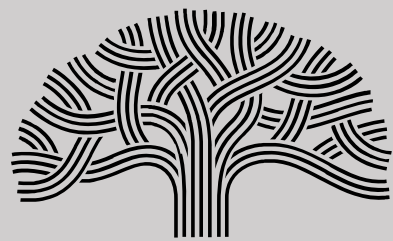


AMENDMENTS TO CITYWIDE IMPACT FEE REGULATIONS

CED COMMITTEE

June 10, 2025

Planning and Building Department



CITY OF
OAKLAND



Agenda

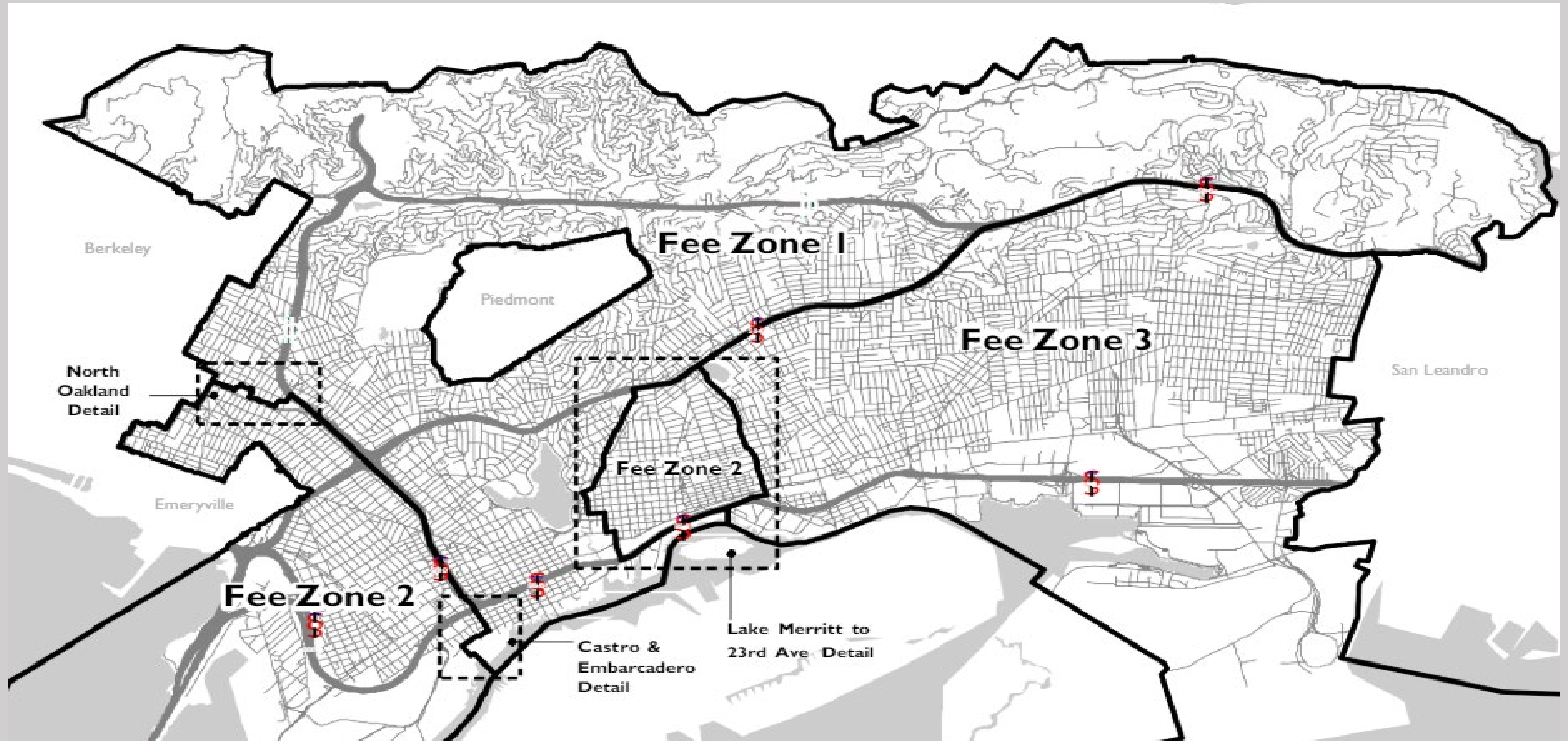
- **Background and Context**
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 - 3. Impact Fee Levels and Impact Fee Zones for Residential Projects**
 - 4. Impact Fee Payment Timing**
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Background and Context

