



ANNUAL AND FIVE YEAR REPORTING FOR THE HOUSING IN-LIEU
FEE FUND AND FIVE YEAR REPORTING FOR THE MITIGATION FEE
FUND FOR THE TRAFFIC SIGNAL AT CARBON CANYON ROAD AND
CANYON HILLS ROAD

BACKGROUND/ANALYSIS

California Government Code Section 66000 et seq., authorizes the City of Chino Hills ("City") to impose, collect, and expend mitigation fees to offset the impacts of development within the City. Among the procedural requirements mandated by the Mitigation Fee Act is a requirement in Government Code Section 66006(b) that the City make specified annual findings of the funds collected and expended. The procedural requirements of the Mitigation Fee Act also include those specified in Government Code Section 66001(d) that the City make specified five year findings of the funds collected and expended.

Pursuant to Section 66006(b) of the state Government Code, this report presents the annual findings for fiscal year (FY) 2018-2019 for the City of Chino Hills Affordable Housing In-Lieu Fee fund, established pursuant to Resolution No. 06R-10. This report follows the Annual Development Impact Fee Financial Report completed by the City as of June 30, 2019, and also presents the five-year findings for FY 2014-2019 consistent with Section 66001(d) of the Government Code for the Housing In-Lieu Fee fund and the Mitigation Fee fund relative to the traffic signal at Carbon Canyon Road and Canyon Hills Road.

LEGAL REQUIREMENTS FOR DEVELOPMENT IMPACT FEE REPORTING

A. California Government Code Section 66006(b)

Government Code Section 66006(b) defines the specific annual reporting requirements for local agencies that impose mitigation fees. Annually, for each separate fund established for the collection and expenditure of Mitigation Development Impact Fees (DIF), the local agency shall make available to the public, the information shown below for the most recent fiscal year:

1. A brief description of the fee;
2. The amount of the fee;
3. The beginning and ending balance of the account or fund;
4. The amount of the fees collected and the interest earned;
5. An identification of each public improvement on which fees were expended and the amount of the expenditures on each improvement, including the total percentage of the cost of the public improvement that was funded with fees;
6. An identification of an approximate date by which the construction of the public improvement will commence, if the local agency determines that sufficient funds have been collected to complete financing on an incomplete public improvement;
7. A description of each interfund transfer or loan made from the account or fund, including the public improvement on which the transferred or loaned fees will be expended, and, in the case of an interfund loan, the date on which the loan will be repaid, and the rate of interest that the account or fund will receive on the loan; and

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8. The amount of refunds made due to insufficient funds being collected to complete financing on incomplete public improvements, and the amount of reallocation of funds made due to administrative costs of refunding unexpended revenues exceeding the amount to be refunded.

B. California Government Code Section 66001(d)

For all funds established for the collection and expenditure of DIFs, Government Code Section 66001(d) has additional requirements. For the fifth fiscal year following the first deposit into the fund and every five years thereafter, the local agency shall make all of the following findings with respect to that portion of the fund remaining unexpended, whether committed or uncommitted:

1. Identify the purpose to which the fee is to be put;
2. Demonstrate a reasonable relationship between the fee and purpose for which it is charged;
3. Identify all sources and amounts of funding anticipated to complete financing in incomplete improvements; and
4. Designate the approximate dates on which the funding is expected to be deposited into the appropriate account or fund.

**HOUSING IN-LIEU FEE FUND PURSUANT TO GOVERNMENT CODE SECTION 66006(b)
FINDINGS**

As required by Government Code Section 66006(b), the City makes the following findings regarding the Housing In-Lieu Fee fund:

1. **Brief Description of the Type of Fee:** The fee is an affordable housing in-lieu fee. On March 14, 2006, the City adopted Resolution No. 06R-10 to establish an interim affordable housing in-lieu fee, and approved an "Affordable Housing In-Lieu Fee Program." On April 14, 2006, the City Council approved Resolution No. 06R-16, thereby establishing the City's permanent Affordable Housing In-Lieu Fee Program for the purpose of generating fees that could be utilized to provide and maintain affordable housing.

The Affordable Housing In-Lieu Fee is charged to every new residential dwelling unit for which a building permit was issued after March 14, 2006, with exceptions for housing units constructed as a result of a recorded Density Bonus Agreement or Affordable Housing Agreement. The City's specific objectives for the use of the fee include preserving the existing affordable housing stock through rehabilitation, as well as increasing the supply of affordable housing through new construction.

