

**PLANNING COMMISSION MINUTES**  
**March 10, 2015**

**PLANNING COMMISSIONERS PRESENT:** Vanderlip, Rollins, Barth, Brennan, Burgett, Cooper and Donaldson

**ABSENT:** None

**CITY COUNCIL PRESENT:** Councilmen Hammond and Strong

**PUBLIC COMMENTS REGARDING MATTERS NOT ON THE AGENDA:** None

**STAFF BRIEFING:** None

**AGENDA ITEMS PROPOSED TO BE TABLED OR RE-SCHEDULED:** Agenda Items 1 and 2 were presented in reverse order from what was originally scheduled on the Agenda.

**PRESENTATIONS:** Introduction of Chairman Vanderlip, Introduction of Chairman Pro-tem Rollins, Introduction of newly appointed Commissioners Brennan and Burgett.

**PUBLIC HEARINGS**

**1. Appointments to Development Review Committee and Liaisons to Other Advisory Bodies**

To appoint members of the Planning Commission to serve on the Development Review Committee and Liaisons to Other Advisory Bodies.

Open Public Hearing.

***Speakers:*** None

Closed Public Hearing.

***Action:***

- A. A motion was made by Commissioner Barth, seconded by Commissioner Rollins and passed 7-0 to appoint the Commissioners to the Development Review Committee and other advisory bodies as follows:
  - a. Parks and Recreation Advisory Committee
    - i. Commissioner Brennan
    - ii. Commission Burgett (alternate)
  - b. Main Street Program:

- i. Commissioner Rollins
- ii. Commissioner Barth (alternate)
- c. Airport Advisory Committee:
  - i. Commissioner Cooper
  - ii. Commissioner Donaldson (alternate)
- d. Development Review Committee:
  - i. Commissioner Donaldson
  - ii. Commissioner Barth
  - iii. Commissioner Vanderlip
  - iv. Commissioner Brennan (alternate)

**Chairman Vanderlip stepped down.  
Chairman Pro-tem Rollins assumed Chair.**

**2. Report from the Planning Commission Ad Hoc Committee on the “Constraints on Housing Inventory” Memorandum-**

For the Planning Commission to consider a memo from the Planning Commission Ad Hoc Committee on “Constraints on Housing Inventory” and to consider making a recommendation to the City Council.

Open Public Hearing.

**Speakers:** Al Garcia, Dale Gustin, Neil Olson, Vince Vanderlip, Fred Strong

Closed Public Hearing.

**Action:**

- A. A motion was made by Commissioner Burgett, seconded by Commissioner Barth and passed 6-0-1 (Commissioner Vanderlip abstained) to approve the Memorandum as edited on projector screen (see attachment to minutes).

**Chairman Vanderlip resumed seat.**

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**OTHER SCHEDULED MATTERS –NONE**

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**WRITTEN CORRESPONDENCE – NONE**

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**CONSENT CALENDAR**

- 3. Development Review Committee Minutes (for approval)

February 23, 2015

- 4. Planning Commission Minutes (for approval)

February 24, 2015  
March 1, 2015

***Action:***

- A. A motion was made by Commissioner Barth, seconded by Commissioner Rollins and passed 7-0 to approve item #3 as presented and to approve item #4 with a correction to the Planning Commissioner’s Comments section of the Minutes from February 24, 2015; replacing Commissioner Vanderlip’s name with Commissioner Donaldson.

- 5. Other Committee Reports:

- a. Parks & Recreation Advisory Committee: Commissioner Cooper
- b. Main Street Program: Commissioner Rollins
- c. Airport Advisory Committee: Commissioner Donaldson

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**REVIEW OF CITY COUNCIL MEETINGS**

March 3, 2015: Commissioner Rollins

**PLANNING COMMISSIONERS’ COMMENTS –**

Commissioner Rollins: Commented that the Ad Hoc committee was off to a good start

Commissioner Cooper: Commented that he enjoyed the Planning Commissioners Conference and it provided good information; that the Ad Hoc Committee was important

Commissioner Brennan: Commented that he was honored to be on the Planning Commission

Commissioner Burgett: Commented that he was honored to be on the Planning Commission

Commissioner Barth: Thanked the Ad Hoc Committee and Susan DeCarli for the good background information in Staff Report; welcomed the new Commissioners

Commissioner Vanderlip: Welcomed the new Commissioners

**STAFF COMMENTS – None**

Any writing or document pertaining to an open session item on this agenda which is distributed to a majority of the Planning Commission after the posting of this agenda will be available for public inspection at the time the subject writing or document is distributed. The writing or document will be available for public review in the Community Development Department, 1000 Spring Street, Paso Robles, CA, during normal business hours, and may be posted on the City's web site at <http://www.prcity.com/government/planning/commission/agendas.asp>.

