



2007 National Impact Fee Roundtable



Impact Fees and Smart Growth in Sacramento

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City of Sacramento
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Sacramento's Experience

- Presentation Focuses on Two Aspects of Smart Growth in Sacramento:
 - Infill Development
 - Affordable Workforce Housing
- Both Are Difficult to Finance
- Often Face Community Opposition
- Historically Relied on City Assistance
- Are Essential Components of any Smart Growth Strategy



Background

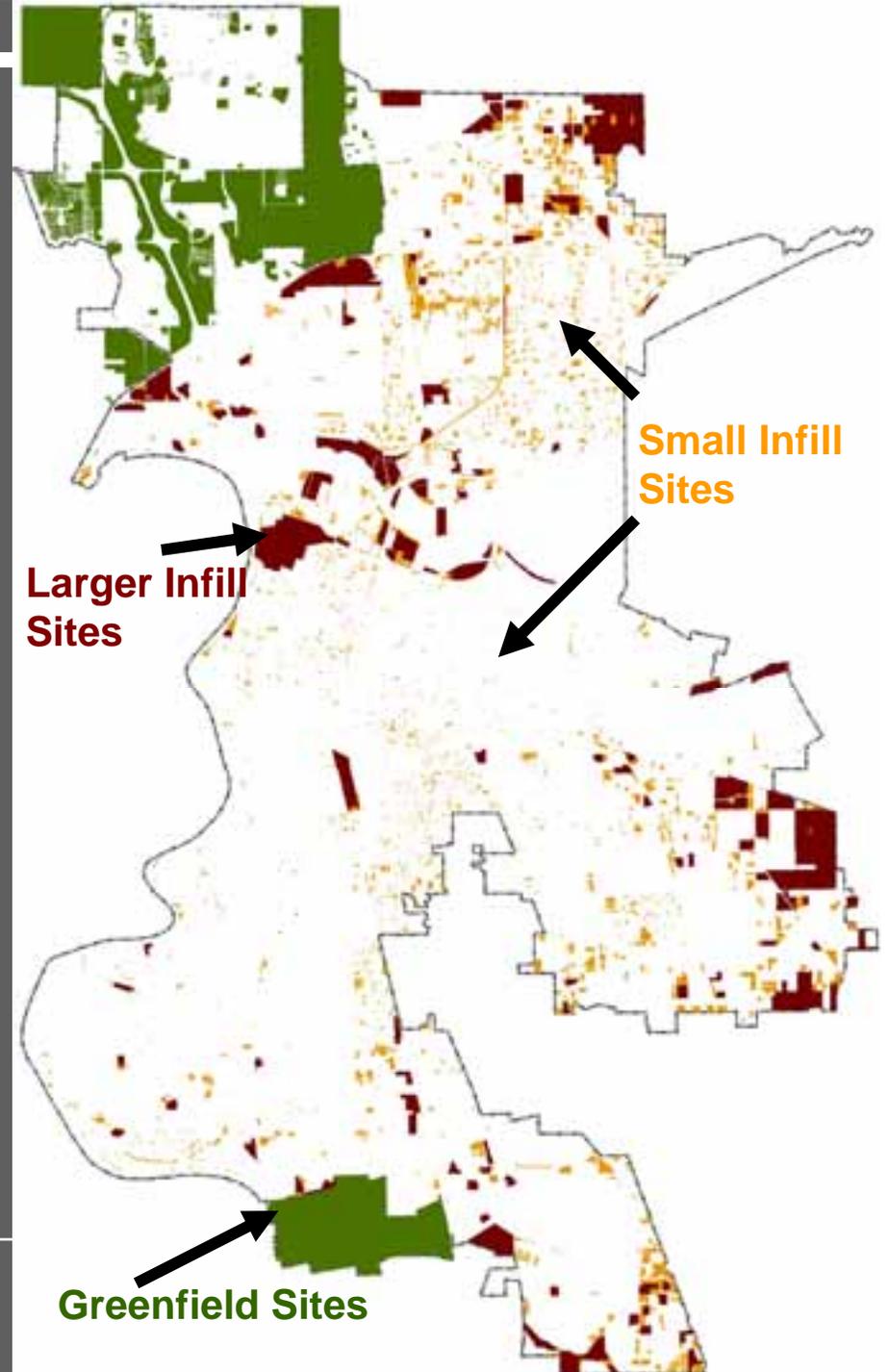


- ❑ Sacramento Has Many Vacant Infill Parcels Plus Underutilized Sites
- ❑ Significant Challenges to Development on Infill Sites
- ❑ Significant Increase in the Cost of Housing
- ❑ Workforce Increasingly Priced Out of the Housing Market
- ❑ Desire to Create Complete Neighborhoods with Mix of Housing



