TOWN COUNCIL STAFF REPORT

Title: Receive and discuss the draft 2026 Affordable Housing Impact Fee Nexus Study

Meeting Date: October 21, 2026

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RECOMMENDATION:

Discuss the draft 2026 Affordable Housing Impact Fee Nexus Study and provide recommendations to staff on potential modifications to the current housing fees and/or housing mitigation ordinance.

BACKGROUND:

Staff have been working on the update to the Housing Impact Fee Nexus Study ("Nexus Study") since 2021, and for a variety of reasons the update has taken much longer than anticipated. The Nexus Study report is now complete and is being introduced to Town Council for their review. Following the initial Town Council review, staff will provide any necessary updates to the report and complete any additional analysis and bring it back to Town Council at a subsequent meeting for adoption. Concurrent with the adoption of the Nexus Study, Town Council will also have the opportunity to review the housing impact mitigation fees, in accordance with the impact fees outlined in the Nexus Study.

In order to update or establish impact fees, a nexus study is required to establish the maximum monetary value of impact fees that a jurisdiction may legally assess.[1] The governing body (i.e., Town Council) has the discretion to impose the maximum impact fee established by the nexus study, or a lower impact fee dependent on overall housing and economic development goals. Adjusting the fee downward from the maximum level is a common practice as other sources of funding are also committed to providing affordable housing and higher fees may reduce or limit development activity in the Town.

Mitigation Fee Act

An impact fee is "a monetary exaction other than a tax or special assessment charged by a local agency to an applicant in connection with approval of a development project for the purpose of defraying all or a portion of the cost of public facilities related to the development project..." (California Government Code, Section 66000). The legal requirements for enacting impact fees are set forth in the Mitigation Fee Act (Government Code §66000-66025), also referred to as AB 1600 requirements. Impact fees must have a reasonable relationship (nexus) and be roughly proportional to the impact of the proposed development (Nollan/Dolan requirements). An impact fee shall not include costs

[1] The Town's Housing Impact Fee Nexus Study was last updated on July 1, 2015. The Town Council staff report along with relevant attachments is available here: https://pub-townofmammothlakes.escribemeetings.com/filestream.ashx?documentid=12789.

attributable to existing deficiencies or needs; impact fees may only include the costs attributable to the increased demand for public facilities reasonably related to the development project (Government Code §66001(g)). Impact fees shall not exceed the estimated reasonable cost of providing the service or facility for which the fee is being imposed (Government Code §66005(a)). The attached Nexus Study complies with the requirements of the Mitigation Fee Act.

ANALYSIS:

The Nexus Study provides an analysis, methodology, and justification framework for housing fees consistent with the Mitigation Fee Act.

The Nexus Study bases the fees on the estimated development cost difference between a market-rate 4-plex apartment and a 4-plex apartment with one (1) affordable unit. The cost difference was determined through a pro forma analysis and is the delta in the project valuation caused by one unit being restricted to an affordable rent level. The thought process for this approach is that the collected fees would then be provided as a subsidy to the 4-plex developer so that the developer could earn the same amount of profitability if they were to sell the four-plex development despite the rent on the fourth unit being capped at an affordable rent level. The cost difference was then further divided by nine to determine a per unit fee amount, as the study assumed that 10% of future residential development would qualify as affordable housing and that 90% would be considered market-rate housing. Following that calculation, a maximum per square foot residential fee amount was established in accordance with AB 602 which requires residential impact fees be imposed based on residential square footage criteria. For non-residential uses, the maximum fee amounts were established by calculating the number of employees per 1,000 square feet of floorspace for the various non-lodging categories and the number of employees per hotel room for lodging uses and then multiplying those numbers by the maximum per unit fee amount established in the pro forma.

The Nexus Study establishes maximum impact fees for the following categories:

- Residential
- Lodging
- Retail/Restaurants
- Office
- Light Industrial
- Service Uses

Housing impact fees for residential and non-lodging uses are calculated per gross square foot, and lodging uses are calculated per lodging room (or “key”).

Comparison of Housing Impact Fee Amounts

For comparison purposes, the maximum fee amounts from the 2015 Nexus Study, the 2026 Nexus Study, and the current fee amounts are listed below. When the Town Council adopted the 2015 Nexus Study, they decided to initially set the housing impact fees at an amount that was approximately 30% of the maximum fee amount. Those fees have increased year over year based on an inflationary index but have not exceeded what the maximum fee amounts were in 2015.

Use Type	2015 Nexus Study (Max)	2026 Nexus Study (Max)	Current Fee
Residential	$15,200 - 22,300 per Unit	$27,216 per unit ($10.89 / sf)	$9,252 per unit ($3.70 /sf)
Lodging	$9,300 per room	$8,124 per room	$6,169 per room
Retail / Restaurant	$86 / sf	$7.57 / sf	$3.39 / sf
Office	$48 / sf	$25.68 / sf	$3.39 / sf
Light Standard	$9 / sf	$12.40 / sf	$1.69 / sf
Services	$41 / sf	$9.92 / sf	$3.39 / sf

Items for Discussion

The following items are identified to facilitate Council discussion.

1. **Assumptions**.
   The Nexus Study identifies maximum fees based on a pro forma development modal, employee generation by use, and the cost subsidy of constructing rental housing with one affordable unit. Various assumptions are necessary for this analysis, including land costs, construction costs, housing type and size, occupancy rates, etc. The consultant used a variety of data sources to arrive at the assumptions. It is staff's opinion that the assumptions are justifiable in the context of the Mitigation Fee Act. Council may wish to discuss the assumptions utilized.

2. **Recommended Fees**.
   The fee amounts in the 2026 Nexus Study represent the maximum fees that can be imposed on the various development categories; however, the Town Council has the discretion to establish fees at a lower amount. Town Council also has the discretion to not make any modifications to the current fees and instead continue to apply the annual inflationary escalator to the current fee amounts. There is not an exact formula that can be applied to determine what is the appropriate fee level.

3. **Current Housing Mitigation Ordinance vs an Inclusionary Housing Ordinance**
   Prior to 2015 the Town had an inclusionary housing ordinance that required residential projects of 10 units or more and lodging projects of 20 rooms or more to provide on-sire workforce housing at a rate of 10% of the number of units/rooms. This was in place from 2009-2015 but did not result in the development of any workforce housing units. If the Town Council desires, staff can work with a consultant to prepare an inclusionary housing study that would analyze what a potential inclusionary requirement might look like and whether it would result in a meaningful number of units.