



CITY COUNCIL AGENDA REPORT
PUBLIC HEARINGS
AGENDA ITEM NO. M.1

DATE: May 19, 2020

TO: City Council

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SUBJECT: Revision of Existing Fees and Adoption of New Fees Related to Development Impact Fees and the Affordable Housing In-Lieu Fee and Inclusionary Housing Ordinance Amendments. (15/20/20)

RECOMMENDATION

That the City Council:

1. Receive a presentation and public comments regarding proposed new fees and revisions to existing Development Impact Fees (DIF);
2. Review and provide comments on the new Development Impact Fee Nexus Study and Development Impact Fees pertaining to a resolution for a Growth Requirement Capital Fee, Park and Recreation Fee, Traffic Circulation Fee, Storm Drainage Fee, Utility Undergrounding In-Lieu Fee, Public Art Program Fee, and Mobility Fee, including an automatic annual inflation factor, and amendments and additions to Chapters 15 of the Oxnard City Code;
3. Receive a presentation and public comments on the Affordable Housing In-Lieu Nexus Study; review the proposed in-lieu fee, recommended modifications to the City's Inclusionary Housing Ordinance (Ord. No. 2721); and provide direction regarding timing for updating the City's Inclusionary Housing Ordinance;
4. Adopt the referenced Development Impact Fee Nexus Studies;
5. Adopt the Development Impact Fee and Affordable Housing Resolutions entitled "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OXNARD ADOPTING THE DEVELOPMENT IMPACT FEE NEXUS STUDY AND DEVELOPMENT IMPACT FEES FOR THE GROWTH REQUIREMENT CAPITAL FEE, PARK AND RECREATION FEE, TRAFFIC CIRCULATION FEE, STORM DRAINAGE FEE, MOBILITY FEE, PUBLIC ART PROGRAM FEE, AND UTILITY UNDERGROUNDING IN-LIEU FEE" and "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OXNARD ADOPTING THE AFFORDABLE HOUSING IN-LIEU FEE NEXUS STUDY AND AFFORDABLE HOUSING IN-LIEU FEES";
6. Introduce for first reading by title only and waive further reading of an Ordinance entitled: "ORDINANCE OF THE CITY OF OXNARD AMENDING ARTICLE VI, CHAPTER 15, DIVISION 1, SECTIONS 15-165, 15-166, 15-167, 15-170, 15-171, 15-173, 15-174, 15-178, AND ADDING SECTIONS 15-183 AND 15-184, AMENDING DIVISION 2, SECTIONS 15-186 AND 15-188, AMENDING DIVISION 5, SECTIONS 15-216, 15-218, 15-219, AND ADDING SECTION 15-220, AMENDING DIVISION 6, SECTIONS 15-225, AND 15-229, ADDING DIVISION 8, SECTIONS 15-242, 15-243, AND 15-244, AND ADDING DIVISION 9, SECTIONS 15-245, 15-246, 15-247, and 15-248, AND MAKING FINDINGS PURSUANT TO CEQA"; and
7. Introduce for first reading by title only and waive further reading of an uncodified Ordinance entitled: "ORDINANCE OF THE CITY OF OXNARD, CALIFORNIA, CONCERNING AFFORDABLE HOUSING REQUIREMENTS FOR NEW DEVELOPMENTS AND IN-LIEU AFFORDABLE HOUSING PAYMENT."

(Reviewed by Public Works & Transportation and Housing & Economic Development committees on April 28, 2020)

BACKGROUND

The City, in conjunction with Harris and Associates, has been in the process of updating both the Development Impact Fees (DIF) and the Affordable Housing Inclusionary In-Lieu fee programs. Two studies were prepared and will be discussed in more detail below: (1) the Development Impact Fee Nexus Study and 2) the Affordable Housing In-Lieu Nexus Study. These studies were presented separately to the City Council Public Works and Transportation Committee and the Housing and Economic Development Committee on April 28, 2020. Those reports and recommendations are combined into this report in order to facilitate the City Council's consideration and decision making. This report is presented in two parts: first the Development Impact Fees and second the Affordable Housing In-Lieu Fee.

The City of Oxnard's ("City") DIF and affordable housing in-lieu fees are woefully outdated, with some going back more than four decades. It is industry standard to adjust these fees annually using Engineering News-Record Construction Cost Index (ENR CCI), with a comprehensive update every five years. As the resident population and non-resident employment population in the City increase, there exists a correlating rise in the need for expanded public infrastructure and services to support the increased demand on City Infrastructure. It is imperative for the City to update all its fees in order to adequately pay for the various impacts created by new development and growth.

Development Impact Fees (DIF) are one-time fees paid by new development to fund the cost of providing municipal facilities to serve that development. This authorization exists through the enactment of California Government Code sections 66001 through 66025 (also known as the "Mitigation Fee Act" and sometimes referred to as "AB1600"). The Mitigation Fee Act is premised on the concept that new development pays its own way, or, put another way, new development has to mitigate its own impacts on the system.