2. **Amount of the Fee:** Under the adopted Program, the payment by the developer of an Affordable Housing In-Lieu Fee in the amount of \$1 per square foot of livable space is required for each eligible residential dwelling unit constructed within the City, with the following not-to-exceed fee amounts:

- \$3,500 for a new single-family unit, and

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- \$1,000 for a new multi-family unit.
3. **Fee balance:** The Affordable Housing In-Lieu Fee fund beginning balance on July 1, 2014 was \$ 543,279 and ending balance on June 30, 2019 was \$3,168,698. At the beginning of last fiscal year (July 1, 2018), the balance of the fund was \$2,980,850.
 4. **The Amount of the Fees Collected and the Interest Earned:** During the past fiscal year, \$60,029 in fees were collected and \$145,470 in interest was earned on the fund.
 5. **An Identification of Each Public Improvement on which Fees were Expended and the Amount of the Expenditures on Each Improvement, including the Total Percentage of the Cost of the Public Improvement that was Funded with Fees:** During the past fiscal year, \$17,651 of staff time was charged to the fund. These staff hours were expended working on the Habitat for Humanity Veterans Build Homes Program project, meeting and coordinating with non-profit housing developers regarding possible affordable senior housing development in the City, and researching appropriate sites for a possible affordable senior housing development project. These expenditures are related to development projects still in their planning phases so total project costs are preliminary.

The Habitat for Humanity project consists of development of two houses to be sold at levels affordable to Lower Income households. These lots, addressed at 4528 Fairway Boulevard and 4628 Fairway Boulevard, are surplus City owned property that will be transferred to Habitat for Humanity for construction of two Veterans Build Homes Program houses. The process to transfer these properties to Habitat for Humanity is ongoing. In 2014, the Planning Commission adopted a resolution finding that the transfer of these properties is consistent with the General Plan. In 2018, Habitat for Humanity submitted Design Review applications (DR-460 and DR-461) with plans to construct houses on the properties. Staff reviewed the plans and provided comments to the applicant. In 2019, Habitat for Humanity resubmitted the plans and has since been working with staff to refine the plans. Cost to the Affordable Housing In-Lieu Fee fund from the two Habitat for Humanity houses is expected to be about \$500,000. These costs include the fair market value of the lots, staff processing time, and permit costs. The Habitat for Humanity houses will be completed within the next five years. Of the \$17,651 of staff time charged to the fund for fiscal year 2018-19, \$3,793 was related to the Habitat for Humanity project. This represents less than 1% of the estimated project expenditures. Other sources of funding for this project would come from City land transfers and Habitat for Humanity labor and material contributions.

For the remaining Housing In-Lieu Fee funds, the City is committed to projects that support affordable housing, including senior housing. The City is actively researching the development of an affordable senior housing project. This research has included preparation of concept pro-forma analyses, meetings with non-profit housing developers, review of affordable senior housing projects in other cities and an on-going inventory of feasible sites within the City. Based on preliminary development estimates that will continue to be analyzed, a prospective affordable senior housing project could cost between \$17-\$25 million, depending on the size, type and location. These costs include financing fees, soft costs and construction costs. Of the \$17,651 of staff time charged to the fund for fiscal year 2018-19, \$13,858 related to an affordable senior housing development. This represents less than 0.01% of the estimated development costs.

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City staff's current plan is a senior affordable housing project of 40-60 units located at the southeast corner of Eucalyptus Avenue and Peyton Drive on vacant City-owned property. City staff is planning to recommend this option to City Council by the end of this calendar year. As envisioned, this project would provide affordable rental units in the low and very low range as defined by Health and Safety Code Section 50079.5 with an affordable rent, per Health and Safety Code Section 50053. The remaining Housing In-Lieu Fee funds would be combined with other sources of funding for this project which could come from a combination of available funds, possibly developer financing, tax exempt financing and government financing, or grant programs. City staff intends to begin the process this year by recommending to the City Council the issuance of a Request for Qualifications ("RFQ") to governmental and non-profit affordable housing providers. If approved by Council, City staff would then review qualifications of the responders to the RFQ, make a selection, negotiate project terms and process entitlements. Such a project would be projected to be completed in 2022 or 2023.