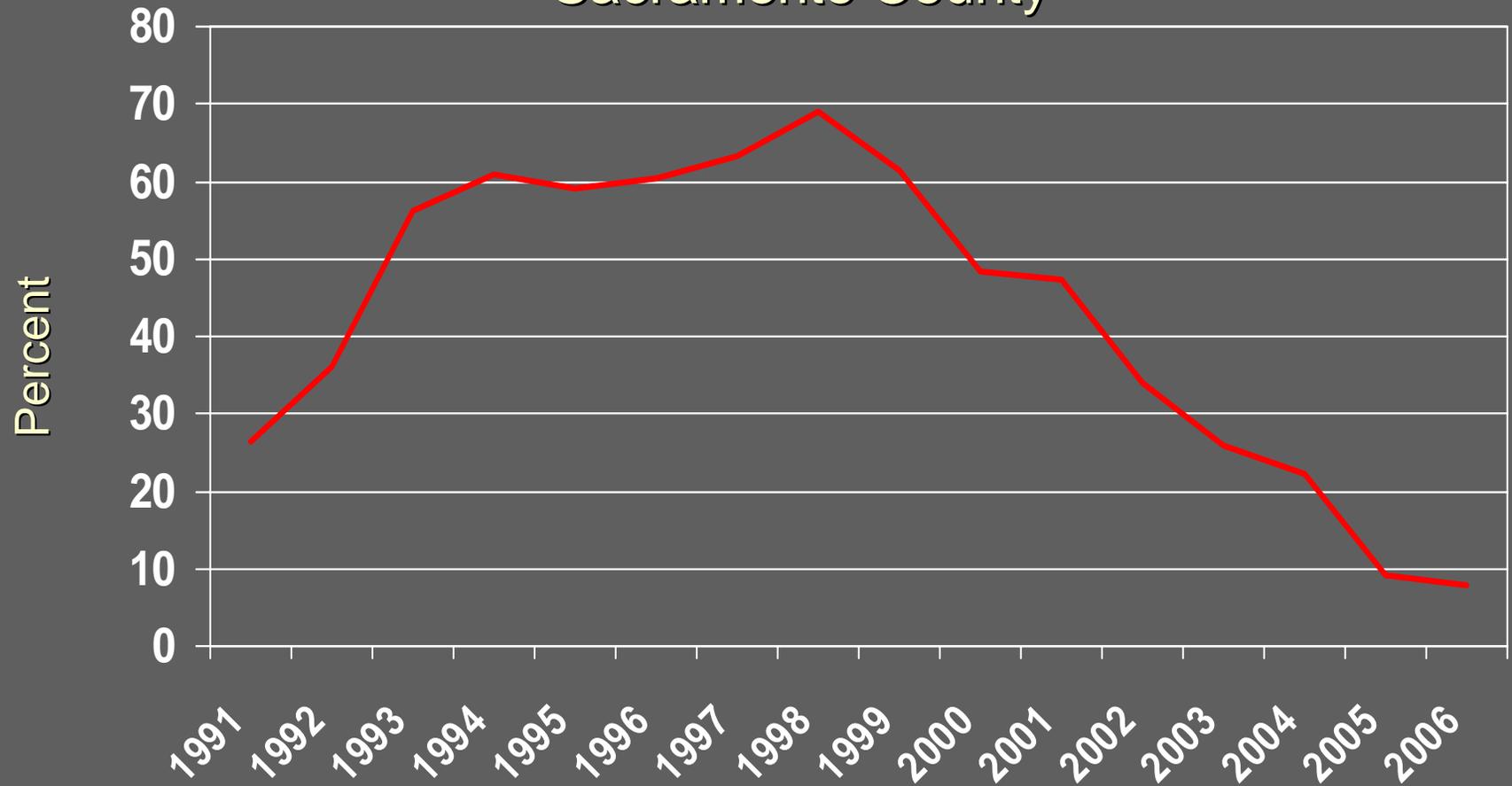
Vacant Infill Sites

- Small and Scattered Parcels
 - Skipped Over
 - Irregularly-Sized Parcels
- Larger Infill Parcels
 - Potential for Focused Efforts and Coordination
- Overall Infill Issues
 - Inadequate Infrastructure
 - Brownfield Issues
 - Financing Challenges



Housing Affordability Index

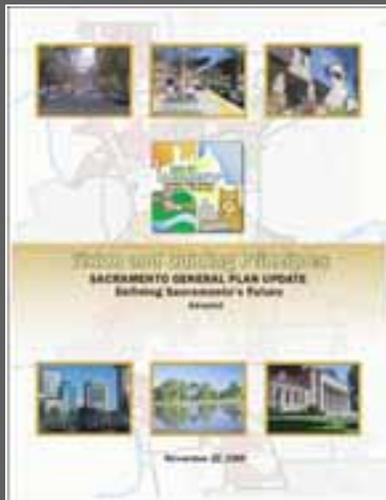
Sacramento County



Source: NAHB, Housing Opportunity Index, 2006



Policy Shift



- City Smart Growth Principles - 2001
- Infill Strategy - 2002
- SACOG Regional Blueprint - 2004
- New Housing Element - Underway
- New 2030 General Plan - Underway



