



COUNTY OF PLACER
Community Development/Resource Agency

**PLANNING
SERVICES DIVISION**

Michael J. Johnson, AICP
Agency Director

E.J. Ivaldi, Deputy Director

MEMORANDUM

TO: Honorable Board of Supervisors

FROM: Michael J. Johnson, AICP
Agency Director

By: Christopher Schmidt, Senior Planner

DATE: June 2, 2015

SUBJECT: Affordable Housing Contract Amendment

ACTION REQUESTED

Approve a contract amendment with Mintier Harnish Planning Consultants to undertake an Affordable Housing Fee Study in the amount of \$56,037 (for a total aggregate amount of \$84,137) and authorize the County Executive Officer to sign the amendment.

BACKGROUND

In March 2014, the Placer County Planning Services Division entered into contract with Mintier Harnish Planning Consultants to prepare an outreach strategy for the County's General Plan update in the amount of \$28,100. It was to be the first step in what was envisioned as a multi-phase effort to update the Placer County General Plan. Subsequently, the Board decided to not proceed with an update to the General Plan at this time, thereby leaving \$18,962 remaining in this contract.

In recent months, several development projects with an affordable housing obligation have expressed a desire to finding an alternative to building affordable housing within the project boundaries. One potential solution is an affordable housing in-lieu fee program which the County currently does not have.

Because of Mintier Harnish's familiarity with Placer County and its extensive experience in updating General Plans and Housing Elements in the region and across the state, staff seeks to amend its existing contract with Mintier Harnish to include a nexus study that would provide the basis for County inclusionary housing and in-lieu fee requirements.

Two Housing Element policies trigger an affordable housing obligation:

- B-12 The County shall require that any privately-initiated proposal to amend a General Plan or Community Plan land use designation of Agricultural/Timberland, Resort and Recreation, Open Space, General Commercial, Tourist/Resort Commercial, or Business Park/Industrial to a land use designation of Residential or Specific Plan include an affordable housing component.

- B-14 The County shall consider requiring 10 percent affordable units, payment of an in-lieu fee, or comparable affordable housing measure(s) acceptable to the County, for any General Plan amendment that increases residential density.

The nexus study will determine a fee that would be sufficient to lead to actual construction of affordable housing. This study will allow the County to demonstrate that an in-lieu fee (as an alternative affordable housing program) satisfies the needs for the provision of affordable housing that a project is creating.

Placer County requires developments in the eastern portion of the County to provide for affordable workforce housing. This requirement is found as a policy in the General Plan Housing Element:

- C-2 The County shall require new development in the Sierra Nevada and Lake Tahoe areas to mitigate potential impacts to employee housing by housing 50 percent of the full-time equivalent employees (FTEE) generated by the development. If the project is an expansion of an existing use, the requirement shall only apply to that portion of the project that is expanded (e.g., the physical footprint of the project or an intensification of the use).

Employee housing shall be provided for in one of the following ways:

- Construction of on-site employee housing;
- Construction of off-site employee housing;
- Dedication of land for needed units; and/or
- Payment of an in-lieu fee.

If it is concluded that an in-lieu fee is an appropriate solution for the County to consider, County staff would, under a separate work program, develop an in-lieu fee ordinance based on the nexus study and present it to the Board of Supervisors for consideration.

ENVIRONMENTAL IMPACT

This proposed administrative activity is exempt from California Environmental Quality Act (CEQA) review pursuant to CEQA Guidelines section 15378(b)(4).

FISCAL IMPACT

The proposed contract amendment for \$56,037 will be funded through the Planning Services Division's FY 2014-15 budget.

Attachment 1: Contract Amendment and Scope

**FIRST AMENDMENT TO PLANNING SERVICES AGREEMENT
PROFESSIONAL CONSULTANT SERVICES – MINTIER HARNISH PLANNING CONSULTANTS**

THIS FIRST AMENDMENT TO THE CONSULTANT SERVICES AGREEMENT is made and entered on this _____ day of _____, 2015, by and between the COUNTY OF PLACER, hereinafter referred to as COUNTY, and MINTIER HARNISH PLANNING CONSULTANTS, hereinafter referred to as CONSULTANT.

WHEREAS, on March 26, 2014, COUNTY and CONSULTANT entered into a Contract whereby consulting services would be provided to the COUNTY; and

WHEREAS, the parties have agreed to additional services to be provided by Consultant under said contract and the compensation for those additional services.

