



City of Culver City

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Staff Report

File #: 21-980, Version: 1

Item #: PH-4.

CC - PUBLIC HEARING: (1) Introduction of an Ordinance Adding Subchapter 15.06.400, *Affordable Housing Commercial Development Linkage Fee*, to the Culver City Municipal Code; (2) Determination the Ordinance is Exempt from the California Environmental Quality Act Pursuant to Title 14 of the California Code of Regulations Sections 15061(b)(3), 15060(c)(3) and 15378(b)(4); and, (3) Adoption of a Resolution Establishing an Affordable Housing Commercial Development Linkage Fee of \$5 Per Square Foot of Gross Leasable Floor Area.

Meeting Date: June 28, 2021

Contact Person/Dept: Todd Tipton, CDD/Economic Development

Phone Number: (310) 253-5783

Fiscal Impact: Yes [] No [X]

General Fund: Yes [] No [X]

Public Hearing: [X]

Action Item: []

Attachments: [X]

Public Notification: (Email) Meetings and Agendas - City Council (06/23/2021); (Email) Building Industry Association (5/26/21); published (6/17/2021)

Department Approval: Sol Blumenfeld, Community Development Director (06/07/2021)

RECOMMENDATION

Staff recommends the City Council conduct a public hearing to (1) introduce an Ordinance adding Subchapter Chapter 15.06.400, *Affordable Housing Commercial Development Linkage Fee* to the Culver City Municipal Code (CCMC); and (2) determine the ordinance is exempt from the California Environmental Quality Act pursuant to Title 14 of the California Code of Regulations (CEQA Guidelines) Sections 15060(c)(3), 15061(b)(3) and 15378(b)(4), and (3) adopt a resolution establishing an Affordable Housing Commercial Development Linkage Fee of \$5 per square foot of gross leasable floor area, which will be applied to new non-residential development and used to create affordable housing.

PROCEDURE

1. Mayor seeks a motion to receive and file affidavits of publication and posting of notices and correspondence received in response to the public hearing notices;
2. Mayor seeks a motion to open the public hearing;
3. Mayor calls for a staff report, if needed, and Council Members pose questions to staff as

desired;

4. Mayor invites those present and interested to provide comment on this subject;
5. Mayor seeks a motion to close the public hearing after all public testimony has been presented; and
6. City Council discusses the item and arrives at its decision.

BACKGROUND

The City Council has expressed interest in facilitating the production of low, moderate and workforce housing in the City to address the problem of housing affordability and satisfying state and regional affordable housing mandates. To date, the City Council adopted Rent Control and Tenant Protection Ordinances and recently adopted a Mixed-Use Inclusionary Ordinance to preserve existing affordable units and expand opportunities for new affordable unit development.

The City Council also expressed interest in pursuing Linkage Fees. With the wind down of redevelopment agencies in 2012, most cities have struggled with facilitating affordable housing production and have turned to mandatory inclusionary housing requirements and affordable housing development impact fees, also called "Linkage Fees" to create new affordable housing. A proposed Linkage Fee was recommended for City Council consideration in the 2019 Housing Division workplan.

DISCUSSION

As a development impact fee, a Linkage Fee may only be established when there is a nexus (reasonable relationship) between the fee and the development's impacts such as, in this case, the unmet housing need and employment growth in a community. In order to study the housing demand issues created by new Culver City employment, the City retained Economic & Planning Systems, Inc. (EPS) to prepare a linkage fee nexus study (Study) (Attachment 1) and conduct public outreach to gather input from community members and stakeholders. As set forth in the Study, the conceptual underpinning of the fee is that new non-residential development creates new jobs, with many paying wages below what is required for a worker to afford a market-rate housing unit in the City.

On March 15, 2021, the City Council discussed various policy considerations regarding such a fee and directed the following, which have been included in the proposed Ordinance (Attachment 2):

- The proposed fee shall:
 - a. Be \$5.00 per square foot of gross leasable floor area; ⁱ
 - b. Increase annually in accordance with the Construction Cost Index; ⁱⁱ
 - c. Apply to all new non-residential development.
 - d. Be the same for all non-residential land uses
 - e. Be reviewed by the City Council two years from the Ordinance's effective date.