The Mitigation Fee Act requires a rational nexus and rough proportionality between the type and scale of development and the fee imposed. This is what makes a DIF a "fee" and not a tax; DIF cannot be used for general purposes, such as maintenance. This process includes making a determination that there is a reasonable relationship between the purpose of the fee, the fee's use and the type of development project on which the fee is imposed. In order for DIF to be legally enforceable, a community must conduct an analysis that identifies anticipated growth that is related to infrastructure costs and apportion those costs to project development. This is distributed by type of development, square foot, dwelling unit, or per trip basis - with the intent that this impact fee type distribution equitably mitigates the impact of development on City resources, amenities and infrastructure.

EXECUTIVE SUMMARIES - DEVELOPMENT IMPACT FEE & AFFORDABLE HOUSING IN-LIEU FEE

DIF Executive Summary, Committee Input, and Staff Response:

The members of the Public Works and Transportation Committee passed a motion regarding the recommendations of the Development Impact Fee Study to the full City Council without making a recommendation in overall support of each of the specific fees. One Committee member suggested these fee adjustments were necessary to ensure new developments paid their fair share; one suggested these fees are increasing too significantly and would impact the City's ability to attract new development; and one member suggested there may be a compromise by setting the City of Oxnard's fees similar to the average fees of adjacent communities. Two of the Committee members also suggested that fees should be phased in.

Staff's general response to Committee Comments:

In considering these DIF increases, the City Council must balance several key issues. First, if the City doesn't charge the appropriate DIFs based on the attached data driven analysis, the City's infrastructure and facilities will be more overwhelmed, leading to even further reductions in levels of service and community dissatisfaction. As the City grows, there are many benefits; however, growth also impacts the existing infrastructure and population around it by adding more cars, bicycles and pedestrians to the streets, increasing sewer and stormwater flows into the City's systems, increasing demand for park space and amenities, public safety services, and other expanded public services, as well as building space from which to provide those services. The purpose of DIF is also to make sure the quality of life in the city is not negatively impacted by new development; thereby impacting residents. It also ensures that existing residents do not have to fund the expansion of services that would not be necessary without new development.

Response to fees impacting the City's ability to attract new development:

While raising our fees may appear to be a deterrent to development, a city that is falling apart, with increasing traffic congestion and insufficient services is actually more of a deterrent. With an eye to the potential long-term impacts of the Coronavirus crisis, the City of Oxnard expects to continue to attract residential, commercial, and industrial development and the economic benefits they bring to our community. The City's seaside location, quality of life and relatively low land values are expected to continue to attract development as the industry adjusts to these new fees and land values are adjusted accordingly. In addition, development is driven by three factors: (a) cost of land, (b) cost of materials and (c) cost of labor. Material and labor costs are more standardized across California, and especially standard within the County. Oxnard's cost of land compared to surrounding cities and other seaside communities in California remains relatively low and provides an incentive for economic investment and development. For example, the average industrial rent per square foot (a reflection of the cost of land) in January 2020 for the City of Oxnard was \$0.71, compared with \$0.80 in the cities of Ventura and Camarillo, \$0.79 in the cities of Moorpark and Simi Valley, \$0.96 in the City of Thousand Oaks and \$1.20 in the City of Westlake Village. Given these land prices, the City is not expecting development to avoid investment in the City of Oxnard as developers focus on the total cost of development, not just the DIFs; furthermore, the proposed fees are generally in alignment with other jurisdictions in Ventura County.

Because it has been many years since Oxnard has updated our fees, we must go through this seemingly extreme increase, but it will actually bring Oxnard up to the present needs. Once these fees are in place, and the City implements a regular DIF update based on the cost of construction as anticipated, our fees will be predictable and development is not likely to be impacted given our already lower cost of land.

Further, getting the City's DIFs in line with the impacts of development on the community's infrastructure and facilities will ensure the City has a high quality of life and is an attractive place for private investment.

Response to setting fees to be closer to the adjacent communities:

Although it may be relevant to compare DIFs across nearby local jurisdictions, it is not reasonable to expect DIFs to be similar across these same jurisdictions. Harris and Associates reached out to five other public agencies to see what their DIF are currently. Those agencies were the cities of Santa Clarita, Goleta, Ventura, Thousand Oaks and Camarillo (there is a more robust discussion on the comparisons to other cities further in the report). At first glance, it might seem like these comparable cities are very different from Oxnard, so how can they be used to compare DIF's?

Goleta is a more affluent city, but as an example, traffic fees are based on what construction needs to be done in order to maintain a particular level of service after new development, and not based on the wealth of the community. Goleta's general plan forecasts a certain amount of growth, and the traffic impact fee simply reflects the cost of mitigating those impacts. Goleta's fees are higher because the construction costs are higher when they are encountering railroad tracks and expanding roadway width, which is similar to Oxnard's construction needs.

The cities of Thousand Oaks and Camarillo are much younger cities. Streets in both cities are wider with more lanes and have greater capacity. This means that not as much expansion of the infrastructure is necessary, because it already exists as needed and therefore fees would be expected to be lower.