Oakland's Impact Fee Program

- **Four impact fees**
 - **Affordable Housing Impact Fee (AHIF)** on residential development
 - **Transportation Impact Fee (TIF)** on all development
 - **Capital Improvements Impact Fee (CIIF)** on all development
 - **Jobs/Housing Impact Fee (JHIF)** on office and warehouse development
- **3 Impact Fee Zones** for Residential Projects
- JHIF adopted earlier and in effect since 2002
- AHIF, TIF, CIIF in effect since Sept. 2016
 - Phased in: July 2020 reached full adopted amount
- Impact fees increase with inflation.

Impact Fee Zones – Residential Projects



Key Findings - Development Feasibility Analysis and Housing Strategy Study

Phase 2 Analysis completed in July 2024

- Development Feasibility Analysis and Housing Strategy Study
- Potential Refinements to the City's Impact Fee Program

Key Findings

- Current economic conditions are different from the strong market context prior to the pandemic.
 - Reduced demand, higher vacancies, and lower rents
 - Higher capital and construction costs, loan defaults, property seizures, and low-value sales.
 - Perceived concerns with safety add additional impact on the desirability and costs of Oakland locations

Key Findings (cont'd) - Development Feasibility Analysis and Housing Strategy Study

- The Density Bonus program offers **significant cost savings** and, in most cases, **revenue enhancements** that offset the additional costs of providing **on-site affordable units**.
- Developers often provide **more than the required affordable units** to
 - Be exempt from the AHIF under the on-site option
 - Get additional concessions and waivers
- Affordable units are produced **without public subsidy**.

Key Findings (cont'd) - Development Feasibility Analysis and Housing Strategy Study

Conclusion

- New construction is not feasible in most sectors
- While impact fee levels are not the only key determinant of project feasibility, scheduling of construction period costs, such as impact fees, affects the amount of construction financing required and the interest cost on that funding.
- Current development feasibility context supports production of a higher percentage of on-site affordable units

Impact Fee Program Refinements - CED Committee Study Session

Impact Fee Program Refinement – Staff Recommendation	Comments from CED Committee
1) Fee Assessment for Residential Projects - <i>Convert the AHIF from Fee per Unit to Fee per Sq.Ft</i>	<ul style="list-style-type: none">▪ Acknowledged the requirement under AB 602
2) Fee Levels – <i>Maintain fees at current impact fee levels with inflationary adjustments</i>	<ul style="list-style-type: none">▪ Asked clarifying questions regarding fee reductions in neighboring jurisdictions▪ CM Fife - Emphasized the need to protect revenues from critical developments like the Coliseum project▪ CM Jenkins - Potentially lower fees in Zone 3

Impact Fee Program Refinements - CED Committee Study Session

Impact Fee Program Refinement – Staff Recommendation	Comments from CED Committee
3) Fee Zone Boundaries – <i>Maintain current fee zone boundaries</i>	<ul style="list-style-type: none">▪ Concurred with study findings that the original justifications for the fee zones still hold▪ CM Kalb - Adjust zone boundaries – portions of MLK Way from Zone 2 into Zone 1 and Santa Fe into Zone 1 - one year after adoption of the revised ordinance
4) Payment Timing - <i>Change timing of Impact Fee Payment to Certificate Of Occupancy in alignment with SB 937</i>	<ul style="list-style-type: none">▪ No comments from the Committee

Impact Fee Program Refinements - CED Committee Study Session

Impact Fee Program Refinement – Staff Recommendation	Comments from CED Committee
5) On-Site Affordable Percentage Requirements - <i>Increase on-site affordable percentage requirements by impact fee zone</i>	<ul style="list-style-type: none">▪ Supported the proposed increases▪ Proposed including flexible options that allow developers to meet affordability requirements through various combinations of affordable units.
6) Project Unit and Size Thresholds – <i>Exempt 2-4 unit projects, single-family homes under 1,750 square feet (for AHIF only) and projects subject to Senate Bill 684 (SB 684).</i>	<ul style="list-style-type: none">▪ Asked clarifying questions on the exemptions specifically related to exempting single-family homes under 1,750 square feet.

