



Housing

Commercial Linkage Fee Proposed Amendments

March 29, 2022

Item 8.2

Jacky Morales-Ferrand
Director

Rachel VanderVeen
Deputy Director

Darius Brown
Senior Development Officer

Nanci Klein
Director

Chris Burton
Director

Jerad Ferguson
Housing Catalyst

Background

In 2014, City Council directed staff to research a non-residential linkage fee consistent with the Mitigation Fee Act



In 2018, City Council directed staff to return with a nexus study and feasibility study for a Commercial Linkage Fee



In 2020, City Council approved an ordinance and adopted a resolution establishing the Commercial Linkage Fee program

Proposed Amendments



Credit against fees for construction of new affordable housing



Increase the threshold for exemption for office developments under 100,000 sq. ft to exempt the first 50,000 sq. ft.



Adopt a deferred secured payment option for office and industrial research & development projects of 100,000 sq. ft. or more



Reduce Fee for all commercial developments when fees are paid prior to issuance of building permits



Credit for New Affordable Housing

- For each new unit of affordable housing provided, CLF is satisfied for a specified amount of commercial floor area. The amount of credit depends on the income level of the affordable unit.

Area Median Income for Affordable Units	Office Space >100,000 sq. ft. in Downtown	All Other CLF Projects
Extremely Low Income	20,323 sq. ft.	60,971 sq. ft.
Very Low Income	15,605	46,817
Low Income	12,097	36,292
Moderate Income	2,903	8,710



Example of Affordable Housing Credit



10 New Residential Units for
Extremely Low-Income tenants

$$\times 20,323 \text{ SF} = 203,230$$

For each Residential Unit

Square feet credit

$$1,000,000 - 203,230 = 796,770$$

Office Square feet

Square Feet of Credit

Remaining Square Feet for CLF

$$796,770 \times \$15 = \$11,951,550$$

Square Feet

Downtown Office Rate

Fee payment

Support for Small Office Developments

\$0 CLF



For the first 50,000
sq. ft.

(previous threshold was 40,000 sq. ft.)



Modified Payment Options



- Developments have the option to pay at Building permit issuance **or** Scheduling of building final inspection
- Office and Industrial Research & Development projects of 100,000 sq. ft. or more have all three options

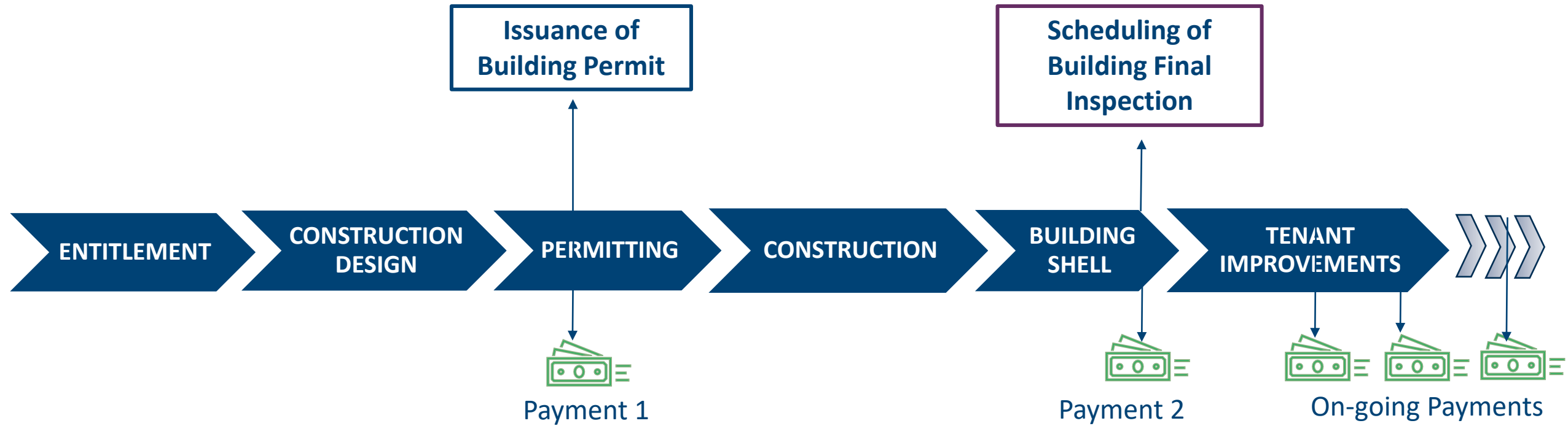
Option 1: Pay 80% of CLF at issuance of building permit