NOW, THEREFORE, IT IS MUTUALLY AGREED by and among the parties as follows:

1. That section 1 of the original Contract shall be amended to provide for the additional services and compensation as follows:

The CONSULTANT agrees to perform the additional professional services as set forth in Exhibit "A" attached hereto and incorporated herein by reference, and the total compensation to be paid CONSULTANT for these additional services shall not exceed \$56,037.61 as set out in Exhibit "A".

2. The COUNTY agrees to pay to CONSULTANT \$84,137.61 as the sole compensation under the Contract and as amended by the First Amendment.

EXCEPT as specifically modified above, all of the remaining terms and conditions of the said Contract shall remain and continue in full force and effect.

COUNTY OF PLACER:

By: _____
David Boesch, County Executive Officer

Date: _____

CONSULTANT:

By: _____

Date: _____

APPROVED AS TO FORM:

By: _____
County Counsel

Date: _____

APPROVED AS TO CONTENT:

By: _____
Michael J. Johnson, AICP
Agency Director

Date: _____

June 9, 2015

Loren Clark, Assistant Director
Placer County Community Development Resource Agency
3091 County Center Drive, Suite 140
Auburn, CA 95603

Subject: Affordable Housing Fee Studies- Proposal

Loren:

This letter will serve as our proposal to provide affordable housing fee studies in the eastern and western portions of Placer County. Specifically, in the western portion of the county the Consultants will provide a Nexus-Based Residential Affordable Housing Fee Study, and in the eastern portion of the county the Consultants will provide a Nexus-Based Employee Housing Mitigation Study. "The Consultants" referenced in this proposal includes the Project Team of Mintier Harnish and Hansford Economic Consulting.

Understanding of the Project

There are two separate but related studies to be completed:

- Part A: Western County Nexus-Based Residential Affordable Housing Fee
- Part B: Eastern County Employee Housing Mitigation Fee

Part A. The County requires 10 percent of residential units in specific plans to be affordable. Per Placer County's Housing Element Part I: Policy Document B. Affordable Housing, the County shall consider payment of an in-lieu fee for any General Plan amendment that increases residential density. The County implements this policy on a case-by-case basis currently. The County desires an analysis demonstrating the maximum justifiable in-lieu fee for residential projects that increase density in the western portion of the County. The Consultants shall prepare such analysis, which may be used by the Placer County Board of Supervisors in development agreement negotiations.

Part B. County wants to prepare an Employee Housing Mitigation Study based on current economic conditions within the Tahoe region. Key steps in preparing the Employee Housing Mitigation Study include:

- Preparing an employee generation (full time equivalents) table for purposes of:(a) determining the future demand for employee housing in the Study, and (b) determining the obligation of the developer to provide employee housing in an Employee Housing Ordinance;
- Determining the maximum housing affordability for employees and the required subsidy to provide affordable housing (affordability gap per employee); and
- Calculating the In-Lieu Fee per employee.

Scope of Services

PART A: WESTERN COUNTY NEXUS-BASED AFFORDABLE HOUSING FEE

Task A1. Project Initiation

The Consultants will meet initially with County staff to reaffirm the objectives of the project, review the scope, and collect relevant documents.

Task A2. Residential Housing Characteristics

The Consultants will work with the County to identify residential housing characteristics within the western portion of the county. Based on these characteristics, different prototypes will be selected for the fee calculations. The prototypes should be representative of the different residential developments anticipated in the western portion of the County. Development cost assumptions will be developed for each of the prototypes.

Task A3. Affordability Gap Analysis

The affordability gap refers to the difference between what a household can afford to pay for a housing unit and the cost to develop the housing unit. The affordability gap will be calculated two ways. The first is based on actual costs and incomes of residents in County-completed affordable housing projects in the western portion of the county. The second is based on the maximum affordable home prices and rental rates for employees compared with prototype housing development costs. The latter is developed in Task A2. The former is calculated using relevant data from the U.S. Census data, California Department of Housing and Community Development, Placer County Housing Authority, and others. The Consultants will work with the County to ensure that the affordability gap analysis reflects County housing goals for the western portion of the county. The Consultants will determine the affordability gap with rental and for-sale units.