Proposed Amendments to Citywide Impact Fee Regulations

1. Impact Fee Assessment for Residential Projects

Staff Recommendation:

- Update the current fee structures for the Affordable Housing Impact Fees (AHIF), Transportation Impact Fees (TIF), and Capital Improvements Impact Fees (CIF) for residential development to assess fees on a per square foot basis instead of fees per unit.
- Amend the City's Master Fee Schedule to reflect this square footage-based methodology for calculating impact fees on residential projects.

1. Impact Fee Assessment for Residential Projects

Rationale for Recommendation:

- **Conforms with AB 602 (2021) - Impact fees updated after 2021 should be assessed per square foot of residential development to be proportional to the proposed unit size.**
- **Ensures a fairer, more equitable fee structure.**
- **Reduces costs for smaller units.**
- **Supports the production of naturally occurring affordable housing.**

2. Projects Subject to Impact Fees

Staff Recommendation:

In accordance with the Mitigation Fee Act, staff recommend that the proposed ordinances take effect 60 days after City Council adoption.

A. Procedures for projects subject to the fee ordinances:

- Impact fees will be based on the fees in effect at the time a complete building permit application is submitted.
- If more than five years pass between the issuance of a building permit and the first major inspection (foundation, underfloor, or framing), the applicant must pay the fee in effect at the time of that first major inspection.

2. Projects Subject to Impact Fees

Staff Recommendation:

B. Expand Projects Exempt from AHIF

- Missing Middle Housing: Projects with 2 to 4 units that are not subject to Planned Unit Development (PUD) regulations under Chapter 17.142 of the Oakland Planning Code.
- Small Single-Family Homes: One-Family Dwelling Residential Facilities with 1,750 square feet or less of residential floor area, not subject to PUD regulations.
- SB 684 Projects: Developments qualifying under SB 684 California Government Code Sections 65852.28 and 66499.41.
- Additionally, exempt the four smallest units in residential developments proposing more than four units.

2. Projects Subject to Impact Fees

Rationale for Recommendation:

- **Aligns with Housing Element Actions**
 - **HE 3.2.1: Reduce pre-development costs and expedite planning approval for missing middle housing types – new construction and conversion of existing structures.**
 - **HE 3.6.1: Reduce costs and streamline the planning approval and building permit processes for small infill development.**
- **Incentivize developers to utilize State Law (SB 684) – encourage more affordable home ownership opportunities - projects 5 acres or less, subdivisions up to ten parcels as small as 600 sq. ft. with for sale homes/townhomes that are 1,750 sq. ft. or smaller.**

2. Projects Subject to Impact Fees

- **Incentivize affordable homeownership opportunities**
 - **Currently, homeowners who add 1 to 3 Accessory Dwelling Units (ADUs) are exempt from paying impact fees on those units. However, ADUs cannot be sold.**
 - **Exempting Projects with 2-4 units – incentivize homeowners to add a second, third, or fourth regular dwelling unit that can be sold as condo units - that would be more affordable than single family housing**
- **Exempting the first four smallest units in projects proposing more than four units prevents disincentives for building five or more units to avoid triggering higher fees, similar to provision in Chapter 15.68-Jobs/Housing Impact Fee.**

3. Impact Fee Levels and Impact Fee Zones for Residential Projects

Staff Recommendation:

- Maintain current impact fee levels, with adjustments for inflation only.
- Maintain current impact fee zone boundaries.

Rationale for Recommendation:

- Supported by Development Feasibility Analysis Findings and City's acknowledgment of current real estate market conditions.
- Avoids adding pressure to development costs and provides stability for the development community while allowing time for the market to recover.