Target Infill Areas



Central City



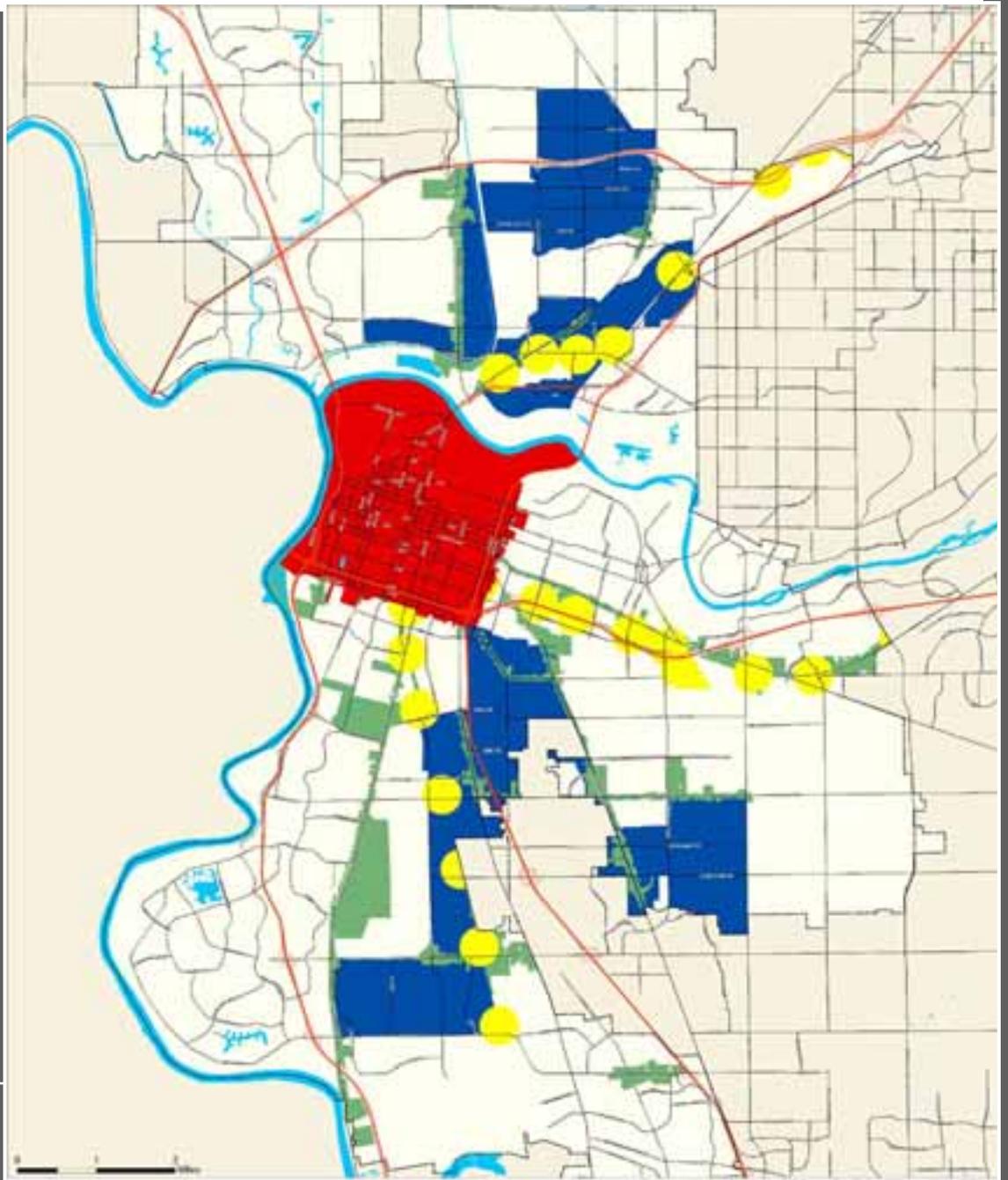
Residential Infill



Transit Stations



Corridors





Infill and Greenfield – Different Approaches for Different Needs

- “The private sector shall provide necessary capital improvements which provide benefit to (or mitigate development impact of) the North Natomas community”
 - *North Natomas Community Plan (1986)*
- “Provide focused incentives and project assistance to assist in infill development in target areas and sites.”
 - *Infill Strategy (2002)*



Total Fees:

Commercial Example

Retail = 10,000 sq ft on 1 acre, Valuation = \$890,700

Type of Fees	Infill Areas	Greenfield Areas	
		N. Natomas	Greenbriar
Impact Fee Amount	\$30,700	\$267,600	\$367,300
Other Fees	\$22,500	\$22,500	\$22,500
Total	\$53,200	\$290,100	\$389,800
Impact Fees as % of Total	58%	92%	94%



Total Fees:

Residential Example

Medium Density Residential; Detached Single Family Unit;
Building = 1,600 sq ft; Lot = 10,000 sq ft on 1 acre, Valuation
= \$96,544; Sales Price = \$310,000

Type of Fees	Infill Areas	Greenfield Areas	