All persons desiring to speak on an agenda item are asked to fill out *Speaker Information Cards* and place them at the Staff Table prior to public discussion of that item. Each individual speaker will be limited to a presentation total of three (3) minutes per item.

***AMERICANS WITH DISABILITIES ACT*** Any individual, who because of a disability needs special assistance to attend or participate in this meeting, may request assistance by contacting the City Clerk's Office (805) 237-3960. Whenever possible, requests should be made four (4) working days in advance of the meeting.

**ADJOURNMENT** to the Development Review Committee Meeting of Monday, March 16, 2015 at 3:30 pm at Paso Robles City Hall, 1000 Spring Street, Paso Robles;

**subsequent adjournment** to the City Council Meeting of Tuesday, March 17, 2015 at 7:30 pm at Paso Robles City Hall, 1000 Spring Street, Paso Robles;

**subsequent adjournment** Joint Planning Commission/City Council Breakfast of Friday, March 20, 2015 at 7:00 am at Touch of Paso, 1414 Pine Street, Paso Robles;

**subsequent adjournment** to the Development Review Committee Meeting of Monday, March 23, 2015 at 3:30 pm at Paso Robles City Hall, 1000 Spring Street, Paso Robles;

**subsequent adjournment** to the Planning Commission Meeting of Tuesday, March 24, 2015 at 7:30 pm at Paso Robles City Hall, 1000 Spring Street, Paso Robles.

Date: 3/10/15

From: Planning Commission

To: Mayor Steve Martin and City Council Members

Subject: Constraints on Housing ~~Inventory~~

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,

~~Doug Barth~~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 ~~map a possible effort to mitigate~~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

- ~~1.~~1. State laws and regulations drive costs for developers (EIRs, CEQA, etc) and may not serve a useful purpose in certain situations.
- ~~2.~~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.
- ~~3.~~3. 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.
- ~~4.~~4. A litigious environment that causes government and private business to make decisions based on fear of legal challenges.
- ~~5.~~5. The lack of consistency in the planning system that affects stable costs, changing processes and rules, and agreements that are abrogated.
- ~~6.~~6. The overall time that is required to begin a new project.
- ~~7.~~7. Administrative and planning time—working with developers on specific plans and on smaller projects facilitating all projects to successful completion.
- ~~8.~~8. The overall cost of City fees and charges inhibit development.
- ~~9.~~9. Permit Costs—developing solutions for faster permitting processes, how to reduce costs.
- ~~10.~~10. Capacity Connection Charges—developing cost solutions that better match developer needs while ensuring validated City costs are recouped.
- ~~11.~~11. 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:

12. ● \_\_\_\_\_ Obviously, for the City to remove all barriers to development under its control.
13. ● \_\_\_\_\_ Reducing the amount of up-front permit and connection fees to the developer.
14. ● \_\_\_\_\_ City “financing”, in effect, the development costs over a period of time and ensuring cost recovery in the long term similar to Oak Park.
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.
16. ● \_\_\_\_\_ Offering quantity fee and connection discounts for various housing developments.
17. ● \_\_\_\_\_ Developing specific incentives for workforce and management level housing to attract new businesses to the City.
18. ● \_\_\_\_\_ 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.

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

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)

## ~~(19)~~ 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.

## ~~(20)~~ Recommendation 2: ~~Reduce~~ 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.

### ~~(21) Recommendation 3: Reduce/Reevaluate City Fees or Incentivize Permit 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.
- ~~Base lot is 5000-7000 sq ft – reduce water and sewer connection fees by 1/5000 per sq ft reduced for lots smaller than 5000 sq ft and add 1/5000 per sq ft for lots larger than 7000 sq ft with the result that~~ Recognize “one-size-fits-all” government fee structure as smaller projects and in-fills are should not be disincentivized or penalized by a “one-size-fits-all” government fee structure.
- 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. If builder is building in quantity and processes permits at same time, then pay full permit charges for first 9 units and 10<sup>th</sup> permit is free.~~
- 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

~~(22)~~ **Recommendation 4: Modify/Eliminate East Side 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 \(Al Garcia\)](#)

# 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

# Example Costs of Constructing a Home

	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>	Stable	10%	\$35,000	\$45,000	\$60,000
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
<b>Totals</b>		100%	\$350,000	\$450,000	\$600,000