3. Impact Fee Levels and Impact Fee Zones for Residential Projects

Rationale for Recommendation (cont'd):

- **Existing fee zones are based on distinct geographic areas with varying market conditions, price points, and development feasibility. Preserving these zone boundaries and fee variations ensures that impact fees remain aligned with each area's economic capacity to support new development.**
- **Adjusting zone boundaries for Martin Luther King Way from Zone 2 into Zone 1, and Santa Fe into Zone 1 would be considered an increase in impact fees in this area if this change was incorporated.**

4. Impact Fee Payment Timing

Staff Recommendation:

- 100 percent of the AHIF, TIF, CIIF, and JHIF be due in one installment prior to the issuance of a Temporary Certificate of Occupancy or a Certificate of Occupancy, whichever occurs first, for all or any portion of the Development Project associated with the building permit.

Rationale for Recommendation:

- **Conforms with SB 937 - Delays payment of certain impact fees until certificate of occupancy is issued for a project, to lower financing costs and allow more projects to pencil.**

4. Impact Fee Payment Timing

Rationale for Recommendation (cont'd):

- **Minimizes upfront costs and interest paid on borrowed funds. The total fee amount remains unchanged, and the reduced holding period translates into measurable cost savings and improved project feasibility.**
- **Aligns with Housing Element Action 3.3.9 - Reduce cost burden of City fees and payment timing to significantly increase affordable housing development and provide meaningful cost reductions that enhance the viability of these critical projects.**
- **Streamlines implementation and increases administrative efficiency.**

5. On-site Affordable Housing Requirements

Staff Recommendation:

- Increase the AHIF on-site alternative by zone
- Expand the requirements to allow developers to meet affordability requirements through various affordability combinations

Income Levels	Current Requirement	Zone 1 and 2	Zone 3
Very Low Income (VLI)	5%	10%	5% (keep as is)
Low Income (VLI)	10%	12%	10% (keep as is)
Moderate Income (MI)	10%	15%	15%
Combination	None	Combination of Moderate, Low, and Very Low-Income Units = Total Housing Units × 15%; or Combination of Low and Very Low-Income Units = Total Housing Units × 12%	Combination of Moderate, Low, and Very Low-Income Units = Total Housing Units × 15%; or Combination of Low and Very Low-Income Units = Total Housing Units × 10%

5. On-site Affordable Housing Requirements

Rationale for Recommendation:

- Supported by findings from the Housing Strategy Study, which show that most multifamily projects are already leveraging the Density Bonus program to provide affordable units at levels higher than currently required under the City's AHIF on-site alternative requirements.
- Reflects the variation in market conditions, price points, development feasibility and the area's economic capacity to support new development and value of incentives (bonus market-rate units) and cost savings (concessions and waivers) associated with the density bonus program

6. Other Related Changes

Staff Recommendation:

- Targeted amendments to improve clarity, consistency, and administrative efficiency
- Updates to definitions and references, as well as the addition of new definitions for “Additional Residential Square Footage”, “Affordable Housing Project”, “Fees Per Square Foot”, and “Residential Square Footage” in OMC Sections 15.68.030, 15.72.030, and 15.74.030.
- Revisions to O.M.C Sections 15.68.070, 15.72.080, and 15.74.080 to clarify and streamline the procedures for requesting impact fee reductions or waivers.

Rationale for Recommendation:

- Provides regulatory and procedural clarity while maintaining the integrity of the impact fee program
- Ensures a transparent and accessible process for applicants

Recommendation

Staff Recommendation

Conduct A Public Hearing, And Upon Conclusion, Adopt An Ordinance:

- (1) Amending Title 15 Of The Oakland Municipal Code To Update And Revise The Regulations For The Jobs/Housing Impact Fee (Chapter 15.68), Affordable Housing Impact Fee (Chapter 15.72), and Transportation And Capital Improvement Impact Fees (Chapter 15.74);**
- (2) Amending The City Of Oakland Master Fee Schedule (Adopted By Ordinance No. 13799 C.M.S., as amended) To Calculate Impact Fees For Residential Projects On A Square Footage Basis; And**
- (3) Making Appropriate California Environmental Quality Act Findings.**

Questions?