		N. Natomas	Greenbriar
Impact Fee Amount	\$14,500	\$34,300	\$36,400
Other Fees	\$3,100	\$7,800	\$7,800
Total	\$17,600	\$42,100	\$44,200
Impact Fees as % of Total	82%	82%	82%



Remaining Challenges



- Even with Increase in Infill Development since 2002, only 5,000 of 21,000 Units Built Between 2002 - 2006
- Despite Lower Fee Level, Infill Projects Still Face Higher Costs and Difficulties Due to:
 - Inadequate Infrastructure
 - Limited Financing Options
 - Environmental Challenges
 - Community Resistance to Infill (NIMBY)
 - Lack of Predictability with Development Process



Financial Incentives for Infill: *Impact Fee Changes*



- ❑ Water Development Fee Waiver
 - Savings of \$1,281 - \$57,624+
- ❑ Lower Sewer Impact Fees
 - Reduces Fee by \$3,281 - \$4,375
- ❑ County SRCSD Sewer Credits
 - Reduces Fee by \$1,800 - \$6,177
- ❑ Affordable Housing Fee Waiver
 - Reduces Building Fees by \$1,000 - \$4,000/unit
- ❑ Infill Fee Reduction Program
 - Reduces Building Fees by \$5,000
- ❑ Infill Park Impact Fees
 - Reduces Standard Fee by \$2,592