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

# Cost of Home with Fee Costs

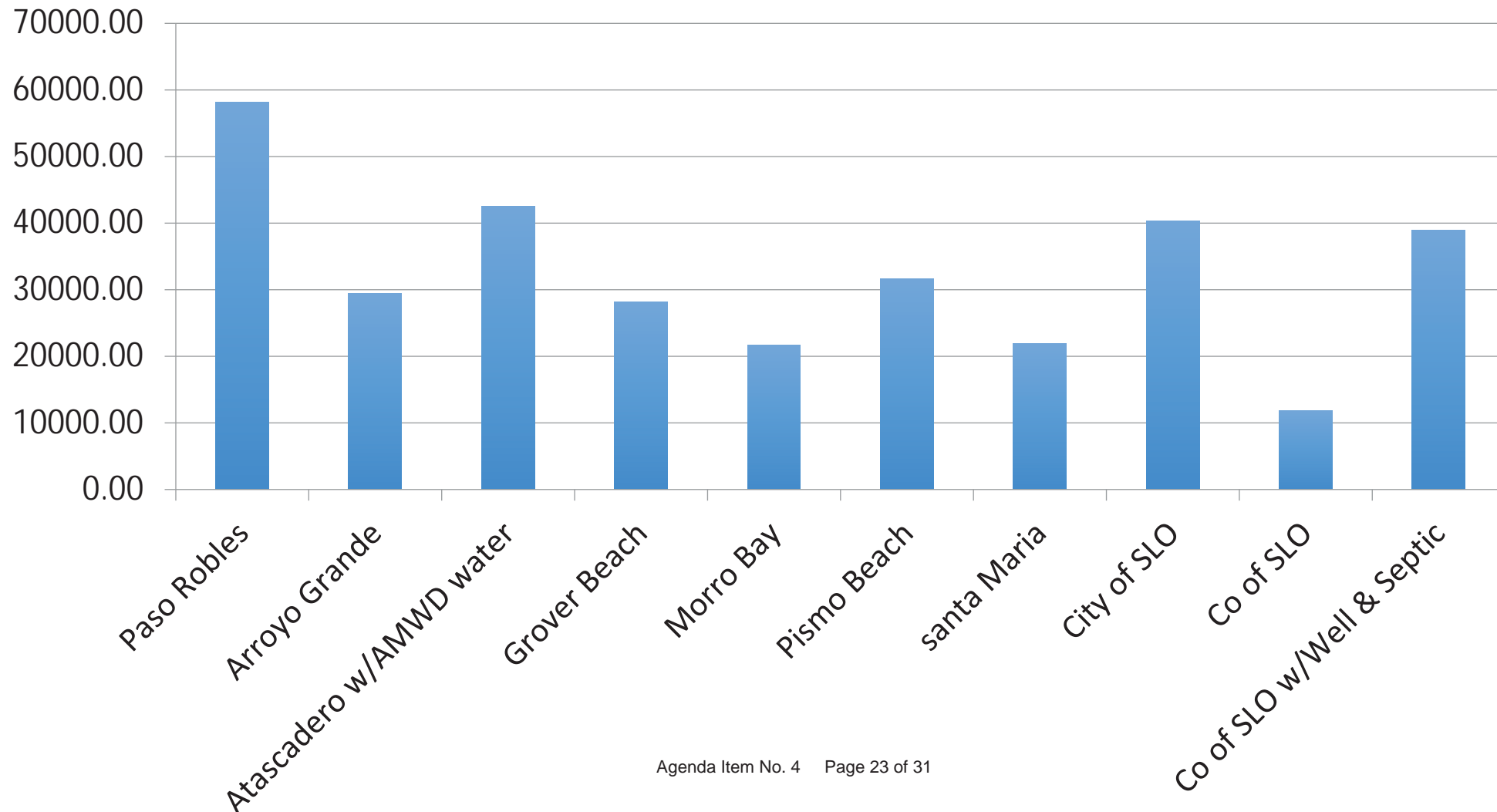
## Assumptions

- 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



