BIA BAY AREA

BUILDING INDUSTRY ASSOCIATION

March 27, 2019

Mayor Constantine and City Councilmembers
City of Morgan Hill
VIA EMAIL

RE: Council Meeting April 3, 2019: Development Impact Fees

Dear Mayor Constantine and Councilmembers,

BIA Bay Area (BIA), representing hundreds of home builders throughout the Bay Area, respectfully submits the following comments regarding City of Morgan Hill (City) development impact fee increases that are before you for action on the April 3, 2019 agenda. BIA appreciates that the City Council has directed Staff to recommend residential impact fees for traffic and parks lower than the maximum legally justifiable levels because the City will not be able to build and maintain the corresponding facilities. Nevertheless, we oppose the recommended residential development impact fee increases as unjustifiably high and they are a factor in driving higher housing costs in Morgan Hill and Santa Clara County.

BIA remains very concerned by the spiraling cost of development and construction, including impact fees assessed by government. Affordable housing requirements, park fees, traffic fees, facility fees, sewer and water fees, school fees, etc., etc., all add tens of thousands of dollars to the cost to build a new home, pricing thousands of California families out of the market each day. Rising impact fees must be administered more judiciously.

The Terner Center for Housing Innovation at UC Berkeley has concluded in its March 2018 report, "It All Adds Up: The Cost of Housing Development Fees in Seven California Cities", individual fees add up and substantially increase the cost of building housing. Findings from this report show that development impact fees have significant implications for the cost and delivery of new housing in California. For example, Terner Center research found that total fees can amount to anywhere from 6 percent to 18 percent of the median price of a new home depending on location.

BIA also strongly recommends that the City assess whether any new or increased fee would individually or cumulatively represent a constraint to new housing and whether that action could trigger HCD action on the City's adopted housing element under AB 72. Here is a brief explanation of AB 72 from the HCD website:

> "AB 72 grants HCD authority to review any action or failure to act by a local government that it determines is inconsistent with an adopted housing element or housing element law. This includes failure to implement program actions included in the housing element. HCD may revoke housing element compliance if the local government's actions do not comply with state law.
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> In addition, HCD may notify the California Office of the Attorney General that the local jurisdiction is in violation of state law for non-compliance with housing element law, the Housing Accountability Act, "no net loss" law, density bonus law or anti-discrimination law."

Other BIA concerns regarding the development impact fee increases include:

- Fee assessment and payment requirements – The City should confirm that fees are set for all residential projects at time of application with payment due at building permit for single family homes or due at certificate of occupancy for multifamily projects;
- Total fee load – The total fee load before and after adoption of the development impact fee, including BMR inclusionary or linkage fees, should be clearly communicated. The staff report and supporting document omit important parts of this information;
- Feasibility Study – A feasibility study should analyze all development product types before recommending fee levels;

While BIA acknowledges the City Council's direction to reduce the 2019 development impact fee increase for traffic and parks below the maximum justifiable levels, we feel it is vital to point out that impact fees create serious impediments to addressing the housing affordability crisis the region is facing. BIA Bay Area looks forward to working with the City of Morgan Hill on development issues.

Thank you for your attention to these concerns.

Yours truly,

Dennis Martin
BIA Bay Area