6. **An Identification of an Approximate Date by which the Construction of the Public Improvement will Commence, if the Local Agency Determines that Sufficient Funds have been Collected to Complete Financing on an Incomplete Public Improvement:** The Habitat for Humanity Veterans Build Homes Program project is expected to commence construction within two years and an affordable senior housing development is expected to commence construction within five years.
7. **A Description of Each Interfund Transfer or Loan Made from the Account or Fund, including the Public Improvement on which the Transferred or Loaned Fees will be Expended, and, in the case of an Interfund Loan, the Date on which the Loan will be Repaid, and the Rate of Interest that the Account or Fund will Receive on the Loan:** Interfund transfers or loans have not been identified at this time.
8. **The Amount of Refunds Made Due to Insufficient Funds being Collected to Complete Financing on Incomplete Public Improvements, and the Amount of Reallocation of Funds Made Due to Administrative Costs of Refunding Unexpended Revenues Exceeding the Amount to be Refunded:** All fees collected through the Affordable Housing In-Lieu Fee fund are expected to be allocated to projects that support affordable housing, including the Habitat for Humanity Veterans Build Homes Program project and affordable senior housing. These funds will be paired with City land transfers, volunteer contributions, developer financing, grants and tax incentives available to non-profit development. Consequently, sufficient funds are expected to be available to complete planned affordable housing projects, and no refunds or reallocations are expected.

AFFORDABLE HOUSING IN-LIEU FEE FUND PURSUANT TO GOVERNMENT CODE SECTION 66001(d) FINDINGS

As required by Government Code Section 66001(d) for such unexpended funds, the City makes the following findings regarding the Affordable Housing In-Lieu Fee fund:

1. **Identify the Purpose to which the Fee is to be Put:** The fee is an affordable housing in-lieu fee. On March 14, 2006, the City adopted Resolution No. 06R-10 to establish an interim

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affordable housing in-lieu fee, and approved an “Affordable Housing In-Lieu Fee Program.” On April 14, 2006, the City Council approved Resolution No. 06R-16, thereby establishing the City’s permanent Affordable Housing In-Lieu Fee Program for the purpose of generating fees that could be utilized to provide and maintain affordable housing.

Projects allocated for funding through the Housing In-Lieu Fee fund include projects that support affordable housing including Habitat for Humanity housing and senior housing, both activities that target households meeting the state of California Housing and Community Development Department (HCD) definition of lower income.

2. **Demonstrate a Reasonable Relationship between the Fee and Purpose for which it is Charged:** Under the adopted Affordable Housing In-Lieu Fee Program, the payment, by the developer, of an In-Lieu Fee in the amount of \$1 per square foot of livable space is required for each eligible residential dwelling unit constructed within the City, with the following not-to-exceed fee amounts:

- \$3,500 for a new single-family unit, and
- \$1,000 for a new multi-family unit.

The fee was established at the time Resolution No. 06R-10 was adopted based on testimony received by the City Council during public hearings, and on studies and investigation made by the City Council and on its behalf. This information considered by City Council established the reasonable relationship between the fee and the purpose for which it is charged. The purpose includes enabling the City to help facilitate the construction of affordable housing to meet the needs of existing and new residents in the community.

Note that the City chose to impose a very modest fee (\$1/sq. ft.), so this meant that substantial new development needed to occur before a sufficient sum was collected to construct any significant affordable housing project. Throughout the Great Recession years (2007-2012) very few units were constructed, so the Affordable Housing In-Lieu Fee fund remained small. Thus, as noted above, the Affordable Housing In-Lieu Fee fund beginning balance on July 1, 2014 was only \$543,279. Since 2014, however, the City has constructed 2,165 units. In fact, 1,030 of the building permits for these units were obtained in 2017 alone. Thus, the vast bulk of these funds were only received recently. Now that the City has collected approximately \$3,000,000 in the fund, there may be enough, in combination with additional fees expected to be collected over the near term, from private funds and various government grants, etc., to bring an affordable housing project of some scale to fruition. The estimated cost of the City staff’s current plan of a senior affordable housing project of 40-60 units located at the southeast corner of Eucalyptus Avenue and Peyton Drive on vacant City-owned property, is approximately \$17-25 million. The remaining Housing In-Lieu Fee funds might total \$4-5 million within the next two to three years, and that amount, combined with other sources of funding for this project which could come from a combination of potential sources noted above, makes this project possible. As noted above, such a project would be projected to be completed in 2022 or 2023.