Oxnard is a much older city and, like most older cities, has grown differently in different areas over the years. It isn't always a simple matter to expand capacity, because the impacts to private property and existing physical barriers (railroads) could be significant and costly. The cost of infrastructure such as roadway improvements is directly tied to construction estimates for specific improvement in the City's master plan and included as a baseline in this report. In some cases the costs to address the physical barriers are so significant that other strategies such as adaptive traffic signals are superior options; capacity can be increased through better timing rather than widening a road which might require demolition of buildings. These improvements and future development are aligned with the adoption of the City's General Plan and this alignment guides the DIF analysis. This is also true for the Parks Development and other DIFs to be considered

In total, the proposed Oxnard DIFs are aligned with other jurisdictions. For example, the proposed fees compare

generally to the average fees of nearby cities (see the chart on Report Summary and Discussion section below). The proposed fees are below the single family average for traffic and storm drain and above the average for general growth and park development. In fact when compared to the average across all land use categories, the proposed park fee is below the city average fee. In addition, fees will be in full compliance with the legal requirements of AB 1600. The proposed DIF will have a reasonable relationship between the amount of the fees and the cost of the facility or portion of the facility attributable to new development.

Response to fees are increasing much too quickly and the need for phasing:

The recommendation before the City Council represents a significant adjustment of these fees. However, these adjustments are representative of the real cost of facilities and infrastructure necessary to keep up with the pace of new development and its impact on the City. The Committee members all acknowledged the challenge of increasing fees at this time of great economic uncertainty.

The DIF Report finds that the City's current DIF do not accurately represent new development's share of public facilities and capital improvements needed to support the City of Oxnard. The analysis and recommendation from this study is that the majority of the DIF need to be increased significantly. Proposed DIF increases range from a low of 1% (\$5,088 to \$5,132) to as high as a 2697% increase (\$250 to \$4,624).

Members of the Committee were concerned about raising the fees all at one time. In forwarding the item to the full City Council the Committee directed staff to present a plan for phasing in the fees over time. It should be noted that given how significantly outdated the City's DIFs are and the rigor with which the analysis was prepared, staff is not recommending reduction of any of the fees and does recommend that Council implement the fees immediately and without any phasing; however the Committee directed staff to propose phasing in the DIFs. In developing options for phasing, staff was guided by the following criteria:

1. Fees that were generally in line with adjacent cities were not recommended for a phased in option.
2. Fees that increased by more than 100% were considered for a phased in option; however, if they increased by more than a 100% but were in alignment with adjacent cities they were not recommended for phasing.
3. Recommendations for implementation delays were based on the level of increase and comparison with surrounding jurisdictions.

The above criteria results in the Growth Fee, Park Development Fee, Traffic Impact Fee, and Mobility Fee being considered for phasing. Possible phasing is based on the above criteria is:

1. Park Development Fee is the oldest fee (last updated in 1972) and reflects the most significant increase. Based on the increase, staff recommends Council adopt the fee, but implement $\frac{1}{3}$ of the proposed increase effective immediately; apply the second $\frac{1}{3}$ of the proposed increase July 1, 2021; and the balance of the increase on July 1, 2022. It should be noted that the City is currently updating the Parks Master Plan. If this Plan results in a different set of projects and priorities in recreation types, the fee will need to be updated to reflect that. During that update Council may wish to direct staff to explore spreading the fee to apply to all land development categories rather than just residential development.
2. Implement 50% of the proposed Growth Fee increase immediately; apply the second 50% of the proposed increase in July 2021. Because the Growth Fee for industrial development increased by 42% staff does not recommend including in this delayed implementation. The Growth Fee in single family increased 115%, 241% in multifamily residential; 236% in retail development; and 302% in office development.
3. Traffic Impact Fees vary across land use categories with some increasing and others decreasing. The Traffic Impact fees increase over 100% in only the Gas Station land use category, so staff suggests that Council implement this fee increase immediately with no phasing.
4. Mobility Fee is a new fee, so any amount would be considered an increase. The need for the Mobility Fee was established in the City's 2011 Bicycle and Pedestrian Facilities Master Plan. This fee should be implemented immediately to support the City's effort to be a more resilient community with a multi-modal transportation system. The City's bicycle network is inadequate. By installing new bike lanes that meet current standards, in areas that do not currently have them, we will also improve bicyclist safety as a beneficial effect. This holds true

for pedestrian facilities as well.

5. The Underground Utility Fee was adopted in 1989. The underground utility exceeds a 100% increase over the current fee; however, the payment of this fee is available to smaller projects to select fee payment rather than completing the undergrounding of utilities and therefore isn't recommended to be phased in.
6. In terms of the applicability date of the various DIFs, staff recommends that any development project that has 1) obtained an approved Planning entitlement shall be permitted to apply the current fees and 2) obtains a building permit within 12 months of the effective date of the new DIFs.

The Public Art Fee (2006 fee) and Storm Drain Fee (1991 fee) should be implemented immediately and with no phasing. The Public Art Fee is proposed to increase 40% and Storm Drain Fee is proposed to increase 100%. Both these increases reflect calculations of the increased cost of construction since each fee was first adopted.

Should the City Council consider the phasing option, it will provide a much needed increase in DIFs to reflect the real need, but include a gradual phasing in of the two largest fee increases (Park Development and Growth Fee, with the exception of industrial growth fees) to allow the development community to adjust. It will ensure certainty for developers who are already in the process and predictability for future developers who will understand their fee obligation before they confirm land acquisition expenses. This approach also acknowledged the precarious economic times we are all in and allows for future adjustments based on how long the impact of COVID-19 lasts.

