

Barriers to Affordable Housing

March 8, 2022
City Council

Office of Economic Development
& Cultural Affairs

Jerad Ferguson, Housing Catalyst

Housing Department

Rachel VanderVeen, Deputy Director



- ✓ **August 2021 – City Council update on Housing Crisis Work Plan.**
 - **Recommendation: Outreach to developers who have entitlements but have not started construction – focus on affordable.**
- ✓ **Housing Catalyst Team with the Mayor’s Office conducted individual interviews with affordable developers with projects approved or under construction in City.**

Overall Highlights / Key Takeaways

- **Multiple factors can delay start of construction that often vary by project.**
- **Rising construction costs remain a significant factor.**
- **Competitiveness in obtaining funds has increased, especially for tax credit financing.**
 - Developments have had to apply multiple times to receive award.

Permitting Process

- ❑ **Dedicated Planner for Affordable Housing** – Position funded through grant from Destination: Home SV instrumental in entitlement process.
- ❑ **Building Permit Process** – Interest in similar assistance obtaining permits to start construction.

Housing Crisis Work Plan Item: Establish regular coordination meetings to understand timelines tied to funding sources of affordable housing.

Land Use and Design Standards

- **Commercial Space Requirements** – Feedback supported eliminating this requirement for affordable projects.
- **Parking Requirements** – Welcome further reductions or the elimination of parking requirements. Staff currently evaluating parking and Transportation Demand Management (TDM) Standards.
- **Electric Vehicle Charging** – New requirements to provide EV spaces adds to project costs.

City Fees & Taxes

- Construction Taxes – Mentioned as an added cost/barrier to affordable development.
 - From 1992 to 2011 City suspended the four residential construction taxes for very low-income units.
 - Older code section suspends Building and Structure Tax and CRMP Tax for many affordable projects receiving certain types of federal funding.
 - **Action Item:** *Staff recommends updating the older sections, and exploring a new temporary suspension of residential construction taxes for affordable rental housing.*

FY 2020-2021 Construction Taxes from 100% Affordable Development

Building & Structure Tax	Commercial-Residential Mobilehome Park Tax	Residential Construction Tax	Construction and Conveyance Tax
\$993,157	\$1,560,677	\$75,870	\$63,225

Total FY20-21: \$2,692,929

City Fees & Taxes

- **Fee Estimates / Calculation** – Feedback received that estimating fees and taxes can be challenging.
 - Development Fee Framework – long term work item that will make estimating easier.
 - ***Housing Crisis Work Plan Item: Develop an impact fee registry that is a unified listing of all fees and taxes in one place with a point of contact in the responsible department.***

City Fees & Taxes

- **Bond Issuance** – City requires it be the issuer of all bonds financing multi-family rental projects (Council Policy 1-16).
 - Numerous advantages to City role as issuer; ability to grant exemptions.
 - Raised issue of competitiveness of issuance fee and ongoing monitoring fee.
 - ***Housing Crisis Work Plan Item:*** Staff will evaluate and compare bond fees from outside issuers and consider strategies to eliminate incentive to use outside bond issuers.

Other Topics and Non-governmental Barriers

- **Impact on Policy Changes to Site Selection** – Shifting policies and priorities can stall a project.
- **Construction Costs** – Continued to rise through the pandemic.
 - Projects may need to utilize additional funding sources.
 - Adds time while costs are also increasing.

Next Steps

- ✓ **Incorporate highlighted work items into Housing Crisis Work Plan.**
 - Next Update to Community & Economic Development Committee in May.
- ✓ **Complete further analysis and return to Council with recommendations regarding tax suspension.**
- ✓ **Additional Outreach through Housing Element Update Process.**

Recommendation

Accept the report on barriers to affordable housing construction, and approve the following:

- a) Add the following work items to the Housing Crisis Work Plan to further assist affordable housing development based on the feedback received during outreach:
 - 1) Create an impact fee registry.
 - 2) Establish internal coordination meetings to help facilitate key deadlines for affordable developments.
 - 3) Evaluate the City's bond issuance and monitoring fees and consider strategies to eliminate the incentive to use outside bond issuers and encourage participation in the City's bond program.
- b) Explore a new temporary suspension, and clarification of existing exemptions, for the collection of the residential construction taxes listed below for affordable housing development:
 - 1) Building and Structure Construction Tax;
 - 2) Commercial-Residential Mobilehome Park Building Tax;
 - 3) Residential Construction Tax; and
 - 4) Construction Portion of the Construction and Conveyance Tax.

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