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

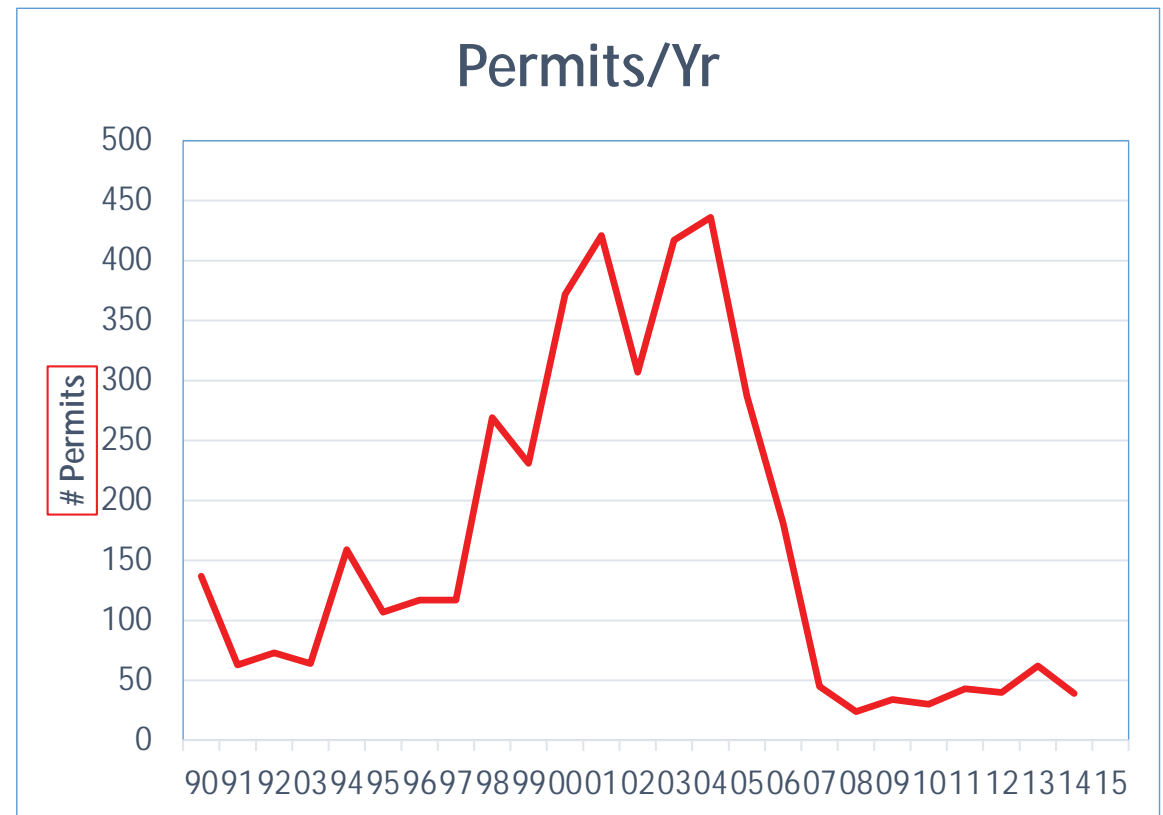
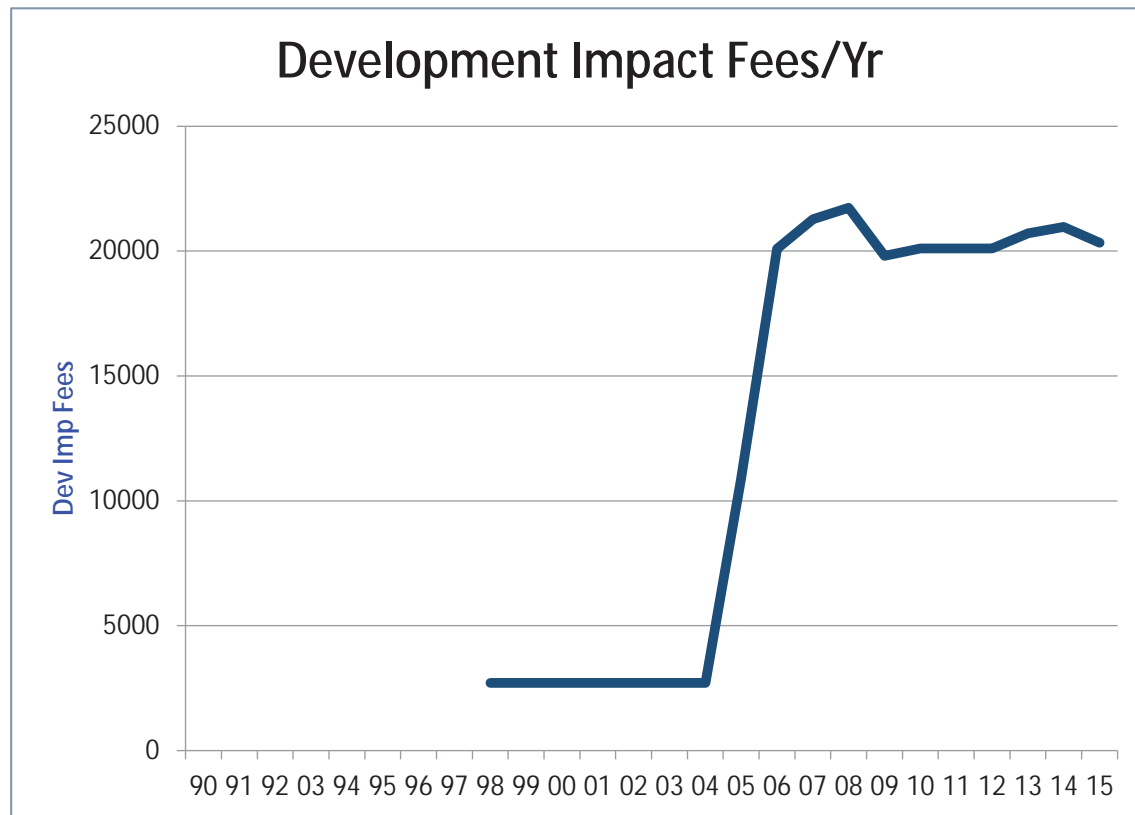
# Comparative Permits & Development Impact Fees for Single Family Residences as of 2014