- The proposed Ordinance shall:
 - a. Become effective January 1, 2022; ⁱⁱⁱ

- b. Exempt commercial development less than 10,000 square feet in size (cumulative), projects with applications that have been deemed complete prior to ordinance effective date, housing components of mixed-use development projects, community land uses that serve the public (churches, museums, educational facilities, hospitals, etc.) and structures damaged by an act of nature.^{iv}

ⁱA proposed fee Resolution is included with the staff report (Attachment 3) and reflects the \$5 per square foot of gross leasable floor area. Gross Leasable Floor Area is defined in the proposed Ordinance as the square footage in a commercial property designed for a tenant's exclusive use, which typically includes mezzanines, basements, or upper floors, but does not include shared areas, such as parking garages, public bathrooms or maintenance areas. Gross Leasable Floor Area is measured from the center of the wall separating tenant spaces. Internal walls are incorporated in the Gross Leasable Floor Area.

ⁱⁱThe Construction Cost Index (CCI) is published monthly by Engineering News Record. The index considers changes in the cost of labor, steel, cement, and lumber. The Consumer Price Index (CPI) is published monthly by the US Bureau of Labor Statistics. The index considers changes in the cost of a range of consumer goods and services, including those in the categories of food and beverage, housing, apparel, transportation, medical care, recreation, and education. CCI costs are directly related to the cost of building new housing, which is what the linkage fee is intended to subsidize, whereas the costs included in CPI relate more to the capacity of residents to afford new housing.

ⁱⁱⁱThe City Council may want to further clarify its intent relative to the effective date of the Ordinance.

^{iv}The City Council may want to further clarify its intent relative to projects undertaking the development process.

Environmental Determination

The adoption of the Linkage Fee Ordinance and related fee Resolution: (1) are exempt from further environmental review under the California Environmental Quality Act (CEQA) pursuant to Title 14 of the California Code of Regulations (CEQA Guidelines) Section 15061(b)(3) because the Ordinance will not allow for or encourage any more development than is already anticipated under the City's existing General Plan and as regulated by existing zoning, or otherwise allow for or promote physical changes in the environment; and, therefore, it can be seen with certainty that there is no possibility that the Ordinance will have a significant effect on the environment; (2) are not projects under CEQA Guidelines Section 15060(c)(3) and 15378(b)(4) because it constitutes a governmental fiscal activity that does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment; and (3) are not intended to apply to specifically identified affordable housing projects and, as such, it is speculative to evaluate any such future project now. Moreover, the proposed Ordinance and Resolution are not intended to, nor do they, provide CEQA clearance for future development related projects by mere establishment of a commercial development impact fee. Any such project required to pay the fee imposed by this Ordinance and Resolution will be subject to appropriate environmental review at such time as approvals for those projects are considered. Each of the foregoing provides a separate and independent basis for CEQA compliance and, when viewed collectively, provides an overall basis for

CEQA compliance.

FISCAL IMPACT

The purpose of the linkage fee established through the attached Nexus Study is to fund the development and preservation of affordable housing projects in the City required by the increase in local, lower wage workers employed by new nonresidential development. The businesses that occupy new nonresidential buildings will hire employees, many of whom will have difficulty finding suitable local housing they can afford. The use of fee, collected by the City, is to assist in the production or rehabilitation of affordable housing units and/or the acquisition of existing at-risk units, in the City. The fee may also fund the studies and administration to support the fee program. If the proposed Ordinance is adopted, an affordable housing linkage fee of \$5 per square foot applied to non-residential development could generate approximately \$1.15 million annually.

There is no fiscal impact associated with introducing the proposed Ordinance to add CCMC Subchapter 15.06.400 et seq.

ATTACHMENT:

1. 2021-06-28_ATT 1_Nexus Study
2. 2021-06-28_ATT_2_Proposed Ordinance
3. 2021-06-28_ATT 3_Proposed Resolution

MOTION:

That the City Council:

1. Introduce an Ordinance adding Subchapter Chapter 15.06.400, *Affordable Housing Commercial Development Linkage Fee* to the Culver City Municipal Code;
2. Determine the proposed ordinance is considered exempt from CEQA pursuant to CEQA Guidelines Section 15061(b)(3), 15060(c)(3) and 15378(b)(4) because it can be seen with certainty there is no possibility that the subsection being added to the Culver City Municipal Code will have a significant effect on the environment; and
3. Adopt a Resolution establishing an Affordable Housing Commercial Development Linkage Fee of \$5 per square foot of gross leasable floor area, which will be applied to new non-residential development and used to create affordable housing.