

If you wish to discuss this with us, please let me know and I will forward the request to the Board.

Best wishes,


Julia K. Ogden
Chief Executive Officer

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Attachment 2



Family Selection Criteria

The following are required for family selection consideration:

- Income for the family must be between 30% and 60% of the median income for the county.
- Ability to make a mortgage payment (including taxes and insurance).
- Provide proof of a reliable source of income.
- Be citizens of the United States OR provide proof of permanent residency status in the United States.
- Must live in San Luis Obispo County.
- Contribute 500 Sweat Equity Hours toward the construction of their home.
- Commit to attend all educational workshops.
- Commit to being Habitat partners and support efforts of the local affiliate.
- Have a need for housing.

*Approved by Habitat for Humanity for San Luis Obispo's Board of Directors on March 7, 2014.



We are pledged to the letter and spirit of U.S. policy for the achievement of equal housing opportunity throughout the Nation.

We encourage and support an affirmative advertising and marketing program in which there are no barriers to obtaining housing because of race, color, religion, sex, handicap, familial status, or national origin.



Family Selection Criteria Summary

Qualifying Criteria

- Income between 30% and 60% of median income in San Luis Obispo County (see chart below)
- Have good credit
- Have a steady, regular source of income
- Be a U.S. citizen or a permanent legal resident of the United States
- Be a resident of the County of San Luis Obispo for a minimum of one year.
- Complete 500 sweat equity hours in the construction of a Habitat home.
- Attend all educational workshops
- Be a Habitat partner and support efforts of the affiliate.
- Have a need for adequate, affordable, and/or safe housing.
- Ability to pay a \$750 down payment on Habitat home.

Household Income Limits for San Luis Obispo County as of April 2015 SLO County Department of Planning and Building Affordable Housing Standards

Persons in Family	30% of Median	60% of Median
1	\$16,185	\$32,370
2	\$18,510	\$37,020
3	\$20,820	\$41,640
4	\$23,130	\$46,260
5	\$24,975	\$49,950
6	\$26,835	\$53,670

Attachment 3

Draft Resolution A

RESOLUTION NO. 16-XXX

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES
AUTHORIZING THE CITY MANAGER TO WAIVE PERMIT FEES AND DEVELOPMENT IMPACT
FEES FOR A NINE (9) UNIT SINGLE-FAMILY RESIDENTIAL, NON-PROFIT, LOW INCOME
HOUSING PROJECT WITH MAXIMUM SALES PRICES AT 60% OF AREA MEDIAN INCOME**

**2811 VINE STREET – PD 11-002
HABITAT FOR HUMANITY FOR SAN LUIS OBISPO COUNTY**

WHEREAS, on November 16, 2010, the City Council considered Habitat's request for financial assistance and determined that acquisition of the Property would best be accomplished with CalHome funds, and that a waiver of City building permit and development impact fees for the Project would best be accomplished with a grant of Paso Robles Redevelopment Agency Low and Moderate Income Housing (LMIH) funds to offset said fees; and

WHEREAS, on November 2010, the City Council provided a \$225,000 CalHome loan to Habitat for Humanity to assist with purchase of the property (City Council resolution 10-148); and

WHEREAS, on April 26, 2011 the Planning Commission approved Planned Development 11-002 and Tentative Tract Map 3036 to allow a 5-unit, small lot single-family residential affordable project (Planning Commission resolution 11-009, 010); and

WHEREAS, on May 23, 2011 the City and Habitat for Humanity entered into a \$225,000 loan agreement for purchase of the property for development of affordable housing; and

WHEREAS, in 2011 the California Supreme Court upheld the State legislation abolishing Redevelopment Agencies and thereby eliminating the Paso Robles Redevelopment Agency's LMIH fund; and

WHEREAS, from 2012 – 2014 City staff and Habitat for Humanity attempted in good faith to find alternative funding sources to replace the lost Redevelopment Agency funds; and

WHEREAS, following approval of the Uptown / Town Center Specific Plan, Habitat for Humanity applied for a project amendment to allow a total of 9 single-family residential units. The Planning Commission approved the amendment on August 26, 2014 (Planning Commission residential 14-025); and

WHEREAS, On September 22, 2014 Habitat for Humanity sent a letter to the City Council requesting additional financial assistance in the form of a fee waiver to develop the project; and

WHEREAS, Following the City's offer to defer the project fees but not waive the fees, Habitat for Humanity informed the City they would not develop the project due to financial infeasibility; and

WHEREAS, On December 4, 2014, the City approved an amendment for a 6-month time extension to the 2011 loan to allow Habitat for Humanity additional time to sell the property; and

WHEREAS, On January 20, 2015 the City approved a 2nd amendment, to waive the interest repayment requirement on the 2011 loan; and

WHEREAS, On July 17, 2015 the City approved a 3rd amendment, for an additional 6-month time extension to the 2011 loan to allow Habitat for Humanity to sell the property; and

WHEREAS, In January 2016, City staff started to prepare a 4th amendment to the 2011 loan. This agreement has not been executed; and

WHEREAS, on May 12, 2016, Habitat for Humanity submitted a letter to the City requesting a 50% fee reduction for the building permit fees, Development Impact Fees, water connection fees and sewer connection fees in order to make the proposed low-income affordable project feasible (Attachment 1); and

WHEREAS, the Regional Housing Needs Allocation and Paso Robles Housing Element identifies a need for 77 low income and 123 very low income units to be constructed in Paso Robles between 2014 and 2019; and

WHEREAS, Habitat for Humanity is a non-profit organization and an affiliate to Habitat for Humanity International, which serves to build ownership housing for low and very-low income households; and

WHEREAS, in 2002, Habitat successfully completed construction of three single family residential units for low and very low income households at 2929, 2947, and 2949 Vine Street; that project was assisted with a grant of \$35,000 in Redevelopment Low and Moderate Income Housing (LMIH) Funds for the purpose of offsetting a portion of City building permit and development impact fees; and

WHEREAS, the Project would help the City meet its low-income housing needs, as set forth in the 2014 Housing Element of the General Plan, and the City's objective of housing its workforce, as stated in the 2006 Economic Strategy; and

NOW, THEREFORE, BE IT RESOLVED as follows:

The City Council hereby authorizes the City Manager to waive 100% of the permit fees and 100% of the Development Impact Fees for a nine (9) unit single-family residential, non-profit, low income housing project with maximum sales prices at 60% of area median income, as shown conceptually on Exhibit A and with the following conditions:

1. All housing units shall be sold to persons or households earning no more than 60% of area median income.
2. The agreement is limited to Habitat for Humanity, and shall not be transferable to another property owner.
3. All housing units shall be constructed consistent with PD 11-002 as approved or amended by the Planning Commission.

PASSED AND ADOPTED by the City Council of the City of El Paso de Robles on this _____ day of _____, 2016 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Steven W. Martin, Mayor

ATTEST:

Kristen L. Buxkemper, Deputy City Clerk

Exhibit A – Fee Waiver Summary Table

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Fee	Estimated Amount	Estimate Fee Waivers	Fund Source
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