The need for affordable housing has increased during the past five years and continues to increase. As discussed by the Southern California Association of Governments (SCAG) in the Draft Regional Housing Needs Assessment (RHNA) Allocation Methodology, November

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7, 2019, “There is no question that there is an ongoing housing crisis throughout the State of California. This is exacerbated in areas where there is not enough affordable housing available, particularly in higher income areas.” The City of Chino Hills is identified by SCAG as a higher income area in comparison to the County. This is noteworthy in Chino Hills, for while the City has met its RHNA targets for low and moderate housing through developing dense multi-family housing, it has not created any affordable units. While it has created more than 2,000 multi-family units over the past five years, no affordable housing units were added. Further, while the Chino Hills RHNA units have not yet been finalized in the latest (6th) allocation, the draft number shows Chino Hills being assigned to allow for 3,720 affordable units to be constructed.

There continues to be a reasonable relationship between the Affordable Housing In-Lieu Fee and the projects planned to mitigate demand for affordable housing. During the past five years, substantial progress has been made toward the two Habitat for Humanity houses and an affordable senior housing project. Development of affordable housing requires a unique use of resources, including reliance on volunteer efforts, participation by non-profit agencies that may lack the financial resources of for-profit developers, and creative use of grant funds and tax incentives. This unique requirement can make the progress toward affordable housing projects slower than market rate development, but in the case of Chino Hills, the progress toward projects continues with completion anticipated during the next five years.

3. **Identify all Sources and Amounts of Funding Anticipated to Complete Financing in Incomplete Improvements:** The Affordable Housing In-Lieu Fee fund beginning balance on July 1, 2014 was \$543,279 and ending balance on June 30, 2019 was \$3,168,698. At the beginning of last fiscal year (July 1, 2018), the balance of the fund was \$2,980,850. During the next five years, the fund is expected to generate an additional \$2,960,535 in revenues plus an additional \$512,723 in interest, for a total five-year increase of \$3,473,258. Additional sources of funding are expected to come from City surplus land contributions, volunteer contributions, developer financing, grants and tax incentives available to non-profit development.

4. **Designate the Approximate Dates on which the Funding is Expected to be Deposited into the appropriate account or fund:** Based on expected residential development during the next five years, revenue and interest to be collected in the Affordable Housing In-Lieu Fee fund from fiscal year 2020-21 through 2024-25 are as follows:

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Revenue	\$480,500	1,067,500	1,024,000	266,000	122,535
Interest	\$72,040	92,401	111,933	117,006	119,343

MITIGATION FEE FUND - CARBON CANYON ROAD AND CANYON HILLS ROAD TRAFFIC SIGNAL PURSUANT TO GOVERNMENT CODE SECTION 66001(d) FINDINGS

As required by Government Code Section 66001(d) for such unexpended funds, the City makes the following findings regarding the Mitigation Fee fund designated for the installation of a traffic signal at Carbon Canyon Road and Canyon Hills Road:

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1. **Identify the Purpose to which the Fee is to be Put:** The purpose of this mitigation fee is to install a traffic signal at Carbon Canyon Road and Canyon Hills Road.
2. **Demonstrate a Reasonable Relationship between the Fee and Purpose for which it is Charged:** The cost of the traffic signal is based on fair share contributions of development projects. There continues to be a reasonable relationship between this mitigation fee and the installation of a traffic signal at Carbon Canyon Road and Canyon Hills Road. Subsequent traffic studies conducted along Carbon Canyon Road, including the Phase 2 Traffic Study completed in October of 2018, demonstrate continued traffic congestion at this section of Carbon Canyon Road.
3. **Identify all Sources and Amounts of Funding Anticipated to Complete Financing in Incomplete Improvements:** Total cost for the signal is estimated at \$350,000. The other sources of funding for this project will likely come from the developer(s) of the properties within the vicinity of the intersection, fair share contributions from other potential development projects along Carbon Canyon Road and Caltrans. The City currently projects that these sources will be sufficient to completely fund this improvement.
4. **Designate the Approximate Dates on which the Funding is Expected to be Deposited into the appropriate account or fund:** The installation of a traffic signal at Carbon Canyon Road and Canyon Hills Road is dependent on the speed of the Hidden Hills development, but will likely be completed in the next five years.