Task A4. In-Lieu Fee Structure and Calculations

Under Task 4 the Consultants will calculate the maximum justifiable fee per for-sale and rental residential unit. The fee will be on a per unit basis or on a per square foot of livable space basis. Fee

structure will be determined in consultation with the County. Please note that the calculated fee will be the maximum justifiable fee and not a recommended fee.

Integral to the fee calculation is an estimate of jobs created by the market-rate households' demand for goods and services. The Consultants will estimate job creation and types of jobs resulting in projected number of units by household income level to conduct the in-lieu fee calculation. The affordability gap is multiplied by the number of units necessary to house the estimated number of employees generated at each income level to calculate the fee. Income level refers to established income levels in Placer County for extremely low, very low, low, and moderate household income brackets.

Task A5. Prepare Working Draft

An outline of the methodology used and findings of the analysis will be prepared in either a memorandum or report format. The Working Draft will be for County staff internal review only. The Working Draft will be complete by end of fiscal year 2014/15.

Task A6. Regional Fee Comparison

Affordable housing fees of other jurisdictions in the region will be researched for comparison purposes.

Task A7. Feasibility Analysis

Payment of an in-lieu fee adds to the total development costs of a project, potentially making the project financially infeasible for the developer. The Consultants will perform financial feasibility tests to determine the feasibility of market-rate units paying an affordable housing in-lieu fee. The tests will be performed for the different residential prototypes.

Task A8. Prepare Administrative Draft

The Consultants will reformat the Working Draft (if in memorandum format) to a report format and will incorporate the findings of Tasks A6 and A7. The Study will demonstrate that the maximum justifiable fee meets the requirement of the Mitigation Fee Act (AB1600). Per the Mitigation Fee Act the County must:

- Identify the purpose of the exaction;
- Identify the use to which the exaction will be put;
- Determine how there is a reasonable relationship between the exaction and the impacts attributable to the development on which the exaction is imposed; and
- Determine how there is a reasonable relationship between the need for the facility and the type of development project upon which the exaction is imposed.

The Consultants will submit the administrative draft for staff review and meet with staff to review staff comments.

Task A9. Prepare Public Review Draft

Based on staff comments, the Consultants will prepare a public review draft of the nexus-based Residential Affordable Housing Fee Study and submit it to the County.

TASK B: EASTERN COUNTY EMPLOYEE MITIGATION FEE

Task B1. Project Initiation

The Consultants will meet initially with County staff to reaffirm the objectives of the project, review the scope, and collect relevant documents.

Task B2. Economic Conditions

The Consultants will describe economic conditions in the Tahoe portion of Placer County. This information and analysis will be incorporated into the Study and is important background information to frame the need for the Study and the assumptions feeding into the calculation of the In-Lieu Fee.

Task B3. Employee Generation Table

The Consultants will research recent studies on employee generation in mountain resort communities. If data for good comparable communities is available, this may be used as the basis for employee generation factors. The Consultants will also gather local data to the extent possible with primary and secondary sources of data. The Consultants may gather data from businesses in the Tahoe portion of Placer County as well as the Town of Truckee. If substantial differences between local data and comparison community data are found, the Consultants will gather a larger sample of employee generation data from the Tahoe portion of Placer County and the Town of Truckee until a large enough sample is collected. The employee generation factors are likely to be questioned by stakeholders; as such, the data sources must be rigorous and determination of the factors must be robust.

Task B4. Conduct Affordability Gap Analysis

The affordability gap refers to the difference between what a household can afford to pay for a housing unit and the cost to develop the housing unit. The affordability gap represents the financial subsidy provided to make the housing unit affordable. Development cost excludes any matching grants that may be provided by Federal or State programs for affordable housing. The Consultants will gather data to calculate the maximum affordable home prices and rental rates for employees and gather other relevant data from the County, including recently completed affordable housing projects, their funding sources, and total number of units created.

The Consultants will use several data sources, including U.S. Census data, California Department of Housing and Community Development, Placer County Housing Authority, and others in conducting the affordability gap analysis. The Consultants will work with the County to ensure that the affordability gap analysis reflects County housing goals for the Tahoe portion of the county. The Consultants will determine the affordability gap for rental and for-sale units. The Consultants will recommend a

methodology for calculating an In-Lieu Fee and may or may not include the affordability gap of rental units (apartments and condominiums) in the In-Lieu Fee calculations.