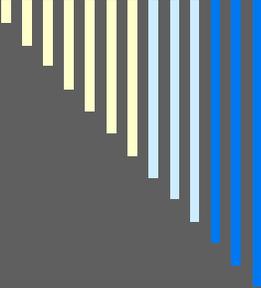


Example: Regional Sanitation Sewer Credits



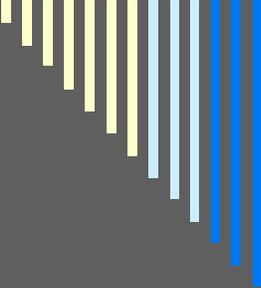
CSD-1

- ❑ 10-Year Program Designed to Promote Infill & Economic Development
- ❑ Result of Excess Capacity
- ❑ Provided through all Jurisdictions in Sacramento County plus West Sacramento
- ❑ Jurisdiction Grants Credits to Qualified Residential and Commercial Projects
- ❑ Reduces Fee to \$923/Equivalent Single-Family Dwelling (ESD)
- ❑ In 2006, City Used Sewer Credits for 324 Infill Housing Units



Obstacles to Incentives

- Incentives and Fee Waiver Programs Rarely Used
 - California Laws Have Undermined Usefulness of Programs
 - Incentive, Fee Reduction and Fee Waiver Programs either:
 - Trigger Prevailing Wage Requirements
 - OR –
 - Violate Prop. 218 Requirements
-



California Law and Impact Fees

- Proposition 13 (1978)
 - CA Senate Bill 975 (2001) and Prevailing Wage
 - Effectively Doubles the Cost of Doing Development
 - AB 1600 Requirements (California Mitigation Fee Act)
 - Proposition 218 (1996)
 - Fees Cannot Exceed Cost of Directly Related Capital
 - Cannot Use Fees for Other Purposes
-



Changing Approach to Impact Fees

- High Costs for Infill:
 - Inadequate Infrastructure
 - Transportation Impacts
- Neighborhood Concern over Impact from Infill
- Limited Funding to Overcome Obstacles to Infill
- Incentives through City Investment
 - Grants
 - Focused Capital Improvement Program
- New Interest in Citywide Impact Fees
- Additional Citywide Impact Fees with Zone Approach Under Discussion



Example: Park Development Impact Fee



- Citywide Park Impact Fee in 2004
- Policy Decision to Lower Fee in Infill Areas



- Based on Different Needs:

- Greenfield Development = New Capital (New Facilities)
- Infill Development = Capital Improvements to Existing Parks/Facilities





Example: (cont.)

Park Development Impact Fee



- Lower Fee Applies to Development in:
 - Central City
 - Commercial Corridors
 - Target Residential Infill Areas
 - 65th Street Transit Village
- Residential Fee Example
 - Standard Fee Residential = \$4,843
 - Infill Fee Residential = \$2,251
- In 2006, 16% of Projects Received Infill Fee Rate



Example: *County Sewer Impact Fees for Infill*



- Established by Sacramento Regional County Sanitation District & CSD-1
- Qualified Infill Area = 70% of Area is Developed
- New Areas Pay Higher Rate due to Expansion of System
- Generally 50% - 66% Less for Infill Areas
- Multifamily Example:
 - New Development Fee = \$5,325/unit
 - Infill Development Fee = \$2,044/unit



Housing Trust Fund History



- ❑ City Adopted Housing Linkage Fee in 1989
- ❑ Nexus Study Established Connection Between Commercial Development, Low Wage Jobs and Affordable Housing Demand
- ❑ Regional Approach With County and Other Cities
 - County, Citrus Heights, Elk Grove, Rancho Cordova and now Folsom Have Fee
- ❑ City Won BIA Lawsuit at US Supreme Court