Other Public Works & Transportation Committee Questions:

In addition to the suggestions on the fee levels and implementation the Committee asked two specific questions:

- (1) Does the gas station per pump fee also apply to electronic charging stations?

Gas pump fees are based on the number of pumps at a station as well as all the various other services or business types that might be included on the same property. Such as convenience stores and fast food restaurants. That is because in setting fees one must consider what attracted customers to a business, and whether multiple needs can be met in one location with fewer overall trips to the system. Electric charging stations are currently found in shopping centers and other places where either the business is providing them for customers as an incentive, or employers providing them for employees as a benefit. In both of these cases, drivers are not specifically driving to one of these locations the same way they would make a trip to a gas station. In the future, when rapid charging stations are included either at gas stations or new stations that cater to electric vehicles, a new fee will likely become standard. But at this time, electric vehicle charging is not generating unique trips.

- (2) How are utility underground fees utilized?

As for utility undergrounding fees, the fee was created to allow smaller infill projects, in the range of 1 to 10 acres, to pay an in-lieu fee rather than undergrounding small amounts of electrical lines. Undergrounding is expensive and the cost would result in an overly large economic burden on these smaller projects which would make the projects economically infeasible. The in-lieu fee equals the project's fair share cost of undergrounding of utilities on arterial roads citywide. The City collects these fees and will use them to underground overhead utility lines along arterials as listed in the original staff report that set the in-lieu fee. There is nothing that would prevent a developer from undergrounding utilities themselves if it was preferable to them to do so. There are times when it makes more sense for the developer to underground utilities because it fits in better with the work they are already doing. This in-lieu fee is intended to remove what can be a large burden from smaller developments.

Affordable Housing In-Lieu Fee Executive Summary, Committee Input, and Staff Response:

Under City Council policy the option to pay inclusionary in-lieu fees requires City Council consideration early in the development review process through a Pre-Application agenda item. In the past several years, the Council has rejected these requests to pay the current in-lieu fee because the fee is inadequate and would not provide the necessary leveraged funds to actually expand the City's supply of affordable housing. So, the proposed fee should not be considered an

increase in a current fee because the current fee has not been allowed for several years. In fact, the proposed affordable housing in-lieu fee will be a new option for developers who will be allowed to pay this fee as it is more aligned with the amount necessary to leverage other funding sources for additional affordable housing.

The members of the Housing and Economic Development Committee recommended on a vote of 3-0 to forward a recommendation to the full City Council to approve the recommended Affordable Housing in-lieu Fee, including support for updating the inclusionary housing ordinance. During Committee discussion regarding the matter, the Committee members asked for feedback in regards to:

(1) Consider the comparison of the proposed fee to those in adjacent cities

In-lieu fees are not consistent across the region and the City's proposed fees are based on Oxnard specific facts and the City's Affordable Housing policies

(2) How does the concept of supply and demand impact the production of affordable housing?

Generally more supply means lower prices; however, when it comes to addressing California's severe housing crisis, additional market rate supply doesn't necessarily result in more affordable housing; further intervention is necessary to ensure affordability

(3) How much in-lieu funding has been collected and how is it being used?

The current in-lieu fee balance is \$2.3m and these funds are used to leverage other funding and maximize the number of new affordable housing units

DEVELOPMENT IMPACT FEE STUDY

Harris prepared the Development Impact Nexus Study. The Study addresses the following fees:

Growth Requirement Capital Fee (which contains 4 Components)

The current Growth Requirement Capital Fee was adopted in 2005. The proposed Growth Requirement Capital Fee is broken into four categories; (1) Government Facilities, (2) Police Facilities, (3) Fire Facilities, and (4) Cultural and Recreational Facilities. The Growth Requirement Fee funds facilities such as police stations and equipment, fire stations and equipment, city hall, community centers, visitor center, and the corporation yard. The proposed fee uses the existing inventory method for fee calculation.

Parks Development Fee

The current Park Development Fee was adopted by Ordinance No. 1421 in 1972. The Park Development Fee covers park development costs only. The City's 2030 General Plan sets the park standard for the City at 1.5 acres per 1,000 residents for neighborhood parks and 1.5 acres per 1,000 residents for community parks for a total of three (3) acres per 1,000 residents. The cost per resident is converted to a fee per new residential unit based on the estimated persons per household. The proposed fee uses the facility standards method for fee calculation. The funds collected are used to build improvements that expand the City's existing park system to ensure the City maintains the standard of three (3) acres per 1,000 residents.

Park land dedication or an in-lieu fee is regulated through Quimby Act Fees as set forth in Chapter 15, Article IV of the City Code. Quimby is separate and apart from the Park and Recreation Fee and is not proposed for adjustment through this recommendation.

Storm Drainage Fee

The current Storm Drainage Fee was adopted in 1991. The storm drainage fee provides funding for the infrastructure required to mitigate the impacts of new development. As each new development occurs, additional impervious area is

created which creates the need for the expansion of storm drainage facilities. The storm drainage fee will be escalated by the Engineering News Record Construction Cost Index (ENR CCI) at this time to ensure that adequate funding is received until the City can update their Storm Drainage Master Plan. The fee is calculated using the planned facilities method. A comprehensive update to this fee will be done after the Storm Drainage Master Plan is updated in 2021.