Task B5. Calculate the In Lieu Fee

The Consultants will calculate an In-Lieu Fee per full time equivalent employee (FTEE) using the information and analysis prepared in Tasks B1 through B4.

Task B6. Prepare Administrative Draft Employee Housing Mitigation Study

The Consultants will prepare a comprehensive report that demonstrates that the calculated fee meets the requirement of the Mitigation Fee Act (AB1600). Per the Mitigation Fee Act the County must:

- Identify the purpose of the exaction;
- Identify the use to which the exaction will be put;
- Determine how there is a reasonable relationship between the exaction and the impacts attributable to the development on which the exaction is imposed; and
- Determine how there is a reasonable relationship between the need for the facility and the type of development project upon which the exaction is imposed.

The Consultants will submit the administrative draft for staff review and meet with staff to review staff comments.

Task B7. Prepare Public Review Draft Employee Housing Mitigation Study

Based on staff comments, the Consultants will prepare a public review draft of the Employee Housing Mitigation Study and submit it to the County.

Schedule

Parts/Tasks	FY 2014/15			FY 2015/16								
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	
A: Western County Nexus-Based Residential Affordable Housing Fee												
1 Project Initiation												
2 Residential Housing Characteristics												
3 Affordability Gap Analysis												
4 In-Lieu Fee Structure & Calculations												
5 Working Draft												
6 Regional Fee Comparison												
7 Feasibility Analysis												
8 Administrative Draft												
9 Public Review Draft												
B: Eastern County Employee Housing Mitigation Fee												
1 Project Initiation												
2 Economic Conditions												
3 Employee Generation Table												
4 Conduct Affordability Gap Analysis												
5 Calculate the In-Lieu Fee												
6 Administrative Draft												
7 Public Review Draft												

Budget

We estimate the costs for the scope of work outlined above at \$75,000. The existing contract, which is being amended, had a total budget of \$28,100. As of May 1, 2015, \$9,137.61 of this budget had been expended on the original scope of services, leaving a remaining balance of \$18,962.39. This contract amendment augments this remaining balance with a new appropriation of \$56,037.61, for revised total budget of \$84,137.61.

The work completed in Fiscal Year 2014/15 will cost an estimated \$19,000, and the work completed in Fiscal Year 2015/16 will cost an estimated \$56,000. Fiscal Year 2014/15 deliverables include the working draft memorandum/report (Task A5) for the Western County Nexus-Based Residential Affordable Housing Fee. It should be noted that the costs allocated to the two studies and to individual tasks are estimates only and that, with the County's concurrence, the Consultants reserve the right to shift costs between Parts A and B and among tasks, without increasing the total project cost.

Parts/Tasks	Cost Estimate
A: Western County Nexus-Based Residential Affordable Housing Fee	
1 Project Initiation	\$2,045
2 Residential Housing Characteristics	\$3,100
3 Affordability Gap Analysis	\$4,960
4 In-Lieu Fee Structure & Calculations	\$7,735
5 Working Draft	\$2,500
6 Regional Fee Comparison	\$1,800
7 Feasibility Analysis	\$1,615
8 Administrative Draft	\$5,670
9 Public Review Draft	\$3,215
Project Management	\$1,400
Expenses	\$1,000
Total	\$35,040
B: Eastern County Employee Housing Mitigation Fee	
1 Project Initiation	\$2,045
2 Economic Conditions	\$4,670
3 Employee Generation Table	\$10,890
4 Conduct Affordability Gap Analysis	\$6,950
5 Calculate the In-Lieu Fee	\$4,120
6 Administrative Draft	\$5,670
7 Public Review Draft	\$3,215
Project Management	\$1,400
Expenses	\$1,000
Total	\$39,960
Total Parts A and B	\$75,000

Our 2015 billing rates are as follows:

- Principal: \$200
- Economist: \$155
- Senior Project Manager: \$160
- Project Manager: \$145
- Associate Planner: \$130
- Planner: \$100
- Administrative: \$75

If you have any questions about the Scope of Services or Budget, please give me a call at 916-446-0522.
We look forward to working with you on the project.

Sincerely,

A handwritten signature in black ink, appearing to be 'Jim Harnish', written over a vertical line that extends from the word 'Sincerely,'.

Jim Harnish, JD
Principal

