



Department: Community Development
Cost Center: 4008
For Agenda of: 10/1/2024
Placement: Consent
Estimated Time: N/A

FROM: Timmi Tway, Community Development Director
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SUBJECT: SECOND READING AND ADOPTION OF ORDINANCE NO. 1742 (2024 SERIES) TO ESTABLISH AN IMPACT FEE DEFERRAL PROGRAM FOR ELIGIBLE AFFORDABLE FOR-RENT RESIDENTIAL PROJECTS

RECOMMENDATION

Adopt an Ordinance entitled, "An Ordinance of the City Council of the City of San Luis Obispo, California, amending section 4.56.050 (Payment of Fees) of the Municipal Code to establish a development impact fee deferral program for eligible affordable housing projects."

POLICY CONTEXT

The City's Major City Goal for housing and homelessness states:

Support the expansion of housing options for all, and continue to facilitate the production of housing, including the necessary supporting infrastructure, with an emphasis on affordable and workforce housing as well as accessibly connected development. Collaborate with local non-profit partners, non-governmental agencies, the county, the state, and federal governments to advocate for increased funding and implementation of comprehensive and effective strategies to prevent and reduce homelessness.

The Goal includes implementation measure no. 5 to implement Below Market Rate housing best practices.

The City recently received the Prohousing designation from the State Housing and Community Development Department for innovation in housing policy and a demonstrated commitment to developing solutions to the state's housing crisis.

The City's 6th Cycle Housing Element includes a Goal for Affordability, supported by the following policies and programs:

Item 6h

Program 2.9 - Assist with the issuance of tax-exempt bonds, tax credit financing, loan underwriting or other financial tools to help develop or preserve at least 20 affordable units annually through various programs. The proposed resolution and draft Ordinance allow for deferral of impact fees in the form of a loan to the project. The financing mechanism of a loan, rather than a waiver of impact fees, enables projects to leverage the loan amount as soft funding, adding points to competitive tax credit financing applications.

Program 6.16 - Incentivize 20 affordable housing developments per year during the planning period consistent with SLOMC Affordable Housing Incentives. The impact fee deferral program established by the ordinance will provide a standardized process for requesting and implementing impact fee deferral. This will incentivize development of affordable housing.

DISCUSSION

Background

On September 17, 2024, the City Council voted 5-0 to introduce Ordinance No. 1742, (Attachment A), which amends section 4.56.050 (Payment of Fees) of the Municipal Code to establish a development impact fee deferral program for eligible affordable housing projects. No substantive changes have been made to the Ordinance since introduction.

Previous Council or Advisory Body Action

On May 2, 1995, the City Council adopted [Resolution No. 8415](#) (1995 Series) (page 35) which waived development review fees for affordable housing units at the direction of the Community Development Director.

On November 21, 2000, the City Council adopted [Resolution No. 9131](#) (2000 Series) for the purpose of waiving citywide development impact fees for affordable housing units in excess of inclusionary requirements or developed by non-profit housing corporations.

On June 5, 2007, the City Council adopted [Resolution No. 9903](#) (2007 Series) which superseded and replaced Resolution No. 9131 (2000 Series), to allow for development impact fee waivers for voluntary affordable housing units developed by private developers (such as ADUs) in addition to projects that exceed the number required to meet the City's inclusionary requirements and projects by non-profit developers.

Public Engagement

The proposed amendments were discussed with affordable housing developers and received support. This item was on the agenda for the September 17, 2024 Regular City Council meeting which also allows for public comment and followed the required postings and notifications.

CONCURRENCE

The City Public Works, Finance Department, City Attorney, Parks, Utilities, and Police/Fire departments reviewed and concurred with the recommended amendments in the Ordinance.

ENVIRONMENTAL REVIEW

The California Environmental Quality Act (CEQA) does not apply to the recommended action in this report because the action does not constitute a “project” under CEQA Guidelines Sec. 15378.

FISCAL IMPACT

Budgeted: N/A

Budget Year: 2024-25

Funding Identified: N/A

Fiscal Analysis:

Funding Sources	Total Budget Available	Current Funding Request	Remaining Balance	Annual Ongoing Cost
General Fund	\$0	\$0	\$0	\$0
State				
Federal				
Fees				
Other:				
Total	\$0	\$ 0	\$ 0	\$ 0

There is no financial impact directly associated with updating the development impact fee deferral program for eligible residential projects. The indirect impact of fee deferrals would be the delay in availability of impact fee revenue. Over the last 10 years, 8 impact fee deferral loans have been given to affordable housing projects, totalling \$5 million in deferred impact fee revenue, with repayment terms ranging from 30 to 55 years at 3 percent interest. The proposed resolution would update the repayment term on all future deferral loans to 20 years, reducing the indirect impact on the City’s impact fee funds. Staff anticipates that about one project per year will be given an impact fee deferral loan under the program.

ALTERNATIVES

1. ***Council may decide to modify the Ordinance before adoption.*** Depending on the changes proposed, modifications of the Ordinance may require reintroduction and then adoption during a subsequent public hearing, which will delay implementation of Ordinance.
2. ***Council could decide not to adopt the Ordinance and require future impact fee deferrals to be conducted under the existing 2007 resolution.*** This is not recommended by staff, as the Ordinance provides a critical update to the fee deferral program, clarifying the term and applicability of fee deferrals.

ATTACHMENTS

A - Ordinance No. 1742 (2024 Series)