Housing Trust Fund Goals



- ❑ Require Commercial Development to Address Low-income Housing Needs
- ❑ Increase Affordable Workforce Housing Stock
- ❑ Stimulate Affordable Housing Throughout City
- ❑ Provide Affordable Housing Near Job Centers



Housing Trust Fund Fees



- ❑ Fees Range From \$0.50 Per Sq Ft. for Warehouses to Almost \$2.00 for Retail Commercial
- ❑ Only City Increased Fees 81% in 2005
- ❑ Added Automatic Indexing in 2005
- ❑ Fees Generate \$1.5 Million Annually
- ❑ New Nexus Study Completed



Housing Trust Fund Production

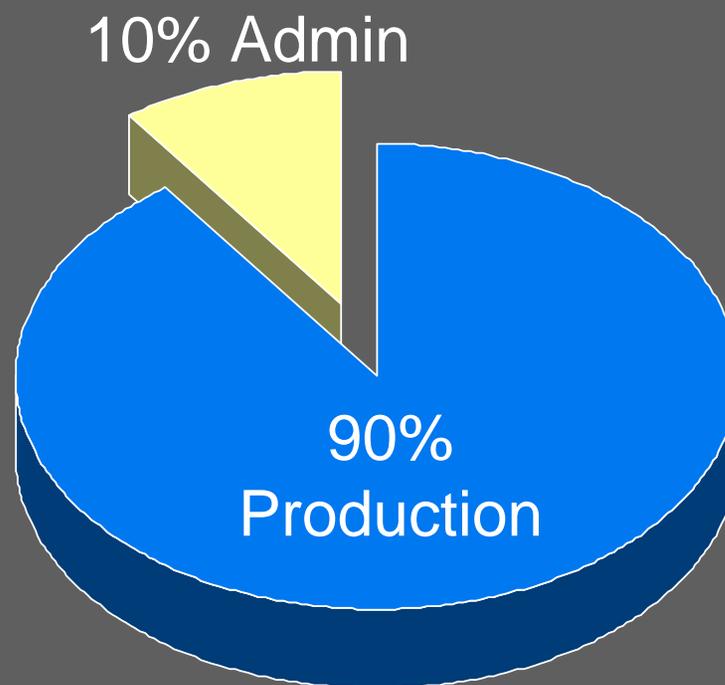


Total HTF Funds
Collected 1989-2006:

\$22 million

Affordable Housing
Units Produced in City
with Funds since 1989:

2,645 Units





Housing Trust Fund Issues

- ❑ Affordable Housing Needs Addressed by Both Residential and Non-Residential Development
- ❑ Concern Over Fee Levels and Impact on Retail Attraction
- ❑ Fee Setting and Regional Competition Issue
- ❑ Limited Regional Coordination



New Approach to Housing Trust Fund Impact Fee

- Only City and County have both Inclusionary Ordinance and Housing Trust Fund Fee
- Continue to Work with County and Others to Adjust Fee to Address Increased Need
- Focus on Regional Affordable Housing Issue



Lessons Learned in Sacramento:



- ❑ Cannot Rely on Fee Waivers and Reductions to Encourage Infill
- ❑ Need to Finance Infrastructure without Increasing Overall Infill Costs
- ❑ Need City Investment Strategy that Gets Infrastructure into Key Areas with Economic Potential
 - Reduces Risk from Prop. 218 Issues
 - Use in Conjunction with Impact Fee Zone
 - Focused CIP Strategy



Lessons Learned in Sacramento: *(cont.)*



- New Approach Necessary to Support Infill Emphasis in 2030 General Plan



- New Development Should Pay Full Cost of Impacts
- Use Zone Approach for Infill Areas
- Reduced Impact from Infill Development Should Result in Lower Impact Fees
 - Examples – Transportation, Parks
- Relief from Exactions for Critical Infill Projects





For More Information

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Infill Strategy and Other Info at Web Site:

www.cityofsacramento.org/planning/infill/

Housing Trust Fund Impact Fee Program:

www.cityofsacramento.org/planning/long-range/citywide-and-regional/housing.cfm