# Paso Robles Development Impact Fees vs Residential Permits

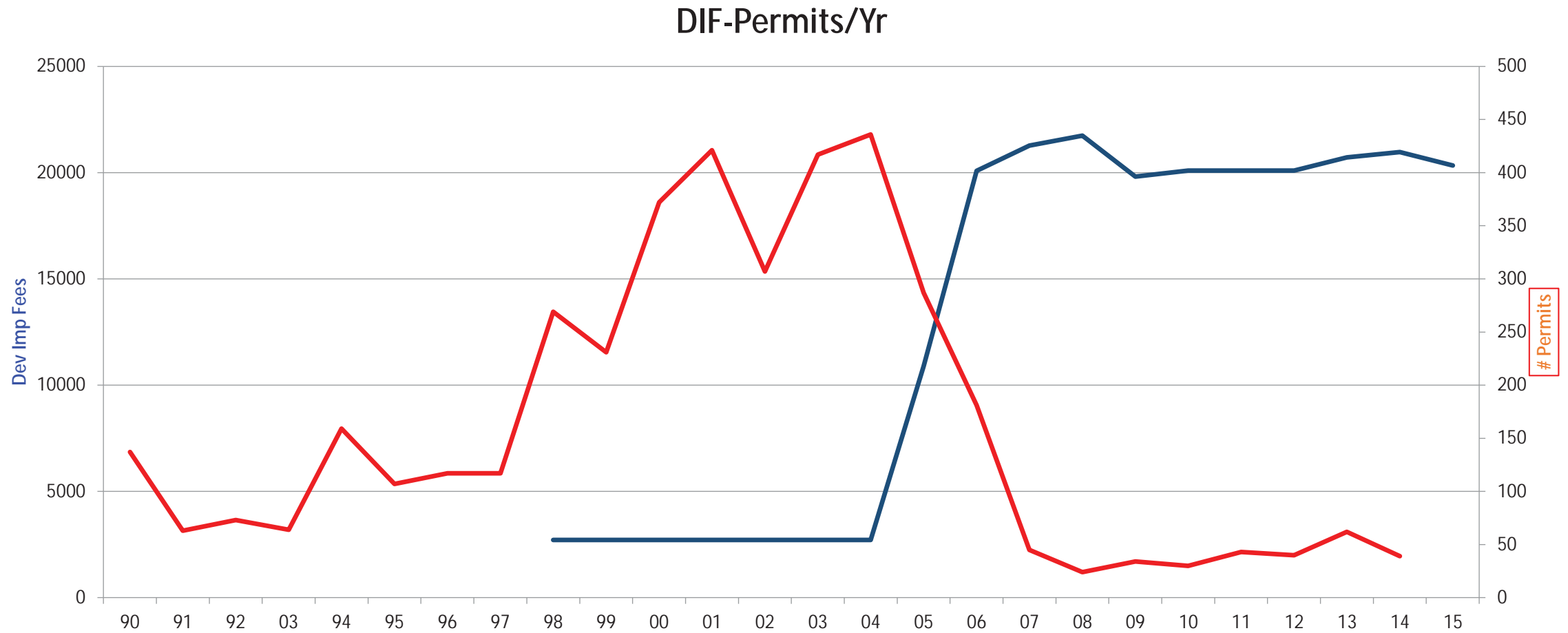
DIFs grew dramatically from \$2,711 to \$20,000 in 2005 and 2006 and have been adjusted annually since.

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!