Option 2: Pay 100% of CLF by building final inspection

Option 3: Deferred Secured payment option



Deferred Secured Payment Option



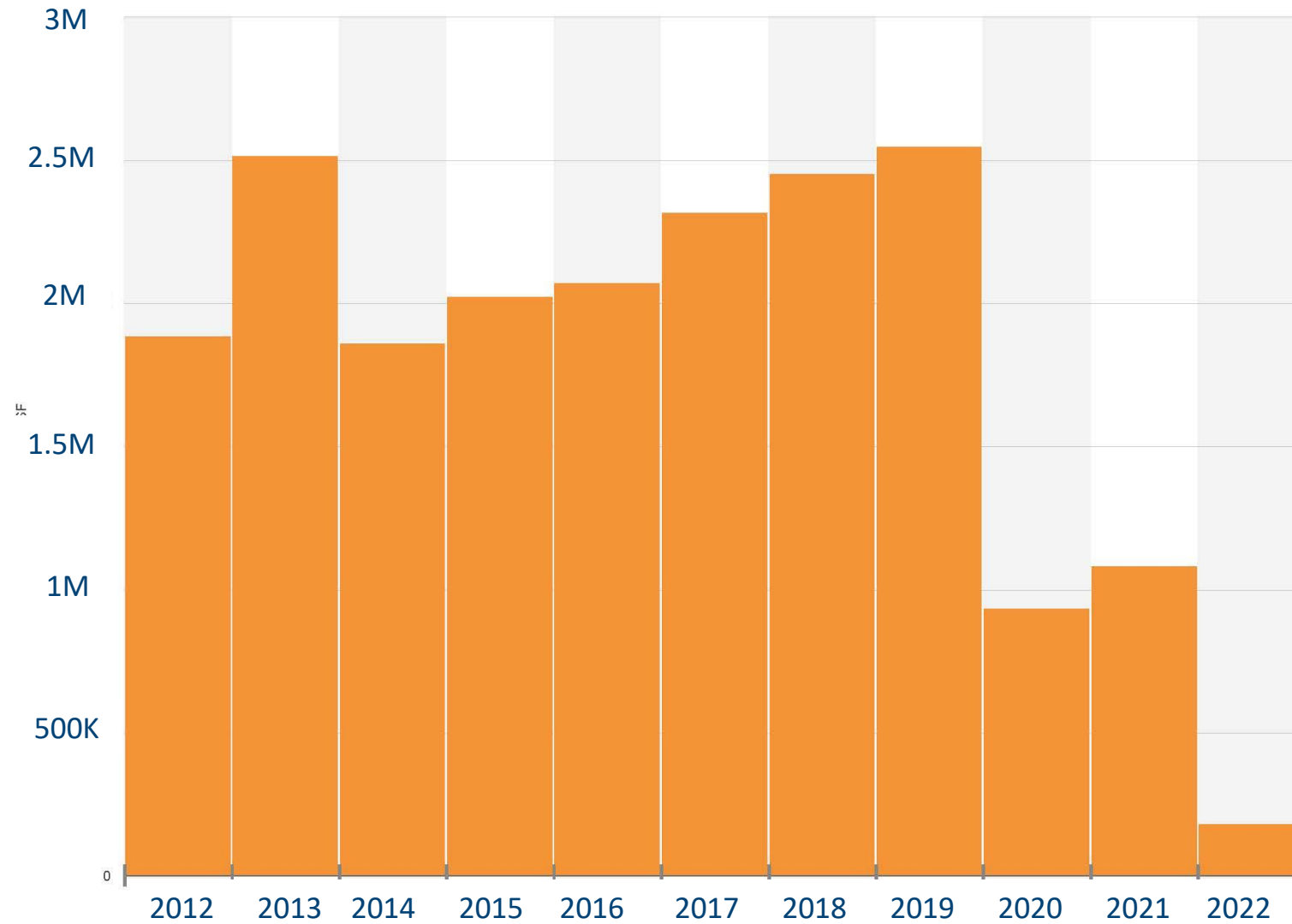
Security: The deferred payments must be secured by a bond or letter of credit

Feasibility Study Timeline

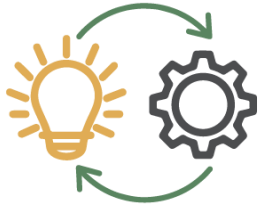
May 2022	<ul style="list-style-type: none">• Execute amended contract with consultant• Define scope of work for study
June – August 2022	<ul style="list-style-type: none">• Consultant and staff work on study
Early September	Release Draft Feasibility Study
September - October 2022	<u>60-day public review</u> <ul style="list-style-type: none">• Conduct public outreach• Collate and summarize feedback• Prepare staff report
November 2022	Housing & Community Development Commission and City Council



Citywide Leasing Activity Office Space



Expected Outcomes



Create a more sustainable CLF program that doesn't inhibit commercial development



Produce more affordable housing



Improve efficiency of CLF program administration





Housing

Commercial Linkage Fee Proposed Amendments

March 29, 2022

Item 8.2

Jacky Morales-Ferrand
Director

Rachel VanderVeen
Deputy Director

Darius Brown
Senior Development Officer

Nanci Klein
Director

Chris Burton
Director

Jerad Ferguson
Housing Catalyst