



STAFF REPORT

AGENDA NO: 11c

MEETING DATE: July 1, 2024

To: Honorable Mayor and City Council

Date: July 1, 2024

**From: Ruben Hurin, Interim Community Development Director – (650) 558-7256
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Subject: Discussion of Residential Impact Fee Study

RECOMMENDATION

Staff recommends that the City Council discuss the residential impact fee study prepared by Seifel Consulting, Inc., and provide direction on whether the residential impact fees or on-site alternative should be adjusted pursuant to the analysis.

BACKGROUND

Residential impact fees are used to support and build new homes for lower-income residents. The fees can be charged to developers of new residential projects and used for land purchase, construction costs, or site rehabilitation related to providing workforce housing.

Jurisdictions may tailor the fees so they meet local needs. The fees can be adjusted for a wide variety of reasons, so long as they are not arbitrary or capricious, and so long as the fees for all projects remain below the legal maximum.

In 2018, the City Council considered the establishment of residential impact fees that would apply to new residential development in Burlingame. Following direction from the City Council, staff engaged Seifel Consulting Inc. to prepare an analysis of options for residential impact fees.

Seifel Consulting developed recommendations related to 1) the potential adoption of new fees on residential development, and 2) the best strategies to incentivize the on-site provision of affordable housing within new development as part of the City's housing program.

After carefully considering the findings of the analysis and discussion by the City Council, the Council, at their April 1, 2019 meeting, adopted Ordinance No. 1961, adding Chapter 25.82 to Title 25 of the Burlingame Municipal Code, establishing residential impact fees on new residential development in Burlingame, as follows:

Current Residential Development Impact Fee Structure

	Impact Fee – Per Square Foot	
	Base	With Prevailing / Area Wage
Rental Multifamily – 11 units and above		
Up to 50 du/ac	\$17.00 / sq ft	\$14.00 / sq ft
51-70 du/ac	\$20.00 / sq ft	\$17.00 / sq ft
71 du/ac and above	\$30.00 / sq ft	\$25.00 / sq ft
For Sale Multifamily (Condominiums) – 7 units and above		
	\$35.00 / sq ft	\$30.00 / sq ft
Notes: 1. Rental Multifamily with total of 10 units or fewer are exempt. 2. For Sale Multifamily (Condominiums) with total of 6 units or fewer are exempt. 3. Rental projects that convert to condominiums within 10 years of completion of construction would be subject to the fee differential as a condition of conversion.		

Due to the passage of Measure T in 1987, Burlingame cannot directly regulate the price for which property is sold, leased, rented, transferred, or exchanged. As such, Burlingame has adopted the residential impact fee program, with an alternative for developers to provide 10% of rental units on-site to moderate-income households (80 - 120% AMI) at affordable rents set at or below 110% area median income (AMI) and 10% of ownership units on-site to above-moderate income households (120 -150% AMI) at affordable sales prices set at or below 135% AMI.

DISCUSSION

In September 2022, staff engaged Seifel Consulting to perform a review of the City's residential impact fee program due to increased interest in multifamily residential developments after the 2019 General Plan update and 2021 Zoning Code update. This review studied the feasibility of adjusting the existing fee and the on-site alternative, examining the following questions:

- How have economic conditions changed since 2018, and how does this affect housing development?
- Since the housing fee has remained the same since 2019, should it increase? Is paying the housing fee more or less feasible than providing units on-site?
- Could the City change the 10% on-site affordable housing alternative or change the target income of the affordable units? What are the effects of using (or not using) State Density Bonus Law (DBL)?

Based on this review, the following recommendations are provided for consideration by the City Council regarding the residential impact fee program and the alternative on-site provision of affordable housing units in-lieu of paying the fee. These policy changes will help the City to achieve its Housing Element goals to encourage new housing development, including affordable units, and to incentivize developers to provide on-site affordable housing instead of paying the housing fee.

1. Residential Impact Fee

Developers of new housing would continue to pay the residential impact fee based on the City's existing fee framework with the following recommended changes:

- Clarify that the housing fee applies to all types of for-sale housing with 7 units or more.
- Increase the housing fee in FY 2024-25 by the following percentages from the current 2019 levels to incentivize onsite affordable units:
 - 15% fee increase for apartments and condominiums
 - 30% fee increase for single family attached (SFA or townhomes)
 - *These proposed increases in fee levels are within the maximum justified fee levels according to the City's 2015 Nexus Study.*
- Increase the residential fee annually thereafter based on an annual inflation index that is consistent with an index recommended by the City's 2024 impact fee study for other similar fees.

2. On-site Affordable Alternative

Developers of new housing will continue to be able to provide on-site affordable housing units "in-lieu" of paying the housing fee.

- Maintain the same on-site alternatives as the current program that do not trigger State Density Bonus Law (DBL):
 - Rental – 10% of units with rents that are affordable to households at 110% AMI or below
 - For-Sale – 10% of units with sales prices that are affordable to households at 135% AMI or below
 - *On-site units would need to remain affordable for a period of 55 years or longer.*
- Implement ongoing legislative changes to DBL that incentivize the provision of affordable housing at deeper levels of affordability, for example, 10% of units onsite that are affordable to very low income households at 50% AMI.
- Streamline the process for developers to use DBL by utilizing State household income and affordable housing cost standards.

FISCAL IMPACT

The level of fees collected will vary depending on any adjustments made to the adopted fee level structure, and the provision of the on-site option in lieu of payment of fees. While most developers have opted to provide affordable housing units on-site rather than paying the residential impact fees, revenues from the impact fees would increase should the Council direct staff to pursue the 15% increase recommended by the analysis. No fiscal impact is anticipated if the fee remains the same.

Exhibit:

- Burlingame Residential Impact Fee Study (June 2024), Seifel Consulting, Inc.