Traffic Circulation Fee

The current Traffic Circulation Fee was comprehensively adopted in 2007, with minor adjustments to the development categories in 2009 and adjustments to the restaurant fee in 2010. The fees for traffic circulation cover the costs to lessen the effects of additional vehicle trips caused by new development and maintain the City's level of service standard. Funding new transportation facilities, improvements such as adaptive traffic signals or the addition of dedicated turn lanes, and other related infrastructure will ensure that the service level is maintained as development and population growth produce an increase in roadway use and changes in traffic patterns. The fee is calculated using the planned facilities method.

The City's Traffic Model is expected to be updated in 2021. Once that is completed, the assumptions in the Development Impact Fee Nexus Study will be updated and a new fee will be presented to City Council for consideration.

Public Art Program Fee

The current Public Art Program Fee was adopted in 2006. The City's public art program is designed to enhance the overall quality of life and create a more vibrant community. This fee is designed to help the City adequately fund artwork on public property and reimburse the City's costs to administer the Program. Artwork may be any visual art, including, but not limited to, a sculpture, monument, mural, fresco, wall hanging, or mosaic. In order to keep pace with inflation, the current fee is being updated by the ENR CCI for Los Angeles. This ensures that new development continues to fund the public art program at the same level as it has been historically funded. The fee is being established pursuant to the existing Public Art Fee Program Resolution to keep up with the cost of inflation.

Utility Undergrounding In-Lieu Fee

The current Utility Undergrounding In-Lieu Fee was adopted in 1989. The purpose of the City's utility undergrounding policy is to enhance the safety of the public and the persons frequenting the new developments and to improve the appearance of the new development and the City. For smaller projects, the cost per acre of undergrounding adjacent utilities is more than twice the undergrounding cost per acre of larger projects. For a one acre project, the cost per acre is nearly eight times the cost per acre for a larger project. Therefore, this fee is intended to prevent excessive costs to smaller projects while still maintaining a proportionate financial participation of projects under 10 acres. The fee is calculated using the master plan method.

Mobility Fee

This is a new fee and is designed to be used to construct mobility improvements including sidewalks, bike lanes, pedestrian bridges, and other similar facilities that are necessary to improve connectivity within the City, including improving bicycle and pedestrian access to public transportation stops and stations, and increasing bicycle mode sharing. These types of improvements, designed according to modern standards will also improve bicycle and pedestrian safety. This fee is intended to implement priority projects contained with the City Council adopted Bicycle and Pedestrian Facilities Master Plan. The fee is calculated using a combination of master planned facilities and existing inventory methods.

Downtown Parking In-Lieu Fee

The City engaged Harris and Associates to prepare an Downtown Parking In-Lieu Fee Nexus Study. This fee is pursuant

to the City’s Downtown strategy. The fee will be presented to Council at a later date along with appropriate amendments to the Downtown Code.

Comparison to Other Agencies

Harris and Associates reached out to five other public agencies to see what their DIF are currently. Those agencies were the cities of Santa Clarita, Goleta, Ventura, Thousand Oaks and Camarillo. Some of the cities did not have all of the same fees:

- City of Ventura has: Growth, Traffic and Park DIF
- City of Thousand Oaks has: Traffic DIF
- City of Camarillo has: Traffic DIF
- City of Santa Clarita has: Growth, Traffic, Mobility and Park Development DIF
- City of Goleta has: Growth, Traffic, Mobility, Storm Drain and Park DIF

While a full table is attached to this staff report, below is how the City of Oxnard proposed DIF compares to the average of the above cities for a Single Family Residence (SFR). The SFR category has the highest fees, so this is the category being highlighted in the body of the report. SFR is also the category of development that the City sees the lowest percentage of.

Single Family Residence DIF	Five City Average	Proposed Oxnard
Growth	\$3,760.68	\$5,981.00
Traffic	\$10,121.04	\$9,769.00
Mobility	\$1,668.50	\$3,396.00
Storm Drain	\$3,649.00	\$2,657.88
Park Development	\$5,731.50	\$6,993.00

**While the Mobility Fee is higher than other jurisdictions, not all even have one. If a city has an older Traffic DIF, mobility projects are likely rolled into their Traffic DIF. Current best practice is to separate Traffic and Mobility fees.*

The table below shows the average of all fees over all five development categories for both the comparative jurisdictions and the City of Oxnard proposed DIF. The City of Oxnard only charges a Park Development Fee for residential uses, so the fee was averaged over all five categories to show the average City of Oxnard impact. In total, the proposed Oxnard DIFs are aligned with other jurisdictions.

Type of DIF	Five City Average of All Development Categories	Proposed Oxnard Average of All Development Categories
Growth	\$1,937.43	\$3,043.20
Traffic	\$8,514.08	\$7,822.80
Mobility	\$863.10	\$1,727.80
Storm Drain	\$2,405.70	\$1,762.00
Park Development	\$3,197.41	\$2,323.40

Comparison of Proposed Fees to the Current Fees

The following table provides a summary comparison of the proposed fees to the City's existing fees. Proposed DIF increases range from a low of 1% (\$5,088 to \$5,132) to as high as a 2697% increase (\$250 to \$4,624).

		Oxnard (Proposed)	Oxnard Existing Fee	Percent Increase
Single Family Dwelling Unit	<i>Fee Per Unit</i>			
Growth		\$ 5,981.00	\$ 2,784.00	115%
Traffic		\$ 9,769.00	\$ 8,030.00	22%
Mobility		\$ 3,396.00	\$ 0.00	n/a
Storm Drain		\$ 2,657.88	\$ 1,330.63	100%
Public Art Program Fee		\$ 672.00	\$ 480.00	40%
Park Development		\$ 6,993.00	\$ 250.00	2697%
Total		\$ 29,468.88	\$ 12,874.63	129%
Multifamily Dwelling Unit	<i>Fee Per Unit</i>			
Growth		\$ 3,955.00	\$ 1,160.00	241%
Traffic		\$ 7,574.00	\$ 4,745.00	60%
Mobility		\$ 2,245.00	\$ 0.00	n/a
Storm Drain		\$ 1,624.28	\$ 813.17	100%
Public Art Program Fee		\$ 280.00	\$ 200.00	40%
Park Development		\$ 4,624.00	\$ 250.00	1750%
Total		\$ 20,302.28	\$ 7,168.17	183%
Retail Development	<i>Fee per 1,000 square feet</i>			
Growth		\$ 2,018.00	\$ 600.00	236%
Traffic		\$ 6,560.00	\$ 7,899.00	-17%
Mobility		\$ 1,146.00	\$ 0.00	n/a
Storm Drain		\$ 1,917.68	\$ 960.06	100%
Public Art Program Fee		\$ 280.00	\$ 200.00	40%
Park Development		n/a	n/a	
Total		\$ 11,921.68	\$ 9,659.06	23%
Office Development	<i>Fee per 1,000 square feet</i>			
Growth		\$ 2,409.00	\$ 600.00	302%
Traffic		\$ 10,079.00	\$ 7,899.00	28%
Mobility		\$ 1,367.00	\$ 0.00	n/a
Storm Drain		\$ 1,118.65	\$ 560.03	100%
Public Art Program Fee		\$ 280.00	\$ 200.00	40%
Park Development		n/a	n/a	
Total		\$ 15,253.65	\$ 9,259.03	65%
Industrial Development	<i>Fee per 1,000 square feet</i>			
Growth		\$ 853.00	\$ 600.00	42%
Traffic		\$ 5,132.00	\$ 5,088.00	1%
Mobility		\$ 485.00		n/a
Storm Drain		\$ 1,491.53	\$ 746.71	100%
Public Art Program Fee		\$ 280.00	\$ 200.00	40%
Park Development		n/a	n/a	
Total		\$ 8,241.53	\$ 6,634.71	24%

As part of the action before the City Council, staff is recommending that the City Council approves an ordinance amending the City's Development Impact Fee procedures in Chapter 15 of the City's Code of Ordinances (Code). The amendments will result in updating the City's DIF program. A clean version of the amendments to the Code is being presented to the City Council for approval at the public hearing and not a redline version. This is due to the substantial amount of changes that are being made to this section of the Code. A resolution adopting the Development Impact Fee Nexus Study which includes the amount of the fees, is also included in the recommended action items.

AFFORDABLE HOUSING IN-LIEU FEE

BACKGROUND

The City's Inclusionary Housing Ordinance ("Ordinance"), most recently adopted in 2006, generates affordable housing in proportion with the overall increase in market-rate residential units. The current ordinance requires the following for housing projects with 10 or more units:

- For-Sale: 10% of all units must be affordable to lower-income households and each unit is required to have at least 3 bedrooms, unless the project contains at least ten (10) 2 bedroom units, in which case 2 bedroom affordable units may be provided in the same percentage ratio to all affordable units as the percentage ratio of 2 bedroom market rate units bears to the total number of market rate units in the project;
- For-Rent: 5% of all units must be affordable to very low-income households (50% Average Median Income (AMI) or below), and 5% must be affordable to lower-income households (80% AMI or below); and
- Covenants must be recorded for projects to preserve the affordability of these units for at least 20 years.
- Allows developers to pay an in-lieu Affordable Housing Payment ("in-lieu fee" or "Fee") instead of constructing affordable units as part of the proposed project or constructing these units off site.
- The existing Fee amount for for-sale (ownership) units is set at one percent (1%) of the sales price of each market-rate unit in increments of \$50,000 with a minimum of \$5,000 for each unit. The current in-lieu payment amount for a development project where the units will be sold as rental units is \$7,735 for each market-rate unit to be built within a qualifying development project.
- The Ordinance (and therefore the in-lieu fees) do not apply to projects in areas subject to specific plans that require a project to provide as many or more affordable units.

The City's Inclusionary Housing Ordinance requires the inclusion of affordable housing units within new residential development projects. The ordinance requires 10% of new units in a development to be set aside and restricted as affordable housing units; and 15% within Urban Village areas as defined by the 2030 General Plan. City Council approval is required for a developer who seeks to pay the City's affordable housing in-lieu fee instead of constructing the units on site. Because the City's in-lieu fee has not been comprehensively updated, the established fee is considerably low and the City Council has not supported Developers request to pay the in-lieu fee instead of constructing the affordable units.

The Affordable Housing In-Lieu Fee Nexus Study analyzed in-lieu fees in two different ways. First, the Study provides an analysis of the linkage between the development of market-rate housing units and the need/demand for additional affordable housing units (i.e., the Demand-Based Supportable Fee shown in Table 1). Secondly, the Study uses the City's existing Inclusionary Housing Ordinance methodology, with current development costs and household income data (the current fees for rental units relies on 2006 development cost and household income data), to calculate the maximum supportable fees (i.e., the Inclusionary Equivalent Fee shown in Table 1). Additionally, the fees calculated under both methodologies are then compared to inclusionary housing in-lieu fees in other local cities and a suggested fee amount is provided. The Inclusionary Equivalent Fees, as contained in the Study, range from \$28,407 to \$44,702, which are somewhat higher than the average of other cities with inclusionary housing in-lieu fees.

	<u>Existing</u> In-Lieu Fee	<u>Demand</u> Based Supportable Fee	<u>Inclusionary</u> <u>Equivalent</u> Supportable Fee	Local City Survey
Single-Family For-Sale	\$7,000	\$99,111	\$44,700	\$36,026
Multifamily For-Sale	\$5,500	\$70,180	\$36,800	\$34,951
Multifamily For-Rent	\$7,735	\$53,029	\$28,400	\$23,147

City staff reviewed the options provided in the Study and is recommending adoption of a modified fee structure as shown below in Table 2. Table 2 shows the detail of the methodology utilized to calculate the Inclusionary Equivalent fees for each housing type and income level pursuant to the requirements of the exiting Ordinance. Table 2 also compared the Inclusionary Equivalent Fees (per unit) to the average of other cities. The last column of Table 2 shows the fee recommended by staff that would provide funding to continue to provide affordable housing in the community. The proposed fee for single-family and multi-family for-sale units represents a comparative average of in-lieu fees in other local jurisdictions.

Table 2

Land Use	Inclusionary Requirement	Affordability Level	Affordability Gap per Unit	Fee per Unit	Total Fee/ Unit	Average Fee - Other Cities	Proposed Fee
Single Family Detached For-Sale	10%	80% AMI or below	\$447,023	\$44,702	\$44,702	\$36,026	\$36,000
Multifamily For-Sale	10%	80% AMI or below	\$368,534	\$36,853	\$36,853	\$34,951	\$35,000
Multifamily For-Rent	5%	50-80% AMI	\$234,315	\$11,716	\$28,407	\$23,147	\$28,000
	5%	50% AMI or below	\$333,823	\$16,691			

The proposed fee for rental units is modified to allow for a greater capacity for multi-family development by recommending a fee similar to the Inclusionary Equivalent Fee. The proposed fees fall below the maximum supportable fees calculated under the Demand Based Fee model for all unit types and the Inclusionary Equivalent model for single-family and multi-family units offered for purchase. The proposed fees were determined based on the following rationale:

- The maximum Demand Based (Supportable) Fee is 100% to 175% higher than the fees charged by other cities. Given the option to develop housing in an adjacent Ventura County city that has no inclusionary housing requirement or significantly lower fees, many developers will likely not build in Oxnard which would result in a lack of market-rate housing and affordable housing. In addition, Inclusionary In-Lieu Fee would either not be collected or would be greatly diminished.
- Leveraging the inclusionary housing fees paid with other state and federal housing funding gives the City the ability to build more affordable units than would have otherwise been constructed by relying on just one funding source. Utilizing in-lieu fee payments, and leveraging these funds with other funding sources available for the development of affordable housing is a successful approach to produce affordable units while considering fees imposed throughout the region. The City of Oxnard has worked with non-profits and other developers to leverage funding collected from in-lieu fees with other federal and state funding sources to facilitate the development of hundreds of affordable units over the past several years.

The proposed fee and fee methodology necessitates an amendment to various sections of existing Ordinance No. 2721 (Part 10 (b) and (c) of the City's Inclusionary Housing Ordinance). The Ordinance changes are needed to align with the in-lieu fee methodology calculation outlined in the Nexus Study and to clarify the timing to pay the required in-lieu fee.

A change is also recommended to adjust the yearly in-lieu fee amount by utilizing the Engineering News Record Building Cost Index for the Los Angeles Region instead of the Consumer Price Index for all Urban Consumers. Utilizing this adjustment index is consistent with the City's DIF, as well as the adjustment factor used for these DIFs. Additionally, the revisions to the Ordinance No. 2721 also removes reference to the redevelopment areas of the City (redevelopment was eliminated by State Law in 2011) and a requirement that the fee be paid at the time the permits are pulled (Part 14 and Part 11, respectively). A clean version of the amendments to the City's Code of Ordinances (Code) will be presented to the City Council for approval.

As part of the City's update to its 2021-2029 Housing Element, substantial revisions to the City's Inclusionary Housing Ordinance will be considered at that time. City Council policy direction will be sought in this comprehensive update to the Inclusionary Housing Ordinance. This update is expected to occur by July 2021.

Community Input

The study and the resulting fees were presented to Chamber of Commerce members, the development community, and the Building Industry Association (BIA) on March 12, 2020. Attached to this report are letters from both the BIA and Oxnard Chamber of Commerce. The Chamber opposes any increases during these uncertain economic times and questions the fee comparison to the Cities of Santa Clarita and Goleta. The BIA, also informed by the current health and economic crisis, asks that the City delay any consideration of updated development impact fees indefinitely.

In addition, a meeting was held on April 8, 2020, with members of the community including, affordable housing advocates, farmworker representatives, and affordable housing developers to solicit input on the proposed in-lieu fee. Approximately 17 attended this meeting. A summary of this input is provided within the attached memo dated April 24th (see Attachment 9).

Ms. Macri-Ortiz participated in the Committee meeting and expressed that the full cost to construct an affordable unit should be charged instead of the proposed fee; she also supported comprehensively updating the City's inclusionary housing ordinance, of which the in-lieu fee is one component. She also felt that the affordable housing percentages in the existing inclusionary housing ordinance should be adjusted and re-evaluated as part of a comprehensive update to the inclusionary housing ordinance. Staff is in support of Ms. Macri-Ortiz's recommendation to update the inclusionary housing ordinance simultaneously with updating the City's 2021-2029 Housing Element.

Environmental Review

In accordance with Section 15378(b)(4) of the California Environmental Quality Act (CEQA) Guidelines, the DIF Nexus Study, Affordable Housing In-Lieu Fee, and Affordable Housing In-Lieu Nexus Study have been determined to not be a project as described and determined by CEQA.

Notification of Public Hearing

Notice was published in the Vida Newspaper on April 30, 2020, and May 7, 2020, setting forth the time and manner of compliance with the requirements of law of providing notice of the time and place for the public hearing in the form and manner required by Government Code sections 66018, 6062(a) and 66019. Notice was also provided 14 days prior to the public hearing to those interested parties who have requested in writing, notification from the City of any fee increases.

STRATEGIC PRIORITIES

This agenda item supports the Economic Development strategy. The purpose of the Economic Development strategy is to develop and enhance Oxnard's business climate, promote the City's fiscal health, and support economic growth in a manner consistent with the City's unique character. This item supports the following goals and objectives:

Goal 1. Create vibrant and economically sustainable commercial, industrial and retail industries throughout the City.

This agenda item supports the Infrastructure and Natural Resources strategy. The purpose of the Infrastructure and Natural Resources strategy is to establish, preserve and improve our infrastructure and natural resources through effective planning, prioritization, and efficient use of available funding. This item supports the following goals and objectives:

Goal 3. Ensure Funding is adequate to meet the goals of the master plans.

Objective 3a. Maximize funding sources.

Objective 3b. Set rates and fees to fully recover cost.

FINANCIAL IMPACT

Development Impact Fee Study

No direct fiscal impacts to the City's operating budget are expected as a result of this recommended action. Rather, Development Impact Fees ("DIF") are fees paid by new development to fund the capital cost of providing municipal facilities to serve the increased demands from that development. Since the City's current adopted fees have not been updated in some time (varies by fee) the recommended action will generate additional funds beyond those expected under the existing DIF schedule. The consequence of not updating the DIFs would be an inability of the City to keep up with the increased capacity needs created by new development, which would lead to a lower overall quality of life for both current and future residents. By enacting the Mitigation Fee Act, the State legislature has concurred that the cost of mitigating the impacts of new development should be borne by new development and not existing residents and businesses.

Affordable Housing In-Lieu Study

Direct fiscal impacts to the City's operating budget are not expected as a result of this recommended action. Rather, Affordable Housing In-Lieu are fees paid by new development which will provide funding that will be used by the Housing Department to create new affordable housing opportunities in the City. This will include leveraging Affordable Housing In-Lieu funds with other state and federal housing funds to build more affordable units than would have otherwise been constructed by relying on just one funding source. Since the City's currently adopted Affordable Housing In-Lieu fees have not been updated in some time, the recommended action will generate additional funds beyond those expected under the existing fees.

COMMITTEE OUTCOME

On April 28, 2020, members of the Public Works and Transportation Committee passed a motion regarding the recommendations of the Development Impact Fee Study to the full City Council without making a recommendation in overall support of each of the specific fees.

The members of the Housing and Economic Development Committee recommended on a vote of 3-0 to forward a recommendation to the full City Council to approve the recommended Affordable Housing in-lieu Fee, including support for updating the inclusionary housing ordinance.

Prepared by: Jeffrey Lambert, Community Development Director, Rosemarie Gaglione, Public Works Director, Emilio Ramirez, Housing Director, Elsa Brown, Affordable Housing Program Manager, Kathleen Mallory, Planning & Sustainability Manager, Tara Mazzanti, Assistant City Attorney

ATTACHMENTS

1. City of Oxnard Development Impact Fee Nexus Study
2. City of Oxnard Affordable Housing In-Lieu Fee Nexus Study
3. Comment Letter BIA-LAV 4.16.20

4. Comment Letter Chamber of Commerce 4-17-20
5. Affordable Housing In-lieu Fee Ordinance
6. Affordable Housing In-lieu Fee Resolution (with Exhibit)
7. Development Impact Fee Resolution (with Exhibit)
8. Development Impact Fee Ordinance
9. April 24, 2020 Input Summary
10. Summary of Affordable Housing Ventura County
11. Affidavit of Publication
12. Presentation
13. Macri-Ortiz 2 HEDC Re Item D.1